

Our Local Banks Welcome You

To: Prospective Business Clients
From: Washington County, Tennessee Banks

In anticipation of your imminent visit to Johnson City, we would like to offer some suggestions as to how you might help us evaluate any financing proposal you may be considering. As a matter of routine, our banks ask for a considerable amount of information before undertaking credit analysis, research, and commencement of the due diligence exercise.

By using this letter to cover the major highlights of what our banks ask from all their customers, you will gain and appreciation for what to expect from just about any bank you might visit here. If you are from outside the United States, we are at a great disadvantage in fully analyzing loan requests from citizens of other countries, since we have no convenient way of confirming financial and professional histories. The material you may want to consider assembling is listed below.

1. Financial statements on your company for at least three years, preferably five. If your accountants have prepared "audited" statements, we would like to review that financial history.
2. Depending on the nature of what you propose for the banks to consider, you might prepare personal financial statements for the principals of your company and the new (proposed) company, if they are to be different. All banks offer pre-printed forms for this purpose and are basically the same from bank to bank.
3. You might also ask a local accounting firm to assist you in preparing a five year financial plan (or at least a three year plan) using a set of the basic assumptions and projections embodied in your strategic plans. Your local CPA will be familiar with preparation and presentation of income statements, balance sheets, statements of cash flow from corporate inception through start-up phase to the end of the projection time frame.
4. Along with personal financial statements, it would be very helpful to have personal histories describing the professional and educational careers of your company's principals. This information will give the banks a better understanding of how well you are equipped to manage the proposed business enterprise.
5. Eventually we will want to have discussions with your solicitor, accountant, business references and, of course, your banker.
6. You might give some thought to some specific terms for a bank loan - major terms and conditions for a loan such as amount, repayment provisions, description of collateral, and purpose (like working capital, equipment finance or project finance.)
7. Since you might be a public company with securities traded on the stock exchange, we would also like to review copies of all material filings with the securities agencies of your federal government (US or other.) These documents may be similar to shareholder proxy statements, 10-K's (annual reports) and 10-Q's (quarterly).

This may seem like an overwhelming amount of information, but please remember that the information is no more voluminous than that asked of all our customers. It is just that we are starting from scratch, so to say, in building a banking relationship with a new corporate citizen of Washington County.

Thanks again for your interest in Tennessee and Washington County. We hope this will be helpful to you in your business planning and we look forward to meeting you.

CONVENTIONAL FINANCING

All major insurance companies and 15 banks serve the Johnson City area. These institutions have indicated a desire to assist and cooperate fully in the continued industrial and economic development of the area. The financial institutions serving Johnson City, subject to banking laws and the company's financial condition, are ready to financially serve any industry's needs, including working capital, real estate and equipment loans. The institutions have cooperatively participated with each other in making sizeable industrial loans in the past, and will continue to do so in the future.

INDUSTRIAL REVENUE BOND FINANCING

Both Washington County and the City of Johnson City have bond boards empowered to issue Industrial Revenue Bonds for industries seeking to expand in the County. This form of bond financing may provide up to 100% financing of land, building, equipment and machinery as well as development cost. The Deficit Reduction Act of 1984 placed restrictions on the dollar volume of IRB issues per each state. The State of Tennessee, in an effort to ensure that volume limits are not exceeded, requires the reservation of bond authority amounts by bond users once an Inducement Resolution has been obtained from the local bond board.

FAST TRACK INFRASTRUCTURE DEVELOPMENT PROGRAM (FIDD)

Through FIDD, communities can obtain funds for infrastructure improvements and limited site development costs. These funds are dependent on the number of jobs and investment being made by a manufacturing, distribution, or telecommunication company.

The assistance can be in the form of either a grant or a loan. If the improvement will be of general community benefit, the assistance will be a grant. If the benefit is only to a specific business, the assistance will be a loan. Loans and grants can be obtained ranging from 60 - 100 percent of the project cost, with a maximum GRANT of \$750,000.

VENTURE CAPITAL

The University of Tennessee has established a Venture Capital Center. The Center evaluates new concepts and assists companies with a link-up to venture capitalists.

OTHER GOVERNMENT SOURCES

While Federal assistance sources are limited, the Board is willing to assist industries in applying for loans from such agencies as the Small Business Administration (SBA) or the Economic Development Administration (EDA).

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Housing and Community Development Act of 1981 made it possible for states to assume administration of small cities Community Development Block Grant funds (CDBG) previously administered by the U.S. Department of Housing and Urban Development (HUD). In Tennessee, the Department of Economic and Community Development (ECD) administer the CDBG program. With CDBG monies, the State has established a revolving loan program for new and expanding industries. Low interest loans up to \$7,500 per each job created and up to a total loan amount of \$500,000 can be obtained for industries creating jobs for low and moderate-income persons. Interest rates are three points below prime for the first five years of the loan, two points below prime for years six through ten, and one point below prime for years 11 through 20. Loan monies can be used for equipment and/or buildings. Loan applications are made through the First Tennessee Development District.

MORTGAGE LENDING GUIDELINES

SBA 504 LOAN PROGRAM

TYPE FINANCING/GRANT: Long term financing to supplement bank loan. One job must be created for every \$35,000 of SBA loan. Below is an example loan structure.

-50% first mortgage loan from a private sector lender. Lender sets rate and fee structure on their portion.

-40% second mortgage loan from the SBA.

-10% cash injection by company on fixed assets purchased.

USE OF FUNDS: Fixed asset financing (land, building, equipment and machinery.)

INTEREST RATE, LIMITS & TERM ON SBA PORTION

Maximum Loan \$1,250,000 (40% of the project)

Maximum Term on Building 20 years SBA, 10+ years Bank

Maximum Term on Equipment 10 years SBA, 7+ years Bank

Approximate Interest Rate (Building) Long term T-Bill Rate + 1.0%

Approximate Interest Rate (Equipment) Five-year T-Bill Rate + 1.0%

TYPE BUSINESSES ELIGIBLE: Most for-profit manufacturing and service businesses with a net worth of less than \$6 million and net profit after taxes of less than \$2 million.

TIME FRAME: Application takes approximately 45-60 days to process. Company needs to submit information in a timely manner.

INELIGIBLE USES: Working capital, debt consolidation, refinancing, purchase existing business, most restaurants, real estate investment companies, education institutions.

ADVANTAGES: Fixed interest rate, low down payment, allows lender participation on certain projects. Program can be used for new facilities as long as a lender provides interim financing. Davis-Bacon wage rates do not apply.

DISADVANTAGES: Some time constraints, fee on SBA portion 2.9 points SBA often requires additional outside collateral.

SPECIAL CIRCUMSTANCES: Lender participation is essential to project. Interim financing required on most projects.

SBA 7A LOAN PROGRAM

TYPE FINANCING/GRANT: The Small Business Administration (SBA) guarantees up to 90% of a bank loan.

-90% guarantee for loans under \$155,000

-75% for loans over \$155,000

-Maximum SBA 7A guarantee amount is \$750,000

USE OF FUNDS: Program provides long term financing for real estate acquisition, building construction or expansion, purchase of machinery, purchase of inventory and working capital.

TERMS ON SBA 7A LOAN

Machinery & Equipment	10 Year Term
Land and/or Building	Up to 25 Years
Working Capital	5 to 7 Years
Purchase of Inventory	5 to 7 Years

INTEREST RATE AND FEES: Lender sets rate up to 2.75% above prime. A guarantee fee of 2% can be charged to the borrower.

TYPE BUSINESS ELIGIBLE: Most for-profit businesses with sales of less than \$10 million.

TIMEFRAME: Application needs to be approved by the lender and SBA. If the lender is a SBA "certified lender," SBA guarantees a three-business day turnaround.

ELIGIBLE USES: Machinery, equipment, land, building, working capital, refinancing business debt.

INELIGIBLE USES: Speculation, non-profit enterprises, lenders, and investment purposes.

ADVANTAGES: Program has a good turnaround time. No set job requirement.

DISADVANTAGES: Interest rate may be above conventional rates, but may be the borrower's only alternative. Outside collateral is often required.

SPECIAL CIRCUMSTANCES: Debt consolidation can occur when existing short term credit is not meeting the financial needs of the business.

**BUSINESS DEVELOPMENT
LOAN FUND (BDLF)**

TYPE FINANCING/GRANT: Low interest loans to businesses with good job creating ability and a need for supplemental financing. One job per every \$20,000 of BDLF funds borrowed (two-year period). An example loan structure follows:

-50% first mortgage loan from private sector lender (e.g. bank). Lenders set rate and fee structure on their portion.

-40% second mortgage loan from the BDLF.

-10% cash injection by company on fixed asset purchase.

COUNTIES ELIGIBLE: Businesses in Carter, Greene, Hancock, Hawkins, Johnson, Unicoi and Washington Counties with the exception of businesses in the corporate limits of Johnson City and Kingsport.

USE OF FUNDS: Primarily for fixed asset financing (land, building, equipment and machinery).

INTEREST RATE, LIMITS & TERM ON BDLF PORTION

Maximum Loan	\$150,000
Maximum Term on Building	15 Years BDLF, 10+ Years Bank
Maximum Term on Equipment	5 Years BDLF, 5+ Years Bank
Approximate Interest Rate (fixed)	WSJ Prime Rate less 3%. Minimum interest rate 4%.

TYPE BUSINESSES ELIGIBLE: Most for-profit manufacturing and service businesses. Emphasis on locally owned businesses wanting to expand. Start-up businesses are also eligible.

TIMEFRAME: Application takes approximately 30-45 days to process. Company needs to submit information in a timely manner.

INELIGIBLE USES: Debt consolidation, refinancing, purchase existing business, restaurants, real estate investment companies, educational institutions.

ADVANTAGES: Fixed interest rate, low down payment, allows lender participation on certain projects.

DISADVANTAGES: Retail firms are not eligible.

SPECIAL CIRCUMSTANCES: Lender participation is essential. Funding for the BDLF program is provided through loans from the Farmers Home Administration, Intermediary Relending Program and through a grant from the State of Tennessee.

CDBG INDUSTRIAL LOAN PROGRAM

TYPE FINANCING/GRANT: Low interest loan based on company' S job creation ability and need for supplemental financing. One job should be created for every \$7,500 of CDBG funds.

USE OF FUNDS: Fixed asset financing (e.g. land, building, equipment and machinery).

INTEREST RATE, LIMITS & TERM: Maximum Loan for Washington County businesses is \$500,000, with a maximum term on building loans of 15 years. The maximum term on equipment loans is seven years.

	<u>Distressed Counties</u>	<u>Other Counties</u>
Maximum Loan	\$750,000	\$500,000*
Maximum Term on Building	20 Years	15 Years
Maximum Term on Equipment	7 Years	7 Years

*Three-Star communities can receive up to \$650,000

	Minimum Interest Rate		
Years 1 - 5	5BPB	3BPB	
Years 6-10	4 BPB	2 PBP	
Years 11-20	3 PBP	1 PBP	

TYPE BUSINESSES ELIGIBLE: Industrial manufacturing and export-oriented distribution companies.

TIMEFRAME: application takes approximately 60 days to process. Company needs to submit proper information in a timely manner.

INTELIGIBLE USES: Working capital, relocation, transfer of assets, purchase existing business.

ADVANTAGES: Low rates, potential gap financing.

DISADVANTAGES: Time constraints, documentation.

SPECIAL CIRCUMSTANCES: At least 51% of the employees hired must be from low and moderate income families, as defined by the Tennessee Department of Employment Security. Davis-Bacon wage rates apply on construction. An environmental review or assessment must be completed on projects. Start up companies must have 20% equity and 30% of the project financing must come from private sources.

INDUSTRIAL REVENUE BONDS (PRIVATE ACTIVITY BONDS)

TYPE FINANCING/GRANT: Industrial revenue bonds are securities issued by either a county, city or an authorized issuing agency (e.g. Industrial Bond Board) for the purpose of purchasing fixed assets. These fixed assets are in-turn leased to responsible manufacturing and industrial related companies. At the end of the lease, the company can purchase the assets based on a predetermined price. Bonds are available on a taxable or tax-free basis depending on the use and availability of the funds. When the bonds are issued, the issuing agency is not responsible for retiring the debt; the company leasing assets is responsible. The assets are held as collateral by the issuing agency.

USE OF FUNDS: Fixed asset financing (e.g. land, building, equipment and machinery).

TERMS & INTEREST RATE

Range	\$1-\$10 million
Maximum Term on Building	25 years
Maximum Term on Equipment	7 years
Interest Rate, tax-free	Varies by strength of company, ranges upward from 70% prime.
Interest Rate, Taxable	Varies by strength of company, ranges upward from market rates.
Underwriting Fees	3-5% of bond issued.

TYPE BUSINESSES ELIGIBLE: Industrial manufacturing and manufacturing-related distribution companies.

TIMEFRAME: 90-120 days.

INELIGIBLE USES: Working capital, relocation, transfer of assets, purchase existing business.

ADVANTAGES: Low lease payments since interest rate is low. Finance up to 100% of project.

DISADVANTAGES: Size of project needs to be fairly large. Legislation on tax-free bond program and dollar amount available reviewed annually; better to avoid doing a project close to year-end. Taxable bonds are available, but at a high rate.

SPECIAL CIRCUMSTANCES: Principal and interest on bonds are paid solely from the rental payment of the borrowing company. The lease is the exact amount necessary to pay debt service on bonds.

TVA INDUSTRIAL DEVELOPMENT LOAN FUND

TYPE FINANCING: Revolving loan fund established to stimulate industrial development and leverage capital investment in the TVA power service area. Loans are typically below market rate, with specific rates to be determined on a case-by-case basis after considering the loan evaluation criteria.

TYPE BUSINESSES ELIGIBLE: Loans are made for new industrial plants, plant expansions, plant retention, infrastructure development (such as speculative industrial buildings and industrial parks), and a limited number of other loans. Either a local government, power distributor, or an established economic development organization must sponsor all projects. Loans are made to TVA power customers, communities, or non-profit economic development corporations to support approved projects.

Loans are evaluated based upon a project's financial viability, management quality, community economic impact; funds leveraged, and increased electrical power sales.

USE OF FUNDS: No TVA loan is likely to exceed \$2 million. The TVA funds should be used for the acquisition of fixed asset. Real estate and equipment are recognized as acceptable collateral.

LIMITS: Maximum length of terms is ten years for new plants, plant expansion and plant retention loans. Maximum length of terms for service industry loans is seven years, and five years for infrastructure loans. Repayment schedules will be determined on a project-by-project basis. Each TVA dollar invested should leverage additional funding from other sources. Generally, a minimum of one job should be created or retained for every \$5,000 invested by TVA. Maximum loan amounts vary according to the type of project.

INFRASTRUCTURE PROGRAMS

FAST TRACK INFRASTRUCTURE DEVELOPMENT PROGRAM (FIDD)

TYPE FINANCING/GRANT: State grants to assist communities with infrastructure projects in order to locate an industry (bird-in-hand).

USE OF FUNDS: eligible activities include, but are not limited to the following:

- Water Line Extensions
- Sewer Line Extensions
- Site Improvements (special circumstances)

LIMITS:

Maximum grant for infrastructure \$750,000
Maximum grant for site preparation \$ 75,000
Grant rates vary by community and county-based on the Ability-to-Pay Index.

TYPE BUSINESSES ELIGIBLE:

- A) Manufacturers which export more than half their product outside of Tennessee.
- B) Businesses where more than half their product enters into the production of exported products.
- C) Replace imported products with Tennessee products.

TIMEFRAME: Depends on type of project. The first phase of the process is to allow the Tennessee Department of Environment and Conservation to review the feasibility of the infrastructure and engineering report. The second phase is a review of the business and its likelihood of long-term success.

INELIGIBLE USES: Projects without infrastructure and site improvements, speculative projects, gold-plated projects with excess capacity.

ADVANTAGES: Program is very responsive.

DISADVANTAGES: Grant from federal sources will be deducted from TIIP grant. (e.g. 100% financing is not possible.)

SPECIAL CIRCUMSTANCES: Pool of funds limited. Program works best if company is creating a significant number of jobs and has private financing available. Company financial information must be complete and the commitment letter must be specific. A federal Environmental Review process is not required. Davis-Bacon Wage rates do not apply, but state wage rates do apply.

APPALACHIAN REGIONAL COMMISSION (ARC)

TYPE FINANCING/GRANT: Grant funding to ARC counties and municipalities. ARC funds are administered through the Tennessee Department of Economic and Community Development.

USE OF FUNDS:

- Infrastructure development (bird-in-hand industry)
- Job training
- Education development skills
- Housing improvement
- Multi-jurisdictional enterprise development

LIMITS:

Maximum Grant \$500,000
Funding Limit 50% ARC
(Washington Co.) Ability-to-Pay Index, CDBG counts as local Dollars

TYPE PROJECTS ELIGIBLE: Water, sewer, roads, rail, and computer literacy. (See Use of Funds also).

TIMEFRAME: Applications are accepted from October 1 - November 15. Project package submitted to Washington, DC on December 15. Recommended projects sent to Washington, DC on June 30. Project approved by September 30.

INELIGIBLE USES: Library, cultural center and recreational facilities. Construction of schools, hospitals and government office buildings. Social service facilities.

ADVANTAGES: Helps supplement other sources of funding and minimizes amount of local funds used. Works best for large-scale projects.

SPECIAL CIRCUMSTANCES: Grant application is fairly detailed, but straightforward.

Source of Information: First Tennessee Development District

Area Financial Institutions

Andrew Johnson Bank

Debbie Cobb, Branch Manager
3300 Browns Mill Road
Johnson City, TN 37604
262-0091

Bank of America

Kristen Kincher, Branch Manager
1616 W. Market Street
Johnson City, TN 37604; Phone 461-8119

Bank of Tennessee

Roy Harmon, Chairman of the Board
POB 4980; 112 Mountcastle Drive
Johnson City, TN 37602; Phone 282-9500

BB & T Bank

Jamia Rentz, Business Services
203 Broyles Drive
Johnson City, TN 37601; Phone 282-7900

Citizens Bank of Tri-Cities

Andy Whetsel, Executive Vice President
POB 1265; 3028 Peoples Street
Johnson City, TN 37605; Phone 952-2265

Elizabethton Federal Savings Bank

Shirley Hughes, President
112-14 N Sycamore St.; Elizabethton-37643 (M)
304 Sunset Drive; Johnson City -37604 (L)
952-2560

First Bank & Trust

Matthew Eads, Branch Manager
POB 4775; 1185 N State of Franklin Road, 37604
Johnson City, TN 37602; Phone 975-9900

First Tennessee Bank

K. Newton Raff, Chairman & CEO
POB 1596; 2112 North Roan Street, 37601
Johnson City, TN 37605; Phone 461-1200

Greenbank

Randy Humphreys, Regional Manager
150 North Lincoln Avenue
Jonesborough, TN 37659; Phone 753-1500

Miners Exchange Bank

Heath Everroad, Branch Manager
POB 8485; 5575 Bobby Hicks Hwy; 37615
Gray TN 37615; Phone 477-3800

Mountain Commerce Bank

Rebecca Hooks, Branch Manager
3122 Bristol Highway
Johnson City, TN 37601; Phone 232-5122

New Peoples Bank

Jill Faulkner, Manager/VP
POB 39; 372 E. Jackson Blvd.
Jonesborough, TN 37659; Phone 788-0098

Peoples Community Bank

Robert Williams, Executive
POB 3929; 300 Sunset Drive, 37604
Johnson City, TN 37602; Phone 975-5600

Regions Bank

David Wharton, President
208 Sunset Drive
Johnson City, TN 37604; Phone 282-7610

State of Franklin Savings Bank

Randy Greene, President & CEO
1907 North Roan Street
Johnson City, TN 37601; Phone 926-1069

SunTrust Bank

Jerome Julian, Marketing President
POB 1677; 207 Mockingbird Lane
Johnson City, TN 37605; Phone 461-1076

TriSummit Bank

Vince Hickam, President
862 Med Tech Parkway
Johnson City, TN 37604; Phone 979-0375

TruPoint Bank

Scott Folsom, Branch Manager
709 Med-Tech Parkway
Johnson City, TN 37604; Phone 854-8801