

Letter From CEO



This year's annual report is a little later than previous years. For this I make no apologies. Prospect activity over the holidays and January was so great, we are fortunate to have produced the report at all.

In the past few weeks an international bakery has offered to purchase an existing building in Sullivan County and will begin operation shortly; a corrugated container manufacturer has committed to locate here; a distribution company is closing on a parcel of land in Partnership Park I; and an existing company plans an expansion with loan assistance from the Sullivan county Industrial Development Board. We also assisted in preparing an extensive proposal for a manufacturer seeking a site adjacent to an airport on which to construct a multi-million dollar manufacturing facility.

Additionally, during this period, the staff surveyed all the existing industries in the county, produced new marketing material, updated our manufacturers directory, revised the organization's strategic plan, went on recruitment trips to Washington DC and Dallas, and assisted in hosting a breakfast for area legislators in Nashville. To say we have been busy is an understatement.

With all this activity, I am excited about the possibilities for the coming year. While 2007 was a great year, 2008 promises to be even greater. The progress made in Sullivan County and the continued spirit of cooperation which exists will ensure a positive outlook for the future.

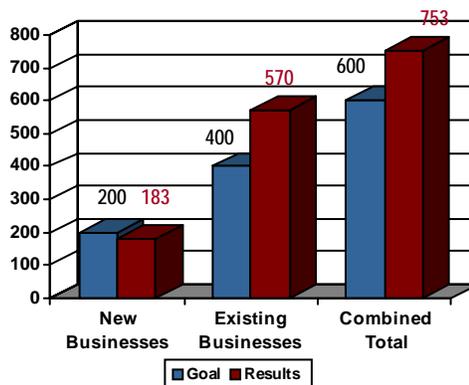
Richard S. Venable

NETWORKS Exceeds Jobs Goal

In 2007 we raised the bar from a goal of 500 new jobs created to the facilitation of 600 new jobs being created. The expansion of several of Sullivan County's industries helped the organization exceed that goal. The new jobs created reflects only those jobs where NETWORKS was directly involved in facilitating or assisting with the new jobs created.

While the creation of jobs by new businesses locating in the county was not as high as desired, existing business increases greatly exceeded goals.

The local job creation ratio of 24% for new businesses and 76% for existing business expansions mirrors the national average of 20% from new and 80% from existing business expansions.



2007 in Review:

- *Eastman announces plan for \$1.3 Billion in improvements*
- *Touchstone Wireless partners with Embarq resulting in employment expansion*
- *Edwards & Associates locates into new facility*
- *Business Information Systems expands into new building*
- *FedEx Ground begins construction of new distribution facility in Gateway Commerce Park*
- *Food City expansion with new store constructed in Kingsport & ground breaking in Piney Flats*
- *Exide increases employment*
- *NETWORKS acquires Gateway Commerce Park*
- *Relocation Recruitment "Move to Northeast TN" initiative exceeds expectations*
- *Kingsport Pavilion opens with Target, Kohl's, Old Navy, & Dick's Sporting Goods*
- *Northeast TN Business Park completes Phase I with last lot sold*
- *ADpma expansion imminent with land purchase in Tri-County Industrial Park*
- *Expansion of Tri-Cities Information Management by doubling the size of their facility*
- *Land acquisition by NETWORKS resulting in Partnership Park II*
- *Inove' Graphics expands into new facility*
- *Northeast State Technical Community College continues growth with four new buildings*
- *Office construction at Sheridan Square & Holston Valley Outpatient Campus*
- *Value of new building activity has 45% increase over 2006*

Three Star Certification



For the 17th year, certification for Sullivan County-Kingsport-Bristol and Bluff city as

a Tennessee “Three-Star” community was obtained. The program, administered by the State of Tennessee Department of Economic and Community Development, recognizes a community’s ability and preparedness to attract new businesses. The program mandates a community strategic plan and an exten-

sive review of community economic development, planning, educational and civic improvement programs. Once again the community earned high marks achieving the highest level of Three-Star, Level III. This achievement and designation enables the “local share” required for state grant programs to be reduced by 3 percent; resulting in the savings of thousands of dollars. Currently, several Fast-Track grants are under consideration for infrastructure improvements in NETWORKS’ industrial/business parks.

Business and Industrial Park Improvements



Reserving sites for new businesses is one of the primary goals of the NETWORKS organization. The 160-acre *Gateway Commerce Park*, located near Interstates 81 & 26 interchange, was

acquired by NETWORKS in August 2007. The park was previously owned and developed by the Kingsport Economic Development Board.

Additionally NETWORKS acquired seven tracts of land totaling 223 acres off TN HWY 394 in Bristol. This land is designated as *Partnership Park II*. The land was originally optioned by the City of Bristol for an industrial park. The purchase of Gateway Commerce and Partnership Park II were made possible by a \$6.5M bond issue by the supporting entities of Sullivan County, Kingsport, Bristol, and Bluff City.

Engineering for *Partnership Park I*’s water and sanitary systems is underway.



In the Tri-County Industrial Park, the county extended a sewer line along Rock Lane to serve two new businesses.

An EPA funded Brownfield study on the Davis Pipe property is nearing completion. The study is instrumental in determining the feasibility of returning the property to use.

Manufacturing Growth

The biggest news of 2007 was the announcement by *Eastman Chemical Company* of a planned investment of \$1.3 Billion for facility improvements over the next five years. Approximately \$265 million will be spent each year.



In addition to Eastman’s investment, several other Sullivan County companies in Kingsport broke ground on new facilities. *FedEx Ground* began construction on a 85,000 sq. ft. distribution facility in Gateway Commerce Park and grading began on the last remaining lot in *Northeast Tennessee Business Park, Phase I*. The site will become home for a consolidated Tri-

County company. *Inove’ Graphics* expanded by relocating to a 62,000 sq. ft. facility on American Way, which doubled the size of the company.



As a result of a partnership between the cell phone re-manufacturer, *Touchstone Wireless*, and *Embarq*, Touchstone has 130 new job opportunities; current employee total is over 500.

Edwards & Associates moved in to their new 111,000 sq. ft. manufacturing complex. The company which invested \$11 million in the new facility, now employs 650. Edwards is a



repair, service and finishing operation for Bell Helicopters.

Other expansions in Piney Flats involving a move into larger facilities include *BIS (Business Information Systems)*, *Acorn Electrical* and *Tri-Cities Information Management*.

Commercial Development

The value of building activity within the commercial sector was more than double the previous year. The biggest commercial development news of 2007 was the opening of the “*Kingsport Pavilion*” located on East Stone Drive. The 425,000 square foot retail shopping center houses several national chain stores to include: Target, Kohl’s, Dick’s Sporting Goods, and Old Navy. Sullivan County and the City of Kingsport contributed \$2.5 million in the development cost of this retail center.



Another significant commercial development was the new Food City and surrounding shops at Fort Henry Drive near Eastman Road in Kingsport. Ground was also broke on another new Food City shopping complex in Piney Flats. Commercial development on TN Highway 394 is continuing with a new Food County store near Feathers Chapel and small retail shopping areas.

One of several large office buildings nearing completion is the 250,000 square foot *Holston Medical Group (HMG)*

Apple International Inc., a helicopter sales/service center moved into a new facility in the *Bristol Industrial Park* while *Master Model Craft*, a manufacturer of specialty machinery and industrial molds began construction of a new facility in that park.

Other Sullivan County companies in Bristol with significant expansions and/or investments last year include: *Exide Technologies* with a \$9 million investment and the addition of 75 employees; *Seaman Corporation* had a \$7 million investment in equipment; and there was a \$17 million expansion by *Tri-Cities Extrusions*.

complex. Located on the Holston Valley Outpatient Campus in Kingsport, this facility is the largest free-standing medical building of its kind in the nation not attached to a hospital or university. Another multi-story office facility is located at Sheridan Square.



New HMG Building

A number of our public institutions benefited from expansions in 2007. Northeast State Technical Community College’s campus grew with the addition of a humanities building, a 500-seat performing arts center, a security building and a government services facility. Construction began on the Allied Health Education complex in downtown Kingsport. The new 42,000 sq. ft. Kingsport Boys & Girls Club is nearing completion. The Town of Bluff City built a new town hall this year.



Bluff City Town Hall

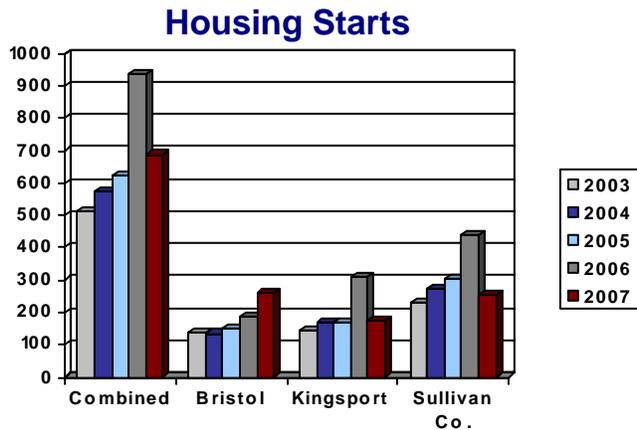
Existing Industry Report

At year’s end, NETWORKS conducted a survey of 117 existing industries representing over 16,000 workers in Sullivan County. The survey produced mixed results for 2006. Eighteen of the companies had major increases in employment resulting in the creation of 1,126 new jobs. Only eleven companies reported a significant decline in their company’s employment figures. Two companies did, however, announce plans to close their facilities; Quebecor in Kingsport with 450 workers and Glaxo in Bristol with 326 workers. The Glaxo closing is being phased with 68 laid off in 2006. From the surveyed companies, there was a total loss of 649 jobs.

A positive indicator was the response from thirteen companies which expect to increase employment in 2007. Four companies, AAA Anodizing, Amerace, Guyer & *ADpma*, an aircraft parts distributor, plans to build a new facility this year.

*“We are what we repeatedly do.
Excellence then is not an act but a habit.”
-Aristotle*

Residential Construction Activity



Following a surge in new housing starts in 2006, housing starts returned to more normal levels this past year. Some of the 2006 surge can be attributed to several large, multi-family housing developments in Kingsport and Sullivan County.

In Bristol, new single family housing starts remained strong. Construction of “attached” single family dwellings such as those located at the Villas at Feathers’ Chapel accounted for much of that growth.

This year the average cost for a new single family house built in Sullivan County, excluding land, was \$147,605 per unit. This represents an 8% increase in new housing costs over 2006.

New Housing Starts		2003		2004		2005		2006		2007	
		No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Sullivan County	Single Family	225	\$ 31,837,000	269	\$ 36,589,000	298	\$ 36,589,000	350	\$ 45,059,000	252	\$ 41,113,250
	Multi-Family	4	\$ 188,000	2	\$ 100,000	4	\$ 100,000	89	\$ 6,120,000	2	\$ 150,000
Kingsport	Single Family	102	\$ 12,628,500	122	\$ 18,659,615	104	\$ 18,659,615	135	\$ 21,280,225	120	\$ 19,443,627
	Multi-Family	40	\$ 2,300,000	46	\$ 2,370,000	65	\$ 2,370,000	175	\$ 11,246,249	53	\$ 3,255,000
Bristol	Single Family	91	\$ 7,545,780	71	\$ 8,425,236	57	\$ 8,425,236	65	\$ 8,290,625	145	\$ 15,755,383
	Multi-Family	48	\$ 1,981,000	64	\$ 4,381,000	94	\$ 4,381,000	122	\$ 13,445,724	116	\$ 8,660,445
Combined Total		510	\$ 56,480,280	576	\$ 70,524,851	622	\$ 78,887,882	936	\$ 105,441,823	688	\$ 88,377,705

Data Source: Building Codes Departments; Sullivan County, City of Kingsport, City of Bristol

Relocation & Recruitment

Traditionally companies have relocated, expanded, and/or moved to an area for infrastructure, value-priced land or buildings, incentives, and proximity to suppliers. Once there they recruited people to move and work for their company.



In recent years the availability of present and future workforce in the desired location has become a predominant decision factor, thus driving

communities to place emphasis on education and workforce development.

In 2007, NETWORKS with it’s mission to make Sullivan County the premier place to do business, collaborated with Kingsport & Bristol Chambers of Commerce to launch a promotional program to recruit people to move to Northeast Tennessee. More specifically, these efforts aim to recruit persons with the experience, skills, and discretionary income to fuel our local industries and economy.

This past year, NETWORKS prepared several

pieces of marketing materials and a exhibit display to assist and nurture Bristol and Kingsport's programs.

Staff attended *Live South Real Estate Shows* in Florida, Chicago, and Detroit to talk one on one with those looking to move/relocate. *Live South Shows* are the largest real estate shows in the U.S. We received and followed-up with materials to over 2,000 families attending the shows.

During the year, NETWORKS received over 3,800 requests for information as a result of the various marketing efforts. Combined with Bristol and Kingsport direct inquiries over 5,800 requests were received. The "Move to Northeast TN" website which served as a portal for finding information and contacts on moving to Sullivan County-Kingsport-Bristol, hosted over 5,000 unique visitors. Ninety-seven percent of those visiting the site continued their exploration at the Bristol and/or Kingsport relocation websites.

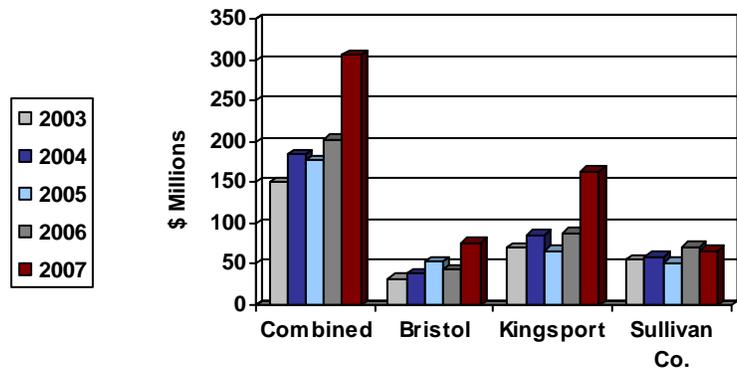
Collectively, there were over 100,000 visitors to the Move To Bristol, Move To Kingsport and Move To Northeast TN websites.



Building Activity

Sullivan County is growing. Building activity increased once again in 2007. Although the overall number of building permits issued was up only slightly, the dollar value of construction rose 47% from 2006. The five year trend shows larger investment spending each year. This reflects the strength of our economy and its potential to grow with larger building projects. New retail developments such as *The Pavilion* and *Food City* Shopping Complex and large office building construction accounted for much of the increase in Kingsport. Bristol saw an increase from several large industrial expansions and new office construction.

Value of Building Construction



Building Permits	2003		2004		2005		2006		2007	
	No.	Value								
Sullivan Co.	1,281	\$ 55,223,590	1,142	\$ 59,173,615	1,031	\$ 58,599,170	1,056	\$ 70,956,880	1,020	\$ 66,065,201
Kingsport	829	\$ 61,985,958	912	\$ 86,341,662	690	\$ 66,809,260	903	\$ 88,560,394	859	\$ 164,480,512
Bristol	853	\$ 32,653,512	447	\$ 39,109,571	602	\$ 52,259,377	476	\$ 43,039,847	625	\$ 76,637,288
TOTAL	2,963	\$ 149,863,060	2,501	\$ 184,624,848	2,323	\$ 177,667,807	2,435	\$ 202,557,121	2,504	\$ 307,183,001

Data Source: Building Codes Departments; Sullivan County, City of Kingsport, City of Bristol

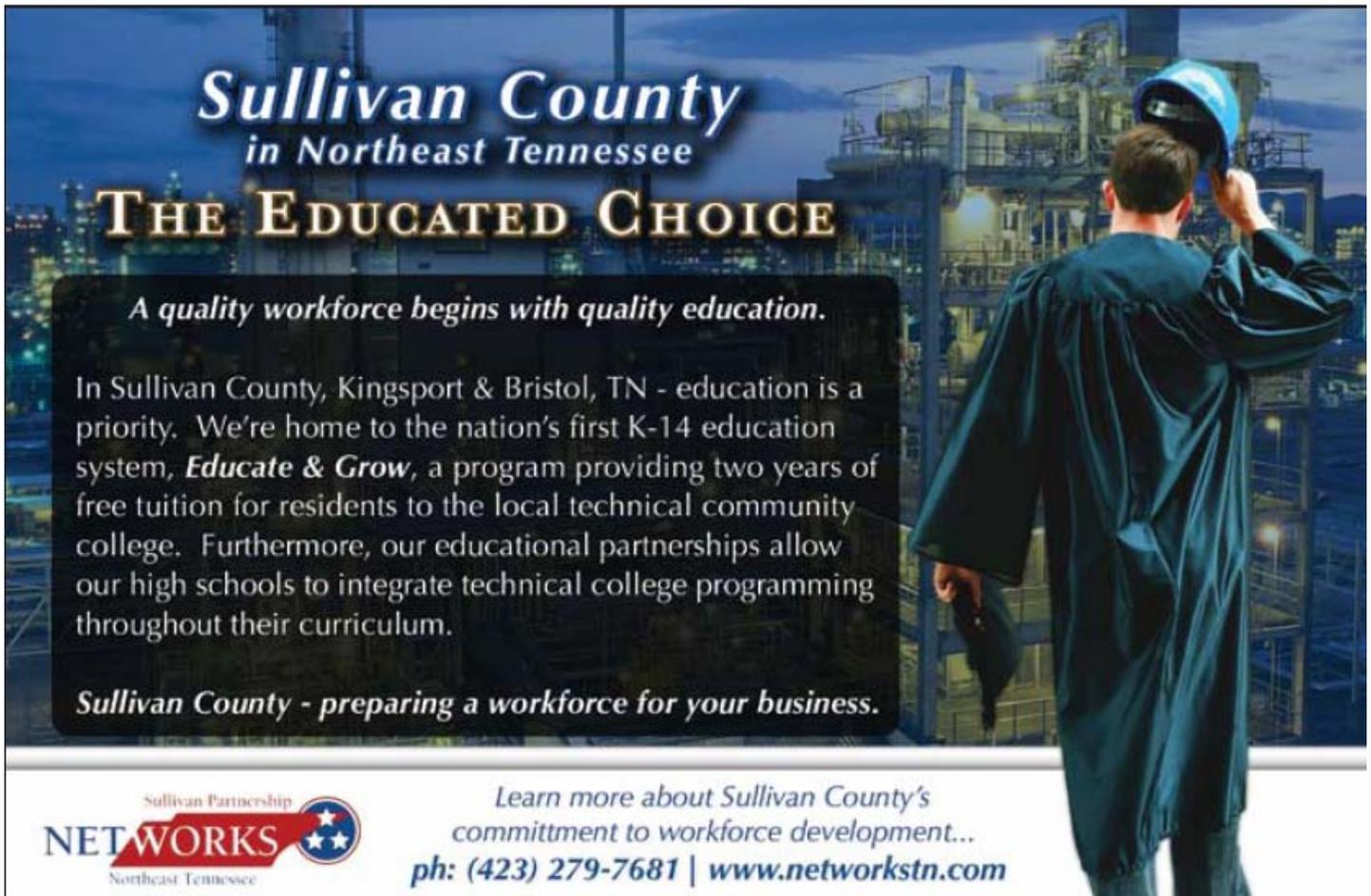
Targeted Recruitment

Exhibiting at industry specific trade shows, advertising and direct visits are some of the methods recruitment efforts can be targeted to selected industries or economic sectors. Last year, NETWORKS staff attended several trade shows and conferences targeted to specific sectors. Advertising was placed in selected publication directed to targeted audiences. With many of these activities, NETWORKS participated jointly with the Northeast Tennessee Valley Regional Industrial Development Association, the State of Tennessee Department of Economic and Community Development or the Tri-Cities Regional Airport.

In the area of people recruitment, staff exhibited at *National Active Retiree Association Conference* in October, the *Florida Live South* in November and the Live South Real Estate in January. In the area of aviation-related industries, NETWORKS exhibited jointly with the Tri-Cities Regional Airport at the *International Helicopter Show* in March and the *National Business Aviation Association Expo* in in September. Additionally, an ad promoting the area as a good location for aviation businesses appeared in the January issue *Expansion Solutions Magazine*.

For advertising efforts of a general nature with no targeted industrial sector, NETWORKS took a slightly different approach this year. The workforce and county's "Educate and Grow" program was the focus of these ads. Ads like the one below appeared in the *Tennessee Economic Development Guide* in September, *Expansion Solutions Magazine* in July and *Business Xpansion Journal* in September.

The staff traveled to Dallas, TX in August and Atlanta, GA in October where they called on numerous site selection consulting firms.



Sullivan County
in Northeast Tennessee

THE EDUCATED CHOICE

A quality workforce begins with quality education.

In Sullivan County, Kingsport & Bristol, TN - education is a priority. We're home to the nation's first K-14 education system, **Educate & Grow**, a program providing two years of free tuition for residents to the local technical community college. Furthermore, our educational partnerships allow our high schools to integrate technical college programming throughout their curriculum.

Sullivan County - preparing a workforce for your business.

Sullivan Partnership
NETWORKS
Northeast Tennessee

Learn more about Sullivan County's
commitment to workforce development...
ph: (423) 279-7681 | www.networkstn.com

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