

APPLICATION PROCEDURES

THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS AND COUNTY OF SHELBY, TENNESSEE

The following constitutes the basic procedures involved in applications for industrial revenue bond financing through The Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (the "Board"). For purposes of these procedures the term "bond financing, is deemed to be inclusive of new financings as well as refundings and refinancings of previous bond transactions. The Board is not a financial institution and does not have any funds of its own available for loan. Any person wishing to utilize its bonding capacity should contact an investment banker or other financing source to determine the availability of funds prior to contacting the Board. Bond financings for projects will not normally be approved unless evidence of available financing has been submitted to the Board.

1. All applicants must complete and file with the Board an application in the form attached hereto. An application fee computed according to the following schedule must accompany the application. This fee must be paid prior to the Board hearing the Applicant's presentation of the project, and will be nonrefundable except in cases where the Board rejects the application for non compliance with its policies. The Application fee will be credited against the Closing Fee described below.

Estimated Project Cost at Time of Application	Application Fee
0 - \$1,000,000	\$1,500
\$1,000,000 - \$2,500,000	\$2,000
\$2,500,001 - \$5,000,000	\$3,000
\$5,000,000 - and greater	\$4,000

2. A Closing Fee computed as follows will be paid to the Board prior to or at the closing of all financings:

One-half percent (1/2%) of the principal amount of Bonds issued with a minimum of \$10,000.

All out of pocket expenses, including long distance phone calls, postage, travel expenses, word processing, photocopies, etc., will be billed in addition to the above. In the event the requested financial incentives are not granted or Applicant does not go forward with the Project, the Board reserves the right to

submit a bill for legal services rendered and expenses incurred with regard to the proposed Project on an hourly basis for legal time expended.

The above quoted fees include reimbursement of the fees of Board Counsel only. The Applicant is responsible for payment of all Bond Counsel fees and other expenses of the financing. In addition, the Board reserves the right to require the applicant to reimburse the Board for increased legal fees incurred by the Board with respect to projects involving numerous changes, restructuring, unusual delay or other complications which substantially increase the fees of Board Counsel.

3. All applications will be reviewed by the Board members and must be forwarded to the Board prior to formal considerations. The Board's staff will distribute the applications to the Board Members after the complete application is received from applicant.

4. The Board will hold regular monthly meetings, normally on the third Wednesday of each month, at 3 p.m., City Hall, Conference Room B, Fifth Floor, 125 N. Main, Memphis, Tennessee, and may hold special meetings as provided in the Bylaws of the Corporation. The Board ordinarily will hold special meetings to consider applications only if they come within the parameters outlined in the Board's Statement of Intent, set out in this application packet. Monthly meetings may be waived or held on a different date at the discretion of the Board. All meetings of the Board will be public meetings as required by law. Tennessee law requires that all Board meetings be open to the public, and federal law requires that notice of any Board meetings at which public hearings on bond issues are to be held be published in a local newspaper fourteen (14) days prior to the meeting, which notice must contain information as to the meeting time and place and each project to be considered. Applicants requesting public hearings are requested to furnish to Board Counsel (name and address on enclosed application), twenty-one (21) days prior to a meeting at which an application for bond financing is to be considered, the following information: name of borrower-applicant, amount of bond issue, location of project, and description of project. The completed application (original and fourteen (14) copies) must then be received by the Board no later than (ten) 10 days prior to the meeting at which it is to be considered.

5. Board consideration of any particular financing proposal will be conducted as follows. In specific cases the Board may choose to take more than one of the actions described below in a single meeting.

A. At the next regular Board meeting following timely receipt of an application, the Board will make a determination as to whether a particular project financing is to be approved. If a project is approved, the Board will take official action in the form of an

inducement resolution, in which the Board agrees to issue its bonds to finance the proposed project, subject to drafting of documentation in form satisfactory to the Board and other appropriate contingencies.

- B. Final approval of a financing and passage of a final resolution will occur after documentation has been prepared by Bond Counsel or Applicant's Counsel and reviewed by Board Counsel and after all other legal requirements have been met in anticipation of closing. Final approval of an issue and documentation therefor will be given contingent upon receipt of a satisfactory legal opinion from the Bond Counsel (if applicable) and Board Counsel. A final resolution fee will accompany the request of the Applicant for final approval of the project by the Board. This fee will be credited toward the closing fee.
- C. Closing of the financing will occur only after completion of the foregoing phases.

A maximum of six (6) months is allowed to transpire between the adoption of the inducement resolution and the request for final approval. If an Applicant can show cause for an extension beyond the six-month period, the Board may approve an extension, but the Applicant will be required to pay an extension fee. The extension fee is fifty percent (50%) of the application fee and is payable for each six-month extension. Extension fees will not be credited toward the Closing Fee. A new application need not be submitted for an extension consideration unless the project has substantially changed from that presented in the original application or has a change in ownership. Any sponsor or Applicant requesting approval of an extension of time will be required to present to the Board a complete project update.

If a final resolution has been approved, an extension of the final resolution can be requested by the Applicant within six (6) months following final approval of the project by the Board. An extension fee equal to fifty percent (50%) of the final resolution fee will accompany the extension request and will not be credited toward the Closing Fee. The rules, policies, procedures, and fees (collectively, "regulations") in effect at the time of final approval will govern for the six-month period following adoption of the final resolution. Should new regulations come into effect, they would become binding upon the request for an extension of the final resolution.

6. To facilitate distribution to the members of the Board, an original and fourteen (14) copies of your completed application and supporting documentation should be forwarded to Brian Pecan, Director of Economic & Resource Development, 125 North Main Street, Suite 468, Memphis, Tennessee 38103, together with your check for the Application Fee made payable to The

Industrial Development Board of the City of Memphis and County of Shelby,
Tennessee.

**INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF MEMPHIS AND COUNTY OF
SHELBY, TENNESSEE
INDUSTRIAL REVENUE BOND INFORMATION**

PROCEDURES FOR BOND FINANCING

1. Obtain application for bond financing from Industrial Development Board of the City of Memphis and County of Shelby, Tennessee.
2. Discuss project with an investment banker to learn of the marketability of the project (i.e. that the bonds can be sold)
3. Decide on who will structure the deal. It could be the same investment banker or another financial advisor. This agent will help determine the best terms, if the bonds will be fixed or floating, if a letter of credit will be needed, if the project can be privately placed with a single buyer, insurance company, etc., or placed publicly, and answer specific questions about bond financing.
4. Obtain bond counsel. One of the first questions that bond counsel should answer before proceeding with the IDB is whether or not the project qualifies as manufacturing and, therefore, is eligible for tax-exempt revenue bond financing. Bond counsel should also assure that State Allocation Funds are available for the project.
5. Clarify facts on eligible costs for tax-exempt revenue bond financing with bond counsel. Obtain construction financing if necessary. Some contact to potential suppliers/contractors/etc. will be necessary but no contract may be let until the bonds have been induced.
6. Make application to the IDB and get an inducement resolution passed by the Board.
7. A fourteen (14) day TEFRA legal notice prior to a public hearing is required in tax-exempt bond transactions. The notice is published in the Commercial Appeal and the cost of publication is included in the closing costs. The TEFRA public hearing is usually for the final resolution, not the inducement resolution, although some underwriters prefer the notice to be for the inducement. A seven (7) day notice is allowable for meetings when no TEFRA hearing will be held.

8. Contract documents for bond sale are generated. Final Resolution is approved by IDB and bond closing held. Proceeds will then be in place and construction can begin.

TAXABLE BONDS

Procedures are similar for taxable bond financing with the following differences:

- Distribution facilities and other non-manufacturing industrial projects can be funded with taxable bonds.
- TEFRA notice is not required.
- Taxable bond financing is not under the State Cap Allocation.
- No federal tax code hurdles for which bond counsel will be responsible.
- Accelerated depreciation can be taken on machinery and equipment financed with taxable bonds while it is not allowed under tax-exempt bond financing.
- Exemption from registration with the Securities and Exchange Commission is possible.

LEASEHOLD IMPROVEMENTS

Leasehold improvements can be financed by IDBs.

Term of the bonds should coincide with term of the lease.

Lease payments are ineligible project costs.

EQUIPMENT

Furnishings and fixtures that are ancillary to the manufacturing process are eligible project costs. Bond counsel should make the final ruling on what equipment is eligible for bond financing.

Refinancing of existing equipment with bond proceeds is possible if at least half of the project cost is real property and/or new personal property (i.e. equipment).

Mobile equipment must stay on the property being financed with revenue bonds.

NON-MANUFACTURING COSTS (For Tax-Exempt Bonds)

Non-manufacturing costs can be funded by IDBs for up to 5% of the total bond issue. These costs could include moving expenses and the cost of issuance (i.e. fees to underwriters, bond counsel). The cost of issuance is

generally funded by the bond proceeds and often equals approximately 5% of the bond.

Consulting costs are generally allowable costs as long as an outside consultant is used. No insider or principal of the company may charge a developer or consulting fee.

Tax exempt revenue bonds can be issued for a combination of manufacturing and warehousing if 65% of the total project being financed is manufacturing.

ALTER EGO

Principals of a company using IDBs are allowed to obtain bond financing for property and lease the property to the company. This is possible if there is not a problem with the dollar limits on small issue, tax-exempt revenue bonds. The alter ego arrangement cannot be used to obtain financing through IDBs to avoid a problem with the \$10 million local and \$40 million national IDB limitations.

OFTEN ASKED QUESTIONS REGARDING IDB APPLICATION

Application often refers to the “sponsor” which generally means the applicant or user of the bonds.

TIMING--Board Counsel needs to receive general information about the IDB approximately 21 days prior to a meeting and have approximately 10 days to review the completed application. An original and fourteen (14) copies of the application are required. The regular meeting of the IDB is normally on the third Wednesday of the month.

FINANCIAL STATEMENTS--The IDB requires that the applicant provide the last five (5) years AUDITED financial statements on the company using the bonds. Financial information requested about financial institutions guaranteeing the project need only cover three years.