

KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER
Building Businesses that Stand the Test of Time
2007 - 2008 ANNUAL REPORT

Message from the State Director:

Due to the economic situation, 2007-2008 proved to be an interesting, but productive year for the Kentucky Small Business Development Center (KSBDC). This



year our network assisted in the opening of **192** new businesses and the addition of **979** jobs. Our clients received **230** loans for a total of over **\$24 million** and additional **\$13.6 million** was obtained in equity capital. Additionally, the sales of our clients generated over **\$4.2 million** in tax revenues, proving

the KSBDC continues to be a wise investment.

Since one of our priorities is building businesses that stand the test of time, the KSBDC responded quickly when the first signs of economic distress became apparent by expanding the services we offer to include services for struggling businesses. Through our expanded services we were able to save **86** jobs and help numerous businesses get millions of dollars in financing to stay afloat.

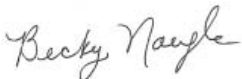
Overall, the KSBDC consulted with **2,129** existing and emerging business owners. Another **3,578** individuals attended one of the **317** training programs offered throughout the state.

Obviously, we cannot show you the impact that the KSBDC had on all of our clients, but we have highlighted a few of our successful clients. All of the businesses featured, both start-up and existing, will continue to have complete SBDC support so that they will stand the test of time.

The upcoming year will be another exciting one for the Kentucky Small Business Development Center as we continue to provide clients with high quality, hands-on and in-depth services.

In the meantime, if we can be of help to you or a small business you know, please refer them to the SBDC.

Sincerely;

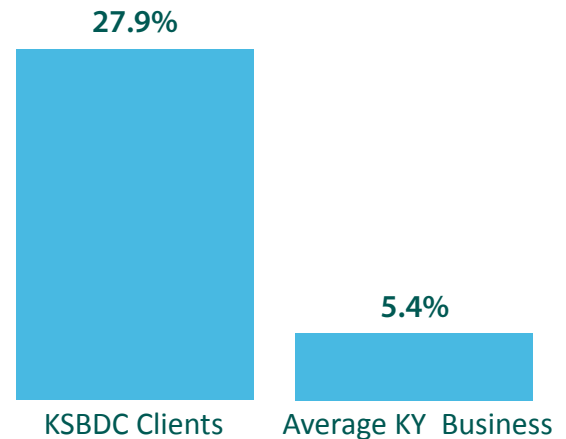


Becky Naugle, Ph.D.
State Director

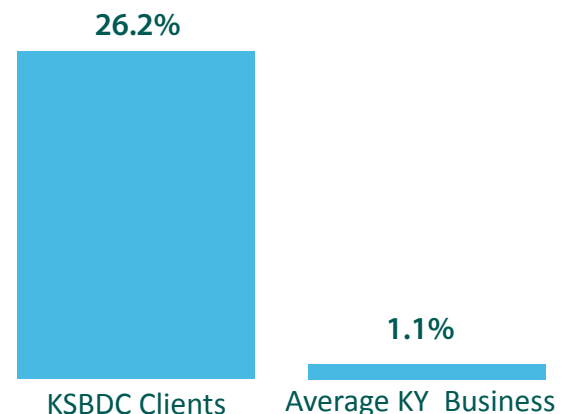
Statewide Economic Impact

	2007 - 2008	2003 - 2008
Loan Dollars	\$ 24.9 million	\$ 154.8 million
Loans Approved	230	1,127
Jobs Created or Retained	1,065	5,228
Sales Growth	\$ 53.5 million	\$ 359.4 million
Tax Revenues Generated	\$ 4.2 million	\$ 31.7 million
Business Starts	192	

Sales Growth Rate



Employment Growth Rate



Service Delivery

	2007 - 2008	2003 - 2008
Clients Counseled	2,129	12,346
Training Event Attendees	3,578	33,556
Requests for Information	30,758	104,799
Total Kentuckians Served	36,465	150,701

For every dollar invested in long term counseling, KSBDC clients return \$9.20 to the economy.

Client Feedback

Would Recommend the SBDC

91%

Found SBDC Services Beneficial

88%

Findings from an independent study conducted by James Chrisman, Ph.D., based on 2006 - 2007 data.

Success Stories

Matrix Engineering, PLLC

AT A GLANCE

Owners: Darren Jarvis & Michael Eck

Location: Paducah

SBDC: Murray State - Paducah

Consultant: Tom Hales

Matrix Engineering, PLLC, is a consulting engineering firm that specializes in bulk and material handling processes. Since 1995, Matrix

has served a broad spectrum of industrial clients, while specializing in the pulp and paper industry. In 2000, Matrix started working with petroleum coke (petcoke), a by-product of the petroleum industry, which can be used as an alternate fuel for natural gas or fuel oil in a Lime Kiln operation. The company has developed a patent-pending feed system and has become the industry leader in petcoke innovation and technology.

“Matrix Engineering is very aware of the volatile energy prices,” said Doug Knott, Director of Sales & Marketing at Matrix. “Therefore, we have developed a reliable product that will help the pulp and paper industry address the high cost of energy and, as a result, add financial benefit to their operation.”

In early 2008, Matrix began considering financial options

to further develop their petroleum coke feed system.

They worked with Tom Hales at the Paducah SBDC for assistance with applying for a forgivable loan through Kentucky’s Department of Commercialization and Innovation. Hales served as a liaison between Matrix Engineering and the Kentucky Cabinet for Economic Development to ensure that Matrix met specific requirements, as well as provided guidance throughout the entire process.



Matrix Engineering’s Mobile Test Unit

Currently, Matrix has installed 15 permanent feed systems throughout the Southeastern and Northwestern United States. They have completed one Mobile Test Unit (MTU) that allows clients to determine valuable operating and environmental data for obtaining an operating permit. A second MTU is under construction and will be completed in 2009. The MTU has other potential applications with biomass fuels, as well as environmental emission controls for feeding activated carbon for mercury removal and hydrated lime for sulfur dioxide removal.

Knight-ED, LLC

AT A GLANCE

Owners: Mark Knight, Founder and Chief Technology Officer & Larry Prinssen, Chief Operating Officer

Location: Lexington

SBDC: Bluegrass

Consultants: Shawn Rogers & Gordon Garrett

The movement of the printed circuit card business to Asia and Mexico contributed to the development of KNIGHT-ED, LLC. The business, formed in 2003, provides electronic designs, assembly and manufacturing of circuit boards, assemblies, sub-assemblies and wire harnesses. In

simple terms, KNIGHT-ED is an entrepreneurial company whose principals, Mark Knight and Larry Prinssen, support researchers and inventors by helping them turn their design plans into actual products. Sounds somewhat basic – but in reality they are anything but! Their competitive strength includes the ability to design, engineer and manufacture highly complex products in short cycle times in smaller lot sizes. Prinssen described the essence of KNIGHT-ED as being ‘the conduit between concepts and products.’

KNIGHT-ED is working with Xtreme Tracker in Marion, KY, on an electronic device that keeps track of the usage of rental construction equipment. The Tracker ‘knows’ when

the equipment’s engine is on and can track hourly usage, track its whereabouts with a GPS and remotely turn off the engine. The XT1 uses cell phone technology to communicate with a central location. The end result is accurate billing, better equipment maintenance and low communication costs.



Larry Prinssen (L) and Mark Knight (R) with a machine that handles the smallest commercially available electronic components.

The relationship with the Bluegrass SBDC began in 2006 when assistance was provided in the development of a business plan to submit to the Kentucky Department of Commercialization and Innovation for funding. The SBDC continues assisting KNIGHT-ED with its future operational plan and strategy implementation.

“The SBDC was instrumental in K-ED receiving funding from the Kentucky Cabinet for Economic Development, which allowed us to obtain the equipment we needed,” said Larry Prinssen. “Today, our SBDC consultants provide insight and guidance, in implementing business systems and financial strategies. Their support is invaluable especially in today’s economy.”

All American Fabrication

AT A GLANCE

Owner: Greg Gordon

Location: Owensboro

SBDC: Murray State - Owensboro

Consultant: Lois Decker

Greg Gordon has experience with construction, pipe fitting, iron working and fabrication. He decided to start his own fabrication business after the fabrication company

he managed was purchased and he was left unemployed. He put together a business plan and took it to Lois Decker at the Owensboro SBDC for her review. Lois helped him with the financial aspects of the business plan. She helped him forecast his profits and losses and made him realize other expenses that needed to be considered.

“Lois was instrumental in putting everything together. She helped me avoid some pitfalls,” Gordon said.

“Less people would fail if they were aware of everything that could happen when they started a business For this reason, I think everyone starting a business should go through the SBDC.”



Greg Gordon

All American Fabrication opened in the fall of 2007. In their first full year of business, they did three times the amount of business as projected in their business plan. They are researching the possibility of expanding and adding employees as their customer base grows. Gordon is continuing to work with the SBDC.

LeBayou Gourmet Foods, LLC

AT A GLANCE

Owner: Bob Blount

Location: Berea

SBDC: Eastern Kentucky University

Consultant: Kevin Norvell

Over 30 years ago in Lake Charles, Louisiana, Bob Blount was searching for a BBQ sauce to use for his family’s backyard grill. Since he couldn’t find exactly

what he was looking for, he created it. His efforts have resulted in what many loyal fans believe to be the perfect BBQ sauce. In fact, a few years ago, his sauce was used in conjunction with a dry rub to win the National Championship Barbecue Cook off in Meridian, Texas.



The award winning sauce is a Kentucky Proud product.

In 2008, Blount sought the assistance of the ECU SBDC to help turn his hobby into a business. Working with Kevin Norvell of the ECU SBDC, Blount has registered LeBayou Gourmet Foods, LLC as his legal business entity, identified a specialty food manufacturer to assist in producing his recipe, developed a company web site at www.lebayou.net and implemented accounting software to track his company’s progress.

“Kevin Norvell is like family to us and has treated us like we are something special,” said Bob Blount. “He has provided us with information, pointed us in the right direction and really helped us with advertising and the technical aspects of running a business.”

Ashland/Huntington West KOA

AT A GLANCE

Owners: Charles & Thelma Dameron

Location: Argillite

SBDC: Morehead State - Ashland

Consultant: Kimberly Jenkins

Three years ago, Charles and Thelma Dameron visited the Ashland SBDC to discuss the feasibility of opening a campground

in the Ashland area. The Damerons, avid travelers and campers, noticed there were no KOA campgrounds between Lexington and Ashland. The two began researching the idea and working with Kim Jenkins at the Ashland SBDC to develop a business plan that would help them acquire the capital needed to move forward. In January 2008, the Damerons broke ground and in July the campground opened to the public.

“Kim helped us with everything, from putting together materials for our loan to planning our ribbon cutting ceremony,” said Thelma Dameron. “We still work with her and any time we need help she is always there.”



Charles and Thelma Dameron at the groundbreaking.

Out-of-town travelers and local camping enthusiasts enjoy the amenities the campground offers, including pull through RV and travel trailer sites, back-in sites, cabins, non-primitive tent campsites and rustic camping. The campground also offers miniature golf, a general store, playgrounds, a swimming pool and shower and laundry facilities.

El Poncho, LLC

AT A GLANCE

Owner: Mary Lozier

Location: Pikeville

SBDC: Morehead State - Pikeville

Consultant: Mike Morley

For many years, Mary Lozier worked in the food industry as a server and in the kitchen. She was regarded as one of the best servers at a local family restaurant.

Although she was really successful working for her employer, she always had visions of owning her own restaurant. She worked hard and long hours every day but paid attention to how the operation made money and studied what mistakes to avoid.

Lozier's employer gave her the opportunity to take over the Mexican restaurant that he owned. The restaurant had a good following but trying to find and keep good management had always been a problem. Thus, he made an offer to Lozier.



Mary Lozier working the register.

She discussed this opportunity with her husband, Troy, and they decided to pursue her lifelong dream and purchase the business. They approached a local bank that, in turn, referred them to the Pikeville SBDC. They gathered information and worked hard with the SBDC consultant to get documents together that would encourage the bank to make a loan. The bank approved the loan and in October 2007, the Loziers took ownership of the business. They have now operated El Poncho for a over year and are already profitable.

Coffman Mortuary

AT A GLANCE

Owners: Josh & Jodi Coffman

Location: Mt. Sterling

SBDC: Morehead State -Morehead

Consultant: David Barber

and found a cremation incinerator to purchase.

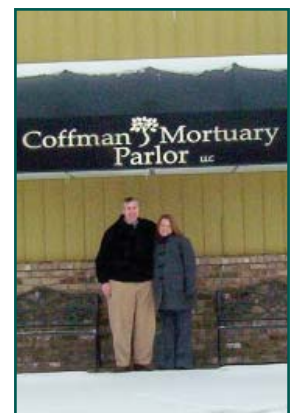
During the next couple of months, Morehead SBDC consultant, David Barber, worked with the clients preparing a loan proposal. Barber assisted the clients in preparing a written business plan and generating the financial projections for the business proposal. The clients applied for a Community Express Loan with The Traditional Bank of Mt. Sterling and were approved for the loan in February 2008.

“David did a very good job helping us with the Community Express Loan. David was always very supportive and was a pleasure to work with on this project. We will always be grateful for his assistance,” said Josh Coffman.

Coffman Mortuary was opened in February 2008 and the business has surpassed the conservative projections of the owners.

The mortuary has a chapel that can accommodate approximately 40

people for a service and the clients have been conducting larger funeral services at local churches. The Coffmans have a very good reputation in the area and the business has a bright future.



Josh and Jodi Coffman

In December 2007, Josh and Jodi Coffman came to the Morehead SBDC seeking assistance in opening a new mortuary in Mt. Sterling. Josh Coffman is a professional funeral director and embalmer with 11 years of experience and holds an associate degree in funeral science. He worked with a number of other local funeral directors and felt that the time was right to open his own mortuary. The clients decided that it would be a good idea to offer cremation services

Superior Printing and Publishing

AT A GLANCE

Owners: William & Tina Whitaker
Location: Cromona
SBDC: Southeast
Consultant: Sam Coleman

Mike Whitaker and his wife Tina recently took over operations of Superior Printing and Publishing. Whitaker's parents started the printing business along with the Letcher County News Press, a community newspaper over 50 years ago.

"We've worked in this business for 30 years, but sometimes you become so immersed in the day-to-day operations you lose track," said Tina Whitaker.

The couple realized that to stay competitive, particularly in a struggling economy, they needed to become more efficient and expand their services into new markets. In order to do so, the Whitakers decided to purchase a four color printing press. Before taking this step, they visited with Samuel R. Coleman, Jr. at the Southeast SBDC. He assisted with developing a business plan to outline the future of the business and also assisted them with organizing financial records.



Sam Coleman with the Whitakers

Superior Printing & Publishing decreased production time by using the new printing press. Now customers can get orders that formerly took four days to print in only one day, which provides Superior Printing another competitive advantage. They recently received the largest contract in company history and have hired two new employees to meet the increase in demand.

Pre-Sim Solutions, Inc.

AT A GLANCE

Owners: Jeff Hartnady & Gale Alleman
Location: Taylor Mill
SBDC: Northern Kentucky University
Consultant: Carol Cornell

While working in the aviation industry, Jeff Hartnady and Gale Alleman, noticed that the flight simulator training available to airlines and flight schools

was inadequate in terms of capacity and much too costly. After a discussion with colleagues, Hartnady and Alleman realized that they could create and offer much more realistic devices at a fraction of the cost. Based on their initial assessment of the potential for simulation training, they contacted Carol Cornell at the Northern Kentucky University SBDC for assistance in determining the feasibility and true market opportunity with their project.



Gale Alleman (L) and Jeff Hartnady (R) with their prototype.

"Carol took what we believed was a good business plan and turned it into a fully developed business plan," said Jeff Hartnady. "She helped us put it into 'bankers speak' by adding appropriate financial data and a market analysis. Carol has been an invaluable asset to our startup. She helped us see that we could launch and grow our way to success."

Currently, Pre-Sim Solutions has a contract to build simulators that are replicas of Robinson R22 helicopters. They are in the process of fine tuning their prototype and are testing it at a local flight school. They are also positioned to offer simulation technology for several small commercial aircraft.

Blazer's Fun Zone

AT A GLANCE

Owner: Anita Erhardt
Location: Radcliff
SBDC: University of Kentucky
Consultant: Patricia Krausman

Anita Erhardt spent many years in the banking industry before becoming a stay at home mom. As her kids got older, she realized that she wanted to create a business where they could be involved. Initially, she considered turning her cake decorating hobby into a business, but realized there were too many competitors. She decided that the community lacked activities for children. Thus, the idea for Blazer's Fun Zone was born!

Erhardt met Patricia Krausman with the University of Kentucky SBDC when she was researching the bakery business and returned to Krausman for assistance with her business plan.

"I could not have done this without Patricia," said Erhardt. "She helped me crunch the numbers for my financial projections and helped make my business plan presentable to lending institutions."

With Krausman's assistance, Erhardt secured the financing she needed to build a 25,000 square foot indoor family entertainment center. The business, which has been in operation for two years and employs 28 people, offers cosmic skating, an arcade, inflatables, putt-putt golf and rock climbing. Blazer's Fun Zone also offers pizza, hamburgers and a coffee bar. Erhardt incorporated her bakery by making cakes for the events they host. Additionally, her children, ages 11 and 14, serve as her "testers" and accompany her to trade shows so they can pick out the best food and games for Blazer's Fun Zone.



Anita Erhardt showcases her cosmic skating rink.

Studio 230

AT A GLANCE

Owner: Alicia Gibbs

Location: Maysville

SBDC: Morehead State - Maysville

Consultant: Mike Jackson

Alicia Gibbs wasn't planning to open her own business. She has been a hair stylist for eight years and was comfortable working behind the chair. Then she was

approached with the opportunity to purchase a building that made a perfect location for a salon. She decided to take the risk. Having little business experience, she visited Mike Jackson at the Maysville SBDC

Gibbs and Jackson worked together to create a business plan that could be used to secure financing. He helped her develop realistic financial projections and set goals.

"Not only did he help me with my business plan and setting financial goals, but he has been instrumental in helping promote my business," said Gibbs. "He continually refers customers to my salon."



Alicia Gibbs

Studio 230, a young modern salon, opened in December 2007. Gibbs, who is booked solid for three months, refers clients that cannot get on her appointment book to one of the five additional stylists she hired. She has the customer demand to continue growing her business, but she prefers the intimate feel that is not always present at larger salons.

Chaney's Dairy Barn

AT A GLANCE

Owner: Carl Chaney

Location: Bowling Green

SBDC: Western Kentucky University

Consultant: Rick Horn

Due to the continuing low price of milk, the Chaney family, owners of a dairy farm just outside of Bowling Green, began to look for new avenues for

profitability in 2001. After much research, they discovered that successful dairy farms were turning to agritourism and selling homemade ice cream on their farms. Carl and Debra Chaney visited many of these profitable farms across Kentucky and Southern Indiana to learn more. Next, Carl Chaney attended an intense 10-day ice cream course and four-day retail seminar. Chaney also headed to the Western Kentucky University SBDC for assistance.

"The SBDC and Rick were really helpful in getting demographic studies done and traffic counts to help us pick our location. They were a great resource for our initial business plan," said Carl Chaney.



Carl Chaney and Family

Now, Chaney's Dairy Barn offers sandwiches, potato soup and nearly 30 flavors of ice cream and a variety of sundaes, shakes and specialty desserts. Additionally, families head to Chaney's Dairy Barn to enjoy free Friday night movies and the corn maze during the summer months.

Lawrence & Associates

AT A GLANCE

Owner: Jean Henry

Location: Louisville

SBDC: Greater Louisville

Consultant: Chanca "Toni" Cardell

Lawrence & Associates, a developer of customized concrete and drainage projects, has served the Louisville area's concrete needs for 15 years. The business primarily focuses on municipal contracts, but also serves as a subcontractor on small to medium size commercial projects.

In the fall of 2006, Jean Henry, a manager at Lawrence and Associates, decided to purchase the business making it a wholly female owned business. Henry met with Toni Cardell at the Greater Louisville SBDC prior

to purchasing the business to get assistance in securing financing for her business. Cardell reviewed her business plan, worked with her to develop an action plan and gathered market research to determine the contracting opportunities in other areas.

Cardell has continued to support Henry by helping her navigate insurance issues and locate contracting opportunities.

Lawrence and Associates received the 2008 Pacesetter Business Recognition Award, an award presented to high

performing second-stage businesses that employ six or more people, have been in operation for three years and have sales meeting or exceeding \$500,000.00. Lawrence and Associates was recognized for their company values which include hands-on, just-

in-time project management; relationship centered business development; customer access to key management; and, staff development and seasonal retention. Additionally, the company has become a resource for its customers for new innovations in concrete such as decorative products, environmentally-friendly concrete and concrete meeting

the specifications for the American Disability Act.



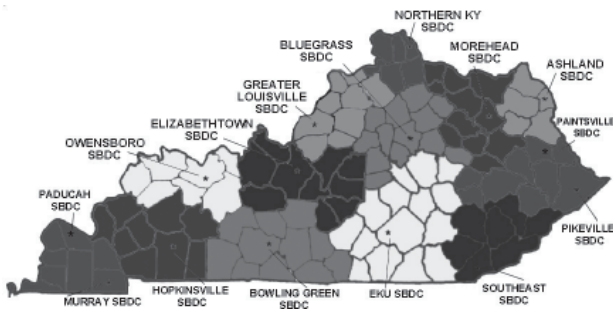
Jean Henry (center) with her employees at the 2008 Pacesetter Business Recognition Program.



KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER
Planning ■ Consulting ■ Training

Kentucky Small Business Development Center is a network of service centers located throughout the Commonwealth that help start-up and existing businesses succeed by offering high quality, in-depth and hands-on services. These services include: no-cost confidential business consultations, affordable business workshops and seminars, research to make informed business decisions and valuable planning resources.

KSBD Network



www.ksbdc.org

KSBD Partners

Eastern Kentucky University
 Greater Louisville
Greater Louisville Inc.
Louisville Metro
Sullivan University
University of Louisville

Ashland 606.329.8011	Morehead 606.783.2895
Bowling Green 270.745.1905	Murray 270.809.2856
Elizabethtown 270.765.6737	Owensboro 270.926.8085
Highland Heights 859.442.4281	Paducah 270.443.2783
Hopkinsville 270.886.8666	Paintsville 606.788.6008
Lexington 859.257.7666	Pikeville 606.432.5848
Louisville 502.625.0123	Richmond 859.622.1384
Maysville 606.564.2707	Somerset 606.678.3042
Middlesboro 606.248.0563	West Liberty 606.743.4005, ext. 215

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