

The Business Journal

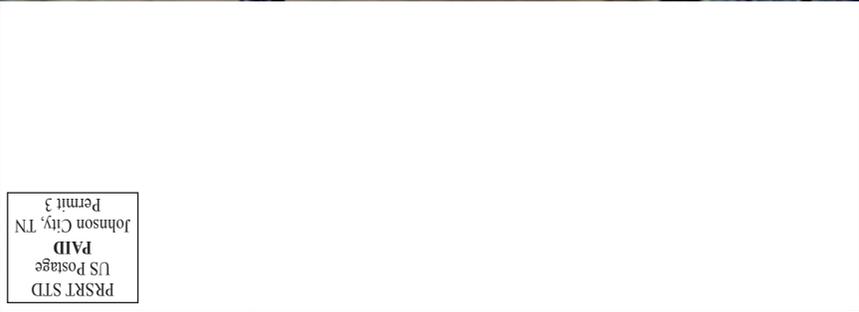
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ON THE COVER

Re-Opening for business

With Tennessee and Virginia taking markedly different approaches to reopening their economies, how will the region's businesses and their customers react?



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The 2020 Healthcare Heroes Luncheon will be held Friday, August 28 at the Carnegie Hotel in Johnson City.

It's time to let business and public safety coexist



In 2001, Osama Bin Laden published a video in which he said his strategy was not to destroy America by terrorism, but by making America bankrupt itself responding. Today, in an H.G Wellsian turn of events, a tiny virus has a chance to succeed in doing just what Bin Laden failed to do.

This Coronavirus crisis is a matter of life and death, yes, but it is also a matter of national security. Our country must get back down

to business, as safely but as quickly as possible. While the world economic picture has been massively affected by the Coronavirus crisis, America stands as the country most deeply affected, and our return to economic normalcy will take longer than that of any other nation.

We have spent not billions, but trillions of dollars in less than 60 days' time, and that trend will continue, at least in the short-term. Unemployment has skyrocketed and it would be foolish not to recognize that not all the jobs that have been lost are coming back. The fact of low fuel prices and demand has helped block what would appear to be an inevitable sharp rise of inflation, but the nature of the fuel market is fickle and it can be shaped by the actions of other nations, many of whom are unfriendly toward the United States. Thus, it is reasonable to expect higher prices for consumers are on the way, even as the private sector is diminished in its ability to create jobs.

To be fair, necessity has been the mother of a rather sweeping learning curve for many of us in terms of online productivity, which should prove at least somewhat beneficial to the economy in the long run. As we said last month, every challenge brings opportunity.

Taking that point from macro to micro, I have set foot in my office twice since the April issue of *The Business Journal* hit the streets. I live with a family member who has a blood cancer that makes her three times more likely than you or me to develop seriously life-threatening complications if she is infected. So, our publisher has allowed me to work from home for the last month. I have taken meetings by Zoom, Skype, Gotomeeting.com, and Webex, in addition to good old-fashioned phone calls. The issue you're reading now was put together remotely, thanks in large part to good communications and the talents and work ethic of our graphics department, headed by Judd Shaw.

Happily, most states are working toward re-opening now. In the coverage area of this magazine alone, the experiment of re-opening business is happening with a marked difference of approaches. As touched on in greater detail in this issue's cover story, Tennessee is one of the first states to significantly lessen restrictions on business, while Virginia is taking a slower, more deliberate approach.

Personally, I am heartened by the fact that individual states and localities are taking their own approaches to re-opening business. This gives America a laboratory environment to see what works best, and where problems may arise. The danger, of course, is that in areas where hot spots flare, adequate steps might not be taken in sufficient time to avoid a significant recurrence that would stress the capacity of medical care providers. We must be ready, willing and able to shut business back down in hot spots at a moment's notice. In this, government has a very real role to play, but so too does business. We must be willing to make greater sacrifices if the need arises, and that's a hard fact. But, it's a hard fact too that very real effects of this crisis will linger for years, perhaps for our lifetimes, and the longer we wait to reboot the economy, the greater those effects will be.

The economy may only be able to restart in fits and spurts because of this piecemeal approach, and it will look very different from what we have enjoyed in the past. The federal government will likely spend more and move farther from free market principles as the country seeks to reshore manufacturing capacity from China, now that we have realized how many items critical to our well-being are no longer made within our borders. Thus, long and widely held ideas about who chooses winners and losers will fade in the face of pragmatic national interest. This crisis has changed America, perhaps forever.

All this having been said, Congress and the Trump administration were not wrong to enact stimulus packages, despite the cost. America was not wrong to shut down when we did. Thousands have died, even with the steps we took. Moving forward, safety must remain paramount. All lives matter. But the bottom line is this: we have reached a point where government must expand its trust in the private sector to safely mitigate challenges and maximize opportunities. It's time for America to get back to business.

Putting context to COVID-19 crisis' effect on residential real estate market

by Don Fenley

There's no argument that real estate in the Tri-Cities is slogging its way through the first phases of the coronavirus pandemic. Real estate professionals have quickly rewritten the book on how property is shown, how deals are negotiated, and how sales are closed. It has been busier than some thought it would be. Still, we're going to miss the spring buying and selling system of the past four years.

With that said, don't be surprised to see a double-digit year-over-year decline when April's housing reports come out early this month. The more telling data point will be the four-month year-to-date closings. It may also dip into negative territory since it was only 17 closings (up 1.1 percent) more than the first three months of 2018.

Let's put some context to the anticipated sales drop because a double-digit sales decline hasn't been seen here since the bottom of the Great Recession, and there's a lot of media chatter about the housing market heading for a crash.

During the second quarter of last year, there were almost 2,000 closings on single-family resales. That's an average of 667 a month. Closings were the highest since 2008 in all but one month. The all-time local monthly high of 691 closings was in April 2018.

If closings were down by 12 percent (the number is used as an example, not a prediction), from April last year it would put them on a level that's a little higher than April of 2015. That's the year that the local housing market fully recovered from the Great Recession and started setting sales records almost every month.

The Tri-Cities market has seen annual sales increase every year since 2012. Since then sales have increased by 62 percent.

In other words, the local market is going into this volatile rough patch at record high levels. No one is saying sales won't decline. That will create pent up demand that will release when the all-clear is given.

And despite all the doom-and-gloom headlines, there are some green shoots to remember if the headlines look like they're fulfilling doom-and-gloom predictions.

- Google search history for the term "should I buy a house?" is at its highest rate since 2004. Ali Wolf, chief economist at Meyers Research, says that shows there's curiosity about home buying and that consumers are interested in knowing whether now is a good time to buy. "How much house can I afford?" is also at its highest search level in the past year. Both are positive indicators.

- Local Google searches for real estate questions during the past 30 days were at a 49 percent interest value. According to Google,



"values are calculated on a scale of 0 to 100, where 100 is the location with the most popularity as a fraction of total searches. A value of 50 indicates a location which is half as popular." The top local searches were "homes for sale near me, mobile homes for sale, Zillow, and homes for sale by owner. Like Google's national search analytics, that's a positive indicator.

Realtor.com listings analytics also show interest is high. And almost half of the people looking are from outside the local metro areas. At the same time, a large share of listing views come from people living in the Tri-Cities two metro areas.

Kingsport-Bristol

- A drill-down on the most recent listings views for Kingsport-Bristol shows 43 percent coming from other states, 24.9 percent coming from within Tennessee and 31 percent from within the Kingsport-Bristol metro area.

- The highest share of views from within the state was from Johnson City (35.7 percent), Nashville (27.8 percent), Knoxville (10.4 percent), Greeneville (3 percent), and Chattanooga (2 percent).

- Top out-of-state views came from Atlanta (5.7 percent), Washington, Arlington (4.4 percent) Charlotte (4.1 percent) and New York (3.9 percent)

Johnson City MSA

- Views from other states had a 43 percent share of listing in the Johnson City metro area, 28.6 percent came from within Tennessee and 28 percent from inside the Johnson City metro area.

- The highest share of views from within the state was from Kingsport-Bristol (43.7 percent) Nashville-Davidson (28.3 percent), Knoxville (10.7 percent) Greeneville (5.3 percent) and Chattanooga (5.3 percent).

- The highest share of listing views from other states was Atlanta (5.9 percent) Charlotte (4.5 percent) Asheville (4.2 percent) Washington-Arlington (4.2 percent), and New York (3.6 percent).

Most economists who specialize in the housing market think the market will see a sharp jolt in the second quarter (April, May, and June), followed by sharp gains by the fourth quarter. The conservative outlook has changed from a V-shaped recovery to one that looks more like a Niki logo. Meyers' forecast is for a steep drop, followed by a 16-20 month recovery "in fits and starts."

The silver lining to the cloud over the local market is Attom Data Solution's analysis of 483 counties having ranked the Sullivan and Washington County, Tennessee markets among those that will be least vulnerable to the economic fallout from the pandemic. That doesn't give the local markets a pass on the fallout – only a ranking that they will be less vulnerable than most other markets.

How much less vulnerable is only a matter of speculation. Still, the core local fundamentals are resilient. And there are ample positive indicators that are part of the chaos.

Tri-Cities housing market began to soften in mid-April

The economic fallout from the Coronavirus pandemic did not have much effect on new contracts for residential resales in March.

There were 798 new contracts (pending sales) at the end of the month, bringing the total number awaiting closing to about 1,000. March's new pending sales were an increase of 21 from February. The 12-month trend is 14 percent higher than March last year.

Pending sales are a leading indicator of housing activity based on signed contracts for existing single-family homes, condominium, and townhome resales in the area monitored by the Northeast Tennessee Association of Realtors (NETAR) Trends Report. Since resales go under contract 30 to 60 days before the sale is closed, pending sales typically lead existing-home sales by about two months. The local fall-through/cancellation rate has been as high as 10 percent recently due to contracts with contingencies. That will likely increase as buyers become more concerned about the economy due to COVID-19.

By mid-April, realtors were seeing a few consumers pulling back, but listing and showings continued, according to NETAR President Kristi Bailey. "We expect to see the first real effects on sales beginning next month. So far, there's not much pointing to a decrease in prices," she added.

Active listings at the end of March were down 25.9 percent from a year ago, and the region had 3.7 months of inventory. There were 806 new listings – an increase of 39 over last year's total. March's median listing price (\$210,000) was up 16.7 percent from last year, while the median sales price (\$157,000) was up 12.7 percent.

NETAR's Trends Report capsules housing market conditions in Carter, Greene, Hawkins, Johnson, Sullivan, Unicoi, and Washington counties in NE Tenn. It also includes market data from the region's primary city markets. City and county market share, year-over-year statistics, year-to-date closings, and average sales prices are available on the NETAR website, netar.us.

SINGLE-FAMILY COUNTY MARKETS

County	March Closings	Yy ch	Yy % ch	County	YTD Closings	YTD ch	YTD % ch
Sullivan	186	11	6.3%	Sullivan	437	-16	-4.5%
Washington, TN	111	-30	21.3%	Washington, TN	343	90	5.2%
Greene	53	-3	-5.4%	Greene	126	-4	-3.1%
Hawkins	43	-5	-10.4	Hawkins	122	17	16.2%
Carter	39	-3	-7.1%	Carter	107	7	7.0%
Washington, VA	34	-6	-15.0%	Washington, VA	101	1	1.0%
Wise	19	-6	-24.0%	Wise	49	-7	-12.5%
Johnson	12	2	22.2%	Johnson	33	-9	-21.4%
Scott	9	3	50.0%	Scott	21	-5	-19.2%
Lee	2	-1	-33.0%	Lee	18	10	125.0%

County	Mar. avg. price	Yy ch	Yy % ch	County	YTD avg. price	YTD ch	YTD % ch
Washington, TN	\$246,174	\$40,275	19.6%	Washington, TN	\$234,254	\$27,765	12.4%
Washington, VA	\$223,319	-\$12,769	-5.4%	Johnson	\$185,758	-\$31,716	-14.6%
Sullivan	\$194,360	\$9,728	5.3%	Sullivan	\$182,479	\$6,021	3.4%
Johnson	\$174,693	-\$4,196	-2.0%	Washington, VA	\$181,610	-\$9,137	-4.8%
Hawkins	\$166,449	\$16,392	10.9%	Hawkins	\$159,253	\$7,986	5.3%
Scott	\$162,544	\$7,551	4.9%	Carter	\$154,095	-\$15,463	-9.1%
Carter	\$161,971	\$13,544	9.1%	Greene	\$153,570	-\$390	-0.3%
Greene	\$148,637	-\$17,246	-10.4%	Scott	\$120,162	\$26,791	28.7%
Wise	\$80,233	-\$40,069	-33.2%	Wise	\$96,429	-\$18,957	-16.4%
Lee	\$72,500	\$27,000	59.3%	Lee	\$70,547	\$23,718	50.6%

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SCOTT COUNTY, VA

Business re-opens in the region:

Virginia exercises abundance of caution; Tennessee moves ahead with new rules

by Scott Robertson

For decades, the double yellow line in the middle of State Street in Bristol has been the demarcation that most visibly defined the Tennessee-Virginia state line. Today that line neatly marks the ideological gap between two different approaches state governments in America are taking in allowing the re-opening of businesses during the COVID-19 crisis.

Virginia has a Democrat-controlled General Assembly. The governor of the Commonwealth, Ralph Northam is actually Dr. Ralph Northam, a pediatric neurologist. The Tennessee General Assembly is heavily Republican, and one of Governor Bill Lee's most frequently-repeated talking points is that government is, "People look to their government for leadership, but it isn't the answer to all the problems we have."

Both sides have been criticized. When Lee issued Tennessee's Safer-at-Home order, critics noted that "essential business" exceptions were granted to landscape maintenance companies and boat marinas. Likewise, Northam's more heavy-handed approach has garnered demonstrations from protestors across the state.

Virginia

On April 30, Virginia Delegate Israel O'Quinn hosted Secretary of Commerce and Trade Brian Ball and Deputy Secretary Cassidy Crasnick for a conference call with southwest Virginia business leaders, facilitated by the Bristol Chamber of Commerce. Ball and Crasnick asked for input from business leaders on several issues, most especially the notion of region-by-region re-opening. The pair also offered a candid and detailed explanation of why Virginia has not moved with the alacrity of its southwestern neighbor state.

Like Tennessee, Ball said, Virginia has assembled a task force of representatives from 30 businesses, large and small, to provide input on safe and sustainable re-opening. "Everybody wants to be able to do this safely," Ball said of the tone and tenor of the task force's discussions. "You're going to need to in order to get consumers to feel safe. That's been the general spirit that we've encountered."

The task force will inform the recommendations used to formulate Forward Virginia, the Northam administration's plan to eventually ease restrictions on business said Crasnick, who along with Deputy Secretary Angela Navarro has been leading the task force, according to Ball. "We are considering a phased approach, so we know that we are not going to turn the lights back on and everything

go back to normal. There are some key indicators as to the health data that we're looking at. The governor is really focused on following the data. He insists that the data guide these decisions."

The first step in reaching Phase 1 will be the implementation of more widespread Coronavirus testing across the Commonwealth, Crasnick said, for the purpose of, "having that capacity to really know what we're seeing and where those things are. At the same time, the Commonwealth intends to increase access to personal protective equipment to not only first responders, but to the general public.

After that, Crasnick said, data from the testing results will guide the government's hand. "We are looking for 14 days in decline in the trend on percentage of positive tests and 14 days in decline in hospitalizations. Those are really going to be what makes the decision to move into Phase 1, which will likely still include restrictions on how businesses operate. Those restrictions are being developed by the governor's business task force as well as public health officials."

"We hope to be able to provide recommendations to the governor on how certain business sectors will be able to operate when they're told to ease restrictions and potentially re-open in a different phased approach," Crasnick said. "The guidance we have developed so far with the task force is one set of

general business guidance that will apply to all businesses as they operate, including rules on physical distancing, enhanced cleaning and disinfection and enhanced safety practices.

"We have also developed a set of guidance for business sectors that are impacted specifically by the governor's Executive Order 53 – restaurant and beverage facilities, brick and mortar retail, fitness and exercise facilities, personal care and grooming services like barber shops and entertainment and public amusement. Those are all represented on the task force and we are making sure we have developed recommendations that are validated by the public health



Cassidy Crasnick

“The veil is not going to lift quickly. We have to be very measured and thoughtful about this.”

- Virginia Secretary of Commerce and Trade Brian Ball



Ralph Northam

data we have in preventing disease transmission, but are also practical for those businesses to implement.

“That’s why it was so critical to have the business task force pressure testing our recommendations,” Crasnick said, “and they have given a lot of positive feedback. We have been heartened by the fact that there has not been any push at all toward putting economic recovery above public health. That’s because our interest in economic recovery and public health are really aligned.

“These businesses have reflected that the only people who will

truly re-open the economy are the consumers,” Crasnick said.

“We want to make sure that when we as a government say, ‘it’s safe for you to go back out and eat in a restaurant,’ that consumers can trust us. We know the worst thing we can do is tell them it’s safe to go out and they go out and there’s a big spike in public health cases, and then we’re looking at a long-term hit to consumer confidence if we’re not able to do this in a way that folks feel protected. The business community has been telling us, ‘we’re willing to do whatever we can to operate safely. They want to protect their employees, their consumers and their families.’”

In Southwest Virginia, there has been a great deal of interest in the state allowing a regional system of rolling re-openings in which less affected areas open before those with higher infection counts. Just days before, Governor Northam himself asked rhetorically of the state line, “‘Is it fair for one side’s businesses to be open and the other’s not?’” before issuing a non-committal, “Stay tuned.”

The reason for the lack of commitment lies in the difficulty of achieving the task without setting off a new string of problems. Crasnick asked attendees on the call for ideas on how to achieve regional re-opening before laying out a list of potential difficulties.

“We all know there are good reasons for why we should do it. But, the critical thing is how we do it. People have alluded to the arbitrary boundary of the state line running down State Street in Bristol. If we did a regional re-open, we would be creating a lot of new arbitrary boundaries throughout the state.

“Certainly there are fewer reported cases in many areas of the Commonwealth, but because our testing is limited right now, do we know that communities where the cases are currently reporting low actually have a low prevalence of the disease or are we actually just seeing a testing deficit? If we re-open some areas before others, is there a higher risk of moving that spread from one region that does have a higher case incidence to another because folks are really desperate to get their hair cut and want to go out? If that were the case, we might enable, or even encourage transmission from one region to another.

“We might also do additional harm to re-tighten those restrictions after loosening them for a period of time,” Crasnick continued. “So if people from a region with higher incidence come to your region and bring this with them, are you in a better or worse position, having been able to open your restaurant for a few weeks, had the financial obligations of restocking, and then

going in and having to tighten those restrictions again? We’re thinking about unemployment insurance interruption, health-care and childcare for employees, and then again that long-term hit to consumer confidence.

“There are so many problems. Do we open schools on different schedules for different regions? How do we address commuting patterns for people that live in one region and work in a different region? How do we navigate fairness for border communities? How do we mitigate picking winners and losers on this front while still mitigating health risk?”

Ball concluded by telling the call, “The veil is not going to lift quickly. We have to be very measured and thoughtful about this.”

Tennessee

The Tennessee Pledge is in effect.

On April 24, Governor Lee announced, “Tennesseans pulled together to flatten the curve, and it is time for people to begin to get back to work and back to their businesses. We are pursuing a careful, measured approach to reopening our economy that does not depend on heavy-handed mandates but instead provides practical tools for businesses of all sizes.”

The earlier re-opening was made possible because of the very kinds of statistical data Virginia plans to rely on, but augmented by an earlier availability of widespread testing. In the days leading up to the announcement, Tennessee had seen the average daily growth rate remain stable for 14 days, in addition to a steady downward trajectory in positive tests as a percentage of total tests since April 1. The state has also had a massive ramp up in testing, included open testing available to all Tennesseans.

“Like the rest of the country, Tennessee has taken an unprecedented economic hit with families and small businesses feeling the most pain,” Lee said. “We must stay vigilant as a state, continue to practice social distancing, and engage in best practices at our businesses so that we can stay open.”

The Tennessee Pledge is so named because the state asks all employers to pledge to abide by state guidelines, though there is no enforcement mechanism beyond the honor system.

Among the guidelines for all re-opening Tennessee businesses:

- Allow employees to work from home as much as possible
- Screen all employees reporting to work at place of business for COVID-19 symptoms and direct any employee showing symptoms to leave the premises immediately and seek medical care.
- Implement workplace cleaning and disinfection practices, according to CDC guidelines.
- Mitigate exposure in the workplace by implementing social distancing guidelines and modify scheduling.

In addition to the Tennessee Pledge general guidelines, a separate set of guidelines applies to restaurants, including, but not limited to:

- Have dedicated face coverings and dedicated gloves (i.e., only used by one person) worn by all employees, at all times, but these should not be N-95 or medical variety – those should be saved for use by healthcare workers.
- Limit the number of customers in the restaurant to 50% of seating capacity



TN Governor Bill Lee

- Tables should be spaced at least 6 feet apart
- Limit tables to no more than 6 guests per table
- Mark any indoor or outdoor waiting area so that social distancing standards are met (options can include a text system to alert guests of available seating, an intercom system, or only one member of a party being allowed to wait in the waiting area)
- Bar areas should remain closed

Yet another set of guidelines has been issued for retail establishments:

- Staff should wear face coverings (not N-95 or medical masks, which should be reserved for healthcare workers) and other personal protection items as recommended by the CDC
 - Provide a sanitizing station such as a wash basin with soap and/or bottle of hand sanitizer
 - Stagger shifts, breaks, and meals, in compliance with wage and hour laws and regulations, to maintain social distancing
 - Limit the number of customers inside a store at a given time, excluding employees and representatives of third-party delivery companies, to 50 percent or less of store occupancy based on Tennessee’s Building and Fire Code
 - Customers should wear face coverings inside the store
 - Consider dedicated shopping hours or appointment times for the elderly, medically vulnerable, and health care workers
- Establish one-way aisles and traffic patterns for social distancing
 - Increase curbside, pickup, and delivery service options to minimize contact and maintain social distancing
 - Assign dedicated staff to prompt customers regarding the importance of social distancing
 - Establish enhanced cleaning protocols that follow CDC guidelines including sanitizing shared resources (such as carts) after each use, and sanitizing all high traffic / high touch areas (such as counters check-out lanes, keypads, break rooms, dressing rooms, rest rooms) every two hours and when visibly dirty
 - Use a clearly designated entrance and a separate clearly designated exit to maintain social distancing
 - Use plastic shields or barriers between customers and clerks at service counters, and clean them frequently (every 2 hours and when visibly dirty)
 - Adjust store hours to allow time for enhanced cleaning
 - Task management-level employees within a store to monitor compliance

And on April 30, the same day Ball was telling southwest Virginians, “there is no playbook for this,” Lee announced an exhaustive set of guidelines in Tennessee by which “close contact” businesses providing personal services including barbershops, hair salons, waxing salons, nail spas, massage therapy services and substantially similar businesses that require prolonged close contact with customers could re-open as of May 6.

“As we continue a measured reopening of the economy, it’s critical we provide evidence-based guidance to businesses so they can keep their employees and customers safe,” Lee said. “The very nature of close contact businesses calls for strong solutions and we’re inspired by the willingness of these small business owners to take the Tennessee Pledge. These guidelines will allow thousands of businesses to reopen, put their employees back to work, and serve customers in a thoughtful and safe manner.”

- Limit the number of customers to 50% of fire code capacity, and practice strict social distancing between customers
- Services will be offered by appointment only; no walkins
- Prohibit use of waiting areas (e.g., could adopt such practices as notifying customers by call or text message) or serenity lounges; limit use of other common areas by multiple people at one time (e.g., elevators, breakrooms, etc.)
 - Ensure thorough workstation and equipment disinfection after each customer (i.e. sanitize all equipment, instruments, capes, smocks, linens, chairs and work area); alternatively, utilize single-use or disposable items
 - Implement enhanced sanitization of commonly touched surfaces and equipment (i.e., at least every two hours and when visibly soiled), using CDC recommended sanitizers and disinfecting protocols
 - Daily deep cleaning and sanitization to be completed for high-touch areas (tanning beds, massage tables, salon chairs, etc.)
 - Do not allow non-customer companions to accompany customer during a service
 - Services that require removing face coverings (e.g., beard shaving/trimming, facials, etc.) are not permitted in Phase 1
 - Customers should wear a cloth face covering at all times while in the premises (not N-95 or medical masks, which should be reserved for healthcare workers) and as recommended by the CDC and executive order of the governor. Use other personal protection items as recommended by the CDC

One place the states agree

On April 29, Northam announced that as of May 1, the Commonwealth would lift the ban on non-essential medical procedures including elective surgeries, dental procedures and veterinary visits. That ban had been put in place both to preserve personal protective equipment for COVID-19 treatment, and to encourage Virginians to shelter in place. In his April 29 announcement lifting the ban, Northam said, “we took the right actions, and we have been successful.”

Tennessee had banned elective procedures March 23 for the same reasons. Like Northam, Lee chose May 1 as the date to let the ban expire, though Lee announced his decision two days before Northam.

Alan Levine, chairman and CEO of Ballad Health, which owns hospitals that perform such procedures on both sides of the state line, said healthcare providers and the state governments have agreed the process will be deliberate, phased and closely monitored. “We probably could have done this earlier, but we really wanted to stay aligned with what the states’ agendas were. Obviously once we got clarity from the governors about what their conditions were, we were able to move forward, and we’re grateful.” Ballad would begin offering same-day surgeries May 1 and phase in other procedures as appropriate, Levine said. [B](#)

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PPP: When allocating the dollars met passing the buck

by Scott Robertson

When the federal government passed the CARES Act and its Paycheck Protection Program (PPP), it opened a \$350+ billion line of forgivable loans to businesses with fewer than 500 employees. That action forced the Small Business Administration to rush into existence a new system for allocating the funds. Utilizing the nation's banks in a way similar, but not identical to the manner in which the SBA has previously offered Economic Injury Disaster Loans, the SBA on April 3 began funneling funds to business applicants.

Unfortunately, the process was not without flaws. Because of the initial crush of applications, many would-be applicants were unable to have their applications processed before funding ran dry. And, more than a quarter of the loans issued were for amounts greater than \$2 million. Analysis of those multi-million-dollar loans showed a spate of highly visible and already well-funded businesses including Harvard University, Shake Shack and the Los Angeles Lakers received sizable PPP loans from large banks while microbusinesses were being shut out. At the same time, only \$342 billion of the more than \$350 billion funded by the federal government made its way into the hands of small business owners. Around \$10 billion went to the nation's largest banks in the form of processing fees.

Faced with public backlash against the problems inherent in the program, small bankers rushed to publicize what they had been able to accomplish, working to separate themselves from the negative publicity focused on large banks and the federal bureaucracy.

"As of April 17, First Bank & Trust Company has SBA allocated funds in excess of \$206 million to over 1,813 entities," Nicole Franks, vice president, corporate communications, told the *Business Journal*. "Of these, 1,068 of the SBA PPP loans were for \$50,000 or less. This reflects our bank's commitment to helping small businesses."

Citizens Bank President Larry Estep announced a tally of 622 loans made for more than \$58 million, saying, "As a community bank, we have a long history of supporting our customers during times such as these. I am proud of how our lending team has quickly risen to the call to assist our customers with PPP loans."

After the \$350 billion round of funding had been allocated, the United Way of Southwest Virginia conducted a survey of

for-profit businesses and not-for-profit organizations in its 16-county coverage area to try to get an accurate snapshot of the response. Of 156 survey respondents, 56 had planned to apply, but reported they did not finish the process because they found it too confusing. Of the for-profit businesses that received funding, 82 percent of those with \$1 million+ annual operating budgets were approved, while only 47 percent of businesses with annual operating budgets under \$100,000 received funding. The overall approval percentage for all applications

was 76 percent. The primary reason respondents stated for not getting funding was that funds were not available or had already been used up.

With so many small businesses having gone unfunded, and with microbusinesses and small banks crying foul over the process, Congress and the White House promptly voted through another \$310 billion in a second wave of PPP funding. Within 30 minutes of opening at 10:30 a.m. April 27, the E-Tran system used by the SBA to communicate with banks had crashed. The SBA had instituted "pacing" software to keep large banks from using bots to beat smaller banks into the system. That software had been overrun almost immediately.

This time, the banks, large and small, were ready. Anticipating problems and public outcry, nine different banking and credit union associations fired off a joint letter to the SBA, demanding

Loan Size

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
\$150K and Under	1,229,893	\$58,321,791,761	74.03%	17.04%
>\$150K - \$350K	224,061	\$50,926,354,675	13.49%	14.88%
>\$350K - \$1M	140,197	\$80,628,410,796	8.44%	23.56%
>\$1M - \$2M	41,238	\$57,187,983,464	2.48%	16.71%
>\$2M - \$5M	21,566	\$64,315,474,825	1.30%	18.79%
>\$5M	4,412	\$30,897,983,582	0.27%	9.03%

- Overall average loan size is \$206K.

Loan Size for Second Round

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
\$50K and Under	1,567,355	\$28,388,688,805	70.86%	16.15%
>\$50K - \$100K	304,561	\$21,565,070,866	13.77%	12.27%
>\$100K - \$150K	121,086	\$14,793,771,283	5.47%	8.42%
>\$150K - \$350K	138,968	\$30,739,136,703	6.28%	17.49%
>\$350K - \$1M	58,758	\$32,766,135,277	2.66%	18.64%
>\$1M - \$2M	13,481	\$18,619,762,249	0.61%	10.59%
>\$2M - \$5M	6,110	\$18,121,875,023	0.28%	10.31%
>\$5M	1,472	\$10,748,807,702	0.07%	6.12%

- Overall average loan size is \$79K.

the system be fixed, and that the government not attempt to shift blame to the banks.

“We are reaching out to share our continuing concerns regarding the loan submission process and ongoing E-Tran access issues,” the letter stated. “Our member institutions know millions of small businesses are depending on the PPP to weather the economic effects of this pandemic, and banks and credit unions are working around the clock to get them this much-needed assistance...Unfortunately, with the start of the second round of funding many lenders are having significant problems submitting loan applications into the SBA’s system, preventing them from delivering this critical financial assistance to small businesses that desperately need it. Quite simply, it is taking too long to submit loans and get these funds where they need to go. We respectfully request that you help us resolve these access issues... If the pace and performance of the E-Tran system cannot be improved, then we ask that you share that information with the public to help manage expectations for all of the small businesses still counting on PPP for a lifeline.”

Two days later, the SBA suspended applications from the largest banks for an eight-hour period in order to let smaller banks have a chance to submit their clients’ applications.

As of May 1, the SBA reported it had been able to allocate \$175 billion of the second round of PPP funding. The numbers indicated very small businesses were receiving a far greater share of the funding in the second round, with the average loan being roughly 60 percent smaller than in the first round. Loans over \$2 million dropped from 28 percent of the first-round total to 16 percent in the second round, while loans under \$150,000 rose from 17 percent of the total approved to 37 percent.

The federal government attempted to reassure taxpayers and small businesspeople regarding the first-round of PPP loans’ large businesses-friendliness. Treasury Secretary Steve Mnuchin announced the administration would conduct a “full audit” of all \$2 million+ loans before forgiving them. The blame for those loans having gone through in the first place, however, did not fall with the SBA, or the banks, as neither had time to double-check much of

anything in the applications, Mnuchin said in a CNBC interview. “It’s the borrowers who have criminal liability if they made this certification and it’s not true.”

And, Mnuchin pointed out, regardless of whatever else may be true, the bottom line is that funds are flowing to small businesses. As of May 1, Tennessee businesses and organizations have received \$9 billion in PPP funding while Virginia businesses and organizations have received \$12.7 billion. Bank of Tennessee COO Will Barrett said, “Bank of Tennessee had put through 986

loans for \$102 million. Most people who wanted to apply for a loan have had that opportunity.”

Said Leton Harding, president of Powell Valley Bank at the end of a Sunday workday May 3, “We have now completed the second phase. One-hundred-one applications totaling \$2,979,300 were received, submitted and approved by the SBA. This will bring our number of Payroll Loans to 390, totaling \$24,365,863. Let’s support and pray for our local businesses that this resource will grow into a blessing for our communities.”



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Microporous completes Piney Flats \$20 million expansion

Last phase involved international work-around for COVID-19 crisis

by Scott Robertson

The fact that Microporous has completed its \$20 million expansion project at the Tri-County Industrial Park in Piney Flats, Tenn., is news. How the manufacturer of separators for the lead acid battery industry did it is remarkable.

After breaking ground in June 2018, the company embarked on an engineering and design phase that took approximately five to six months. Then Microporous started sourcing the equipment around the world, awarding the contracts. Construction took another 10+ months. The building was built in parallel with the sourcing of the equipment.

The finish line was tantalizingly close for Global Director of Engineering Antonio Abriola's team of engineers in early March 2020. The near-two-year expansion was within a month of finishing when the COVID-19 crisis hit. Vendors from around the world who had gathered in Piney Flats to complete the commissioning process for the custom-designed equipment were suddenly called home. And Abriola and a handful of engineers who had helped design the equipment were left to finish the job themselves.

"We were pricing everybody to finish because we had our own timeline," Abriola said. "Then this COVID-19 issue came on top of that as we were on the tail end of the project. We had several engineers from all over the world working here in Piney Flats, and as soon as the travel restrictions came up, they ran back home.

"I completed the project basically with my team here. I have a team of four controls engineers and we were able to keep the timeline despite the issue of the COVID-19."

Issues were addressed via email, video and phone calls. The Microporous team was ready to handle the challenge in part because of prior contingency planning and in part because the team had helped design the equipment it was installing.

"I had visited those vendors several times, and we were already gathering information to help with the commissioning and the start-up in case something would not work or they would not be available for any reason. There was no way I could have foreseen this kind of COVID-19 issue, but we were just trying to build



Jean-Luc Koch, CEO



Antonio Abriola, global director of engineering

from experience and get documentation from the vendors so we could continue, even with remote support or media communication tools."

The equipment itself is a combination of American-, European- and Asian-made. It was all made based on the Microporous team's own designs. "The real game-changer was the team effort," Abriola said.

Jean-Luc Koch, Microporous CEO, said, "I wasn't really sure – I wouldn't have bet on (opening on time) in early March when the bad news came and the vendors basically took the first flights home. It's been a great accomplishment by our team and I am very proud of the team for their achievements."

The expansion was designed to triple the existing plant's production capacity, creating 50 new jobs in the process, and allowing Microporous to diversify its North American-made product portfolio. The new jobs will take a while to create now, Koch says.

"Our plan will probably be a little bit longer than expected in order to sell out this new line capacity. We initially thought that we could sell it within about a year, so now, you know, it's not going to be a year. It all depends on how quickly the economy goes back to normal. We're really not afraid of the long-term. If it's a year, a year-and-a-half – it's not going to be the end of the world.

"We were not planning to be running full-speed immediately. In our industry we know that we need time to qualify our product. This is why

our No. 1 priority was to send out good product now from the new line and start the qualification cycle.

"We start that now and it takes between three and nine months," Koch said. "But we had not planned to have the plant running full-speed before the end of the year. So, between now and the end of the year, we will ramp up capacity. We will play it by ear depending on how the demand and the economic crisis evolves and hope for the best."

Regardless of how long it takes to reach full capacity, the plant expansion opens new markets for Microporous. Until now, the Piney Flats facility only produced product for industrial customers.



Equipment had to be commissioned with vendors working on another continent



Aerial view of the expanded plant in Piney Flats

The new expansion is designed to manufacture ultralow resistance separators for the automotive industry. The company previously produced those separators only at its Feistritz, Austria plant.

“We really have moved several steps up with additional technology allowing us to produce a much thinner separator and going after a much more demanding market in terms of product specifications and consistency,” Koch said.

“This manufacturing process is quite unique,” Abriola added. “There are only a few players in this PE battery separator manufacturing space in the world. What makes this line unique is the combination of the technologies that we use. It is the fastest in the world. It combines the latest and greatest process control systems and integrated automation systems.”

“Antonio has brought in a jewel, a masterpiece of technology in east Tennessee. It may sound arrogant, but that’s what this is,” Koch said. “It’s the most advanced to this type of equipment in the world, not just North America. Antonio was the mastermind in putting together all the pieces of the puzzle in time and in-budget.”

On May 4, the company started moving orders from another production line in order to deeply test the equipment and confirm it delivers to customers’ capacity and their design features. Abriola is confident. “(The expansion) is now complete and is ready to provide our customers with high quality product.”

Koch said, “It is in times of crisis you discover your unknown or untapped hidden talents. My only regret is that because of social distancing we will not be able to have the celebration we had planned. When the COVID-19 crisis ends, we will.”



The Microporous team that finished the expansion during the COVID-19 crisis
PHOTOS COURTESY MICROPOROUS

Crown Laboratories wins hand sanitizer contract to produce leading brand

From hand wringing to hand sanitizing in two months

by Scott Robertson

Capitalizing on significant expected growth in the hand sanitizer market over the next two to three years, Johnson City-based Crown Laboratories has signed with the leading North American brand to begin production this month. Crown will make a sizable and rapid investment in its Johnson City manufacturing operation and hire an additional 50 employees to get hand sanitizer production up and running as quickly as possible, says CEO Jeff Bedard.

“The work at the plant has a target completion date of May 18,” Bedard says. “When you think about, in a roughly eight-week period, going from having no hand sanitizer capacity to the ability to make 150,000 eight-ounce bottles a week – including new packaging equipment, new manufacturing tanks – that’s what we’re doing. In this first phase alone we’re going to spend right at \$1 million. Over the next year we’ll spend close to \$6 million to bring hand-sanitizing volumes up.”

In addition to producing 7.8 million units of product for the leading brand each year, Bedard says, Crown will also begin manufacturing and selling hand sanitizer under its own Keri Clinical Care label. “We see demand for this product not waning. This isn’t going to be, ‘hey, we’re over COVID so people will stop worrying about hand sanitizing.’ This is kind of going to be the new normal.”

The opportunity for Crown to enter the hand sanitizer market could not have come at a better time. “We got a call in the middle of March from one of our equipment suppliers who said, ‘we have a customer that is looking for someone who can add substantial unit volume and you guys came to mind,’” Bedard says. During that same time frame, Crown was facing COVID-19 related closures to business units with roughly \$100 million run rates.

“We were off to a record quarter for our medical aesthetics business unit. We had a run rate of roughly \$40 million with that business unit that in two days went to zero,” Bedard says. “The second group of folks we had to furlough was our



Crown Laboratories CEO Jeff Bedard

beauty division, which is Vita Liberata. Most of that is in Europe and the U.K. That started in early March. We basically went from a \$60 million run rate to zero.”

The tip from the supplier was manna from heaven for Bedard, who wasted no time chasing down the opportunity. “We quickly met with the (hand sanitizer company) team and they toured our facility. They got back to us in a couple of days and said, ‘if you can tick these boxes – getting the right permits in place, getting the right safety measures in place and then getting your cost structure on a per-unit basis in line with ours – we’d like to give you a substantial amount of volume.’”

Bedard knew he could make the cost structure work, so the box-ticking began, he says, with permitting and safety. In order to meet the client’s

needs, Crown would need to handle a massive amount of denatured alcohol.

“The first call I made after meeting with the team was to Pete Peterson (Johnson City city manager) just to give him a heads up that we wanted to partner with the city on this,” Bedard says. “This really is a public-private partnership to get this to the finish line. There were no corners cut. It was just us wanting to engage with the city up front, so the city knew up front we needed to have this much alcohol on site. We quickly met with the head of the fire department and the permitting group at the city. We brought an engineering group in that the city had worked with before and went through the plans.”

Crown already had permits in place to have a small amount of denatured alcohol on site, Bedard says, and the company has made hand sanitizer before, though in very small volume. “Our permit allowed us to use 5,000 gallons per year. Now our new permit allows us 1.8 million gallons per year.”

That 1.8 million-gallon figure gives Crown plenty of room to increase production for its Keri label. From a capacity

SEE CROWN, 20

Cultural shift allows SoFHA to provide award-winning patient care



Ben Franklin once said an ounce of prevention is worth a pound of cure.

Preventative medicine is a major focal point at State of Franklin Healthcare Associates, which has been scored as the top provider group in the state two years in a row by BlueCross BlueShield of Tennessee. Judged by a stringent set of 20 quality metrics that measure care administered to patients of all ages, SoFHA scored 99 out of 100 in 2018 and 100 out of 100 last year.

This level of sustained excellence didn't happen overnight, and it certainly didn't happen by accident. SoFHA has a Quality Improvement Team dedicated to ensuring everyone in the organization embraces a proactive approach to patient care.

Dr. David Moulton, Director of Quality at SoFHA, said the cultural shift started within the organization over a decade ago, and that investment has resulted in a greater sense of accountability at every level.

"If you were to ask administrators, providers, nurses, front office staff and back office staff about what's important, they would all be able to tell you our mission and how it affects them," he said. "You would find out that everybody understands about these metrics and why they are important. So it's baked through our organization."

According to Moulton, the paradigm shift at SoFHA came about when everyone took ownership of patient health. Instead of giving medical advice and hoping patients acted on it, SoFHA installed a system of care to make sure patients were getting timely cancer screenings, diabetic patients were getting yearly eye exams to prevent vision loss, pediatric patients were up to date on vaccinations and other risk factors were being addressed before they developed into more serious medical conditions.

This process starts with a primary care physician talking to his or her patient about the importance of preventative measures. If a patient refuses something like a vaccination or cancer screening, SoFHA physicians are trained to dig deeper, find out why the patient is reluctant and provide more targeted information to help the patient make a more informed decision about his or her healthcare.

"If you don't understand where they're coming from, you won't connect with them," Moulton said. "You need to get to that second or third line of understanding. You have to understand what framed their thought process in order to have this discussion."

When tests are scheduled, there is a team in place to do follow-up outreach calls in order to ensure those tests are completed in a timely manner. These calls reinforce the importance of the tests to



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the patient's overall health. SoFHA physicians also have clinical pharmacists available to attend an appointment with the doctor and the patient to address concerns about new prescriptions, talk about drug interactions and give recommendations.

According to Moulton, taking care of the common illnesses is the nuts and bolts of good medical practice. Common illnesses eventually lead to complications like heart attacks and strokes if they go unchecked. With that in mind, SoFHA took aim at diabetes prevention and management back in 2007. Labs were tracked, medications were dialed in and clinical pharmacists were installed to help diabetics keep their conditions under control.

In 2014, hypertension became a major focus.

"When we first analyzed our blood pressure control at that point, we had about 66 percent of patients who had their final blood pressure of the year was controlled," Moulton said. "So we've had an emphasis on blood pressure control and follow up."

By last year, 85 percent of SoFHA patients ended the year with their blood pressure under control. Insurance companies have taken note of SoFHA's success in controlling diabetes and high blood pressure, two building blocks for heart attacks and strokes. Moulton said other healthcare groups from around the country have called SoFHA to find out what the organization is doing to achieve these results.

When you add in the high marks SoFHA routinely gets in the areas of cancer screening and vaccinations, it becomes clear why SoFHA's efforts to provide proactive care for patients of all ages is so highly regarded. And with every new provider being required to take ownership in the health of his or her patients, the culture of proactive medicine that has been so carefully cultivated at SoFHA is in good position to keep perpetuating itself into the future. ✨

CROWN, CONTINUED

standpoint, if one adds 30 percent volume to the 1.8 million alcohol gallon figure to come up with the number of gallons per year of hand sanitizer Crown will be able to make in a year, the figure Bedard quotes, then Crown's total hand sanitizer production could close to double the existing order from the leading brand. Bedard says only that, "We'll be entering that market in a significant way as well."

"We have the ability to purchase and flow through 1.8 million gallons," Bedard says. "We're going to bring the alcohol in via rail, unload it at a rail spur into a tanker truck that will come to our plant. We'll have 500-gallon totes on site to rotate through. So, every week, we'll get 20,000 to 40,000 gallons in via rail to replenish. But with that flow-through, our ability to purchase over a year is capped at 1.8 million gallons."

That having been said, if all goes well, Bedard adds, "we can ask for a larger amount as we see fit if we need to."

In the meantime, the company is staffing up, and it appears Crown will be one of the first companies to be able to take advantage of the sharp rise in the number of people looking for work since the COVID-19 crisis began. "I just came out of a meeting where we got an update on filling those 50 jobs," Bedard says. "We've hired 22 of those 50. The only reason we're not at 50 yet is we haven't been able to interview everybody. We

have had well over 500 applicants for the 50 jobs, which was wonderful. We are hiring highly qualified and talented people. We feel really good about the group we're interviewing."

At the same time, Bedard says he is hopeful the reopening of markets will continue apace, allowing for Crown's aesthetics and beauty lines to begin recovery.

"We feel like there's going to be an initial surge of people that want to have aesthetic procedures done, but we don't know how long and how robust that's going to be. We're going to slowly start to bring those folks back. We actually have some people – a minimal crew – who will come back next week. We're going to start really looking at gauging the medical aesthetic practices and go to where we're seeing states open up to give us the ability to see patients.

"As for Vita Liberata, a lot of Eastern Europe is starting to open up, so we're starting to bring those folks back to the extent we can, but the offices in the U.K and Ireland will remain closed for the foreseeable future because they're just not ready to open up yet."

One sunny spot through all of this has been Crown's over-the-counter product sales. Blue Lizard sunscreen sales are up 121 percent year-over-year. The company's disease-state OTCs for conditions including acne and exzema are staying on-budget, and in some cases, growing, Bedard says. "So, we feel pretty good about that." 

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The main concourse at Tri-Cities Airport stands deserted at midday. PHOTOS BY SCOTT ROBERTSON

Passenger count down 91 percent, TRI hopes for \$10 million in federal aid

by Scott Robertson

Tri-Cities Airport (TRI) Executive Director Gene Cossey began his April 23 COVID-19 crisis update for the Airport Authority with a sentence of understatement. “There’s a lot to talk about here,” Cossey said, before adding, “We could possibly be here for several hours talking about everything. This has had a huge impact on all of our operations, our finances, and trying to adapt policies to deal with things.”

As Cossey spoke, the airport parking lot, normally a huge revenue generator for the facility, stood empty but for a handful of cars belonging to travelers and a sizable number of cars not being rented out by the airport’s rental car company tenants. The gift shop was closed. And the number of passengers had plummeted.

“Obviously, I think everybody knows that one of the biggest issues we have here is that the airline operations have come to almost a complete halt,” Cossey said. “We are averaging – based

on TSA reports that are coming back to us – about 50 to 60 passengers a day.”

The airlines have reduced their scheduled capacity by about 40 to 60 percent between American and Delta. Allegiant has not technically reduced its schedule. It has simply canceled all its flights to and from the TRI. “So even though on the schedule it looks like Allegiant is still flying,” Cossey said, “they basically cancel all their flights on a weekly basis.”

Incoming flights have dropped from an average of 12 per day to six over the last month (three to Atlanta, one to Charlotte and two to Dallas) with the expectation that daily adjustments to flight schedules will continue.

“What we don’t know and what we will not know is how quickly capacity will ramp back up to, what it will ramp up to, or how quickly people will want to start getting on airplanes and flying again,” Cossey said. “Those are all unknowns.”

Gates

About that \$10 million

The much-hoped-for \$10 million in federal CARES Act assistance announced April 14 is in some doubt because Tennessee State Representative Steve Cohen (D-Memphis), sent a letter to the FAA on April 21, asking it to cease making CARES Act payments to airports.

Cohen's complaint? Smaller airports like TRI are getting proportionately more dollars than larger airports like Memphis. While the TRI is slated to receive \$10,300,692, Memphis is scheduled to receive \$24,687,552. If one assumes zero other revenue for the airports and expenses running steady, that \$10.3 million would cover the TRI for roughly a year-and-a-half. Memphis' \$24.7 million would keep it going for only four months, Cohen said.

"The purpose of the CARES Act emergency relief is to support U.S. airports that are experiencing severe economic disruption caused by the COVID-19 public health emergency," Cohen said in his letter, "not to bolster or double smaller airports' budgets based on an arbitrary formula. I respectfully request that the FAA suspend its CARES Act payments to airports immediately until Congress can address this severe funding flaw that is prohibiting adequate support for our nation's airports."

It is unlikely Cohen's objection will result in the loss of funds for the TRI and similar-sized airports, Cossey said, "I am not going to count these eggs in our basket until we are actually awarded the grant."

The good news is that if and when the airport is made aware it can begin invoicing against that grant funding, Cossey said, "there's basically no strings attached. We will be able to draw against that grant retroactive to our expenses and costs after Jan. 20. Our plan at this point is to allow it to all be used against expenses and operational needs.

Notwithstanding any efforts to block it, we should be getting that money very quickly, and as soon as we get that money we will start drawing against it for our expenses and our operational needs." Expenses from Jan. 20 to the present will eat up the first \$1.75 million of that \$10.3 million. The airport currently has around \$2.4 million for operations. The current fiscal year budget called for around \$7 million in expenses.

Another bit of good news, assuming the full grant is received, the airport will have access to the full amount for a full four years, so if operations recover quickly and revenue begins to return to normal, the CARES Act funds will still be available to use at the Airport Authority's discretion. "If we have extra left, we can use it for a normal capital project," Cossey said, "but my plan right now is that this will be what takes us through this crisis."

The mechanics of receiving the grant will be handled through an online system called Delphi. As soon as the FAA lets the airports know the grant funds have been issued, the airports may begin drawing monthly expenses against an electronic account in the Delphi system until such time as they deplete the account or four years passes, whichever comes first.

Current operations

There have been no layoffs or furloughs at the airport, though the FAA has indicated it plans to reduce the hours worked by air traffic control tower staff. Allegiant ticket counter workers who



TSA employees await travelers at the gates.

have no flights to work are being put to work in custodial roles as the crisis continues.

"We're doing that for two reasons," Cossey said. "As much as we can, we don't want to send people to the unemployment office, and we also think the extra help with maintenance and cleaning is both good for the upkeep of the airport but also to keep the disease from spreading as much as possible.

"Rental car and concessions are basically at zero revenue," Cossey reported. "The rental car operations are still out there and operating, but they're pretty much not operating. Enterprise and Hertz are faring better than Avis at this point. Enterprise operates six locations throughout the Tri-Cities and has shut all but the airport and Johnson City locations for the time being.

"We have had one airline and a few rental car companies ask us to defer our receivables from them," Cossey told the full authority. "They actually asked us to waive them. I told them we

SEE TRI, 24



The auto rental counters are at “basically zero revenue.”

TRI, CONTINUED

cannot and will not waive their fees and payments to us. But in working with staff and Bill Bovender (legal counsel for the TRI) we can defer our receivables from them.” Current plans call for the payments to be deferred until July with increased payments for the following six months to allow the airport to recover the deferred dollars.

“We are obligated to collect those fees. To not do so would be a revenue deferment, which would be an illegal use of revenue,” Cossey explained. “I don’t want to be waiving fees anyway, but I certainly don’t want to put us in a position where the FAA might come in at a later time and say we did so inappropriately.

“This will probably be applied to all three airlines that serve here and all the rental car agencies though,” Cossey added. “We are required to treat everybody equitably.”

The airport has prepaid the parking lot management company for the next three months to avoid parking staff layoffs. “Our parking operations are basically down to nothing,” Cossey said. “We do have those 50 or so people a day coming and going, so there is a minor revenue stream there.

The TailWinds Café and gift shop was forced to stop a

renovation only 10 percent of the way through when the crisis hit. The authority debated a request by the owners of the TailWinds franchise for the airport to foot the \$287,000 cost of restaurant renovations in exchange for TailWinds paying an additional lease payment for the next 10 years to use the space once operations return to normal.

Pete Peterson, city manager of Johnson City, raised questions about the wisdom of spending nearly \$300,000 on renovations at this point in time. “The perceived benefit of it is that when people start flying again, they won’t have to deal with construction in the middle of the terminal,” Cossey said, “and then we’ll have an extra revenue stream that will repay the funds we put in now.”

“If we are receiving federal money, then there is value in keeping projects moving because it helps those contractors, which means local jobs,” said authority member Todd Hensley.

Authority Chair Jon Smith agreed that using the CARES Act funding for the TailWinds project made sense on a broader level. “One of the reasons that the feds are giving us this money is not just for the airport. It’s also to try to insure that the small businesses and the people we do business with manage to stay in operation themselves. So, there is an implicit, if not an explicit assumption on the part of the people who are giving us \$10 million that we’re going to use part of this money to support the people we do business with.”

Peterson conceded the points, but asked that the authority be certain of the receipt of the full \$10 million CARES Act grant before moving forward. The authority agreed to put off a decision till its next meeting but changed the meetings from bi-monthly to monthly to be able to act more nimbly as necessary in coming months. “This thing can change from day to day,” Smith said. “We can suddenly get well or we can suddenly get a lot sicker.”

The airport has pulled all its advertising, with the exception of a previously paid-for USA Today co-op ad in May and a campaign placed on the expedia website, said Director of Marketing and Air Service Development Kristi Haulsee. “We just felt it wasn’t appropriate to be advertising air travel at this time. We stayed on expedia simply because people go there to actually book trips.

“Our social media strategy we certainly changed dramatically,” Haulsee said. “We really are focused on the airlines and what they have coming out, as well as what’s happening here at the airport. We’re also posting things that are sensitive to what’s going on right now. We also added a page to the airport website updating any changes.”

As if all that weren’t enough, the airport received word that what appears to be a Russian operation has been sending emails to businesses and organizations in the region asking them to link to a bogus Tri-Cities airport site. Haulsee emphasized that triflight.com is the only site operated by the airport. The FBI is investigating the fraudulent site and has confirmed other US airports have also been targeted.

Finally, work on Aerospace Park continues apace. The airport has worked with NETWORKS Sullivan Partnership on a potential project brought by the Tennessee Department of Economic and Community Development, and is working to renew the Tennessee Select Certified Site designation for the park.



Finances through fiscal Q4

Before the coronavirus crisis hit, Tri-Cities Airport was on a pace to increase passenger traffic by a significant amount over the previous year. That fact will help the airport coast to the finish line of the current fiscal year despite what Cossey describes as a “huge decline” since the crisis began.

In analyzing the possibilities for the rest of fiscal 2020, Director of Finance Rene Weber began by deleting two months from the revenue stream of traffic-sensitive revenue (TSR) accounts, including landing fees, terminal space rental, general aviation costs and fuel flow. “An analysis indicates that we lose about \$350,000 per month just from those air-traffic-sensitive accounts. That is about 60 percent of our revenues.”

That presents the airport with a small operating loss for fiscal year 2020. “I should add that through February of 2020, we were up significantly,” Weber said. “Our traffic through February, which was eight months ended, had a 12.8 percent increase. So, we’re going down into the valley now, but at least we were on top of the hill when we started the downward roll.”

Weber noted a 45 percent decline in TSR for March, and modeled a 90 percent decline for April, and 80 percent shortfall for May and a 75 percent shortfall for June. That would end the fiscal year with projected revenues 9 percent less than budgeted and projected expenses 0.8 percent less than budgeted. The overall impact nets out to a net operating loss of \$331,096 for FY 2020.

Finances in fiscal 2021

In devising a draft budget for FY2021, Weber projected operating expenses to increase slightly, to roughly \$7.3 million. His operating revenue projection shows the airport collecting 7.7 percent less than was budgeted for FY 2020. That creates a net operating loss of \$683,785.

Cossey had already told the executive committee that the budget for fiscal 2021 will have to be a “living document. The future is very fuzzy right now as far as where things are going for our airport. There is no way to tell over the next six to 12 months how things are going to go.”

Weber said, “From a budget standpoint for 2021, obviously we don’t have some of the tools we normally use for our budgeting process, which includes the rates and charges model which actually spins off from the proposed flight schedules.”

Those flight schedules remain a far-away moving target. “It’s not that they’re not trying,” Cossey says of the airlines. “It’s just trying to figure out the impact this is having to their whole network. It’s not just, ‘What’s the schedule at Tri-Cities?’ It’s what’s the schedule in the whole network they run and how does one domino hit the next domino. Trying to get that schedule for them is a nightmare.”

“We will try to come up with the most accurate budget we can for 2021 in June and we’ll get that approved at the June board meeting, but again, we’re just going to have to be prepared for all kinds of different possibilities and be very adaptive on almost a month-to-month basis.”

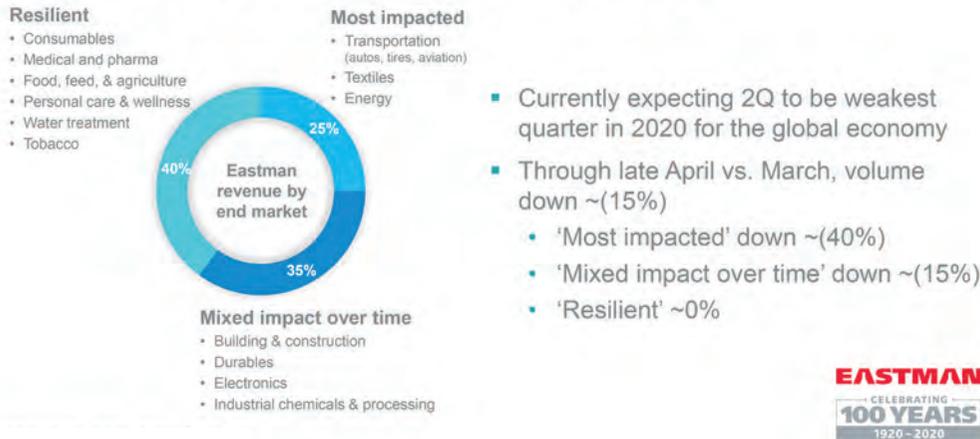


PROJECTED FY 2020 OPERATING RESULTS

- Traffic sensitive revenue (TSRs) accounts = 60.0% of revenues.
- Decline in TSRs expected of 90.0%, 80.0% and 75.0% in April, May and June of 2020. March as a 45.0% decline.
- Projected revenues for FY 2020 are 9.1% less than budgeted.
- Projected expenses for FY 2020 are 0.8% less than budgeted.
- Net Operating Loss of \$331,096 projected for FY 2020.

Costa says Eastman hopes for uptick from COVID crisis in June

Diverse end markets mitigate impact of COVID-19



Eastman CEO Mark Costa
PHOTO BY EARL NEIKIRK

Eastman CEO Mark Costa used the opportunity of the company's May 1 quarterly earnings call to discuss Eastman's good start to the year, the uncertainty of the world economy for the rest of 2020, and the company's ability to "lead from a position of strength" as the year goes on based on diversity of markets and emphasis on innovation.

The first quarter saw Eastman's adjusted earnings per diluted share rise to 2.03 compared to 1.77 in Q1 2019. "This quarter demonstrates what Eastman can do when we have a day of sunlight between the trade war starting to moderate and COVID start to escalate," Costa said.

Costa announced the company has withdrawn its guidance in predicting financial results for the rest of the year, but did note that the COVID crisis did begin to affect the company in Q1, attributing a \$30 million EBIT decline to the pandemic.

"About 40 percent of our markets are quite stable and doing quite well, being relatively flat sequentially," Costa said. "In those markets you've got things like personal care, consumables, which is a range of things from packaging adhesives to packaging polyester, etc. The medical pharma part is good. Ag, nutrition and all those markets are going to hold up relatively well in this.

"Then you've got somewhat challenged markets that include building construction, consumer durables, electronics, and industrial chemicals where they're actually still also sequentially declining in April but we're expecting those to you continue to do relatively okay to the more impacted ones in transportation, textiles and energy.

"That diversity of markets, especially that 40 percent that gives us a stability in the world is incredibly helpful this time," Costa continued. "We would expect that to continue through

the quarter. What we call the mixed impact are a little bit harder to call. I think there's some of that that's holding up well like consumer durables where a lot of our innovation in Triton and things like that are allowing us to create our own growth. So we're seeing stability from not just markets but innovation in some of those applications. Architectural coatings is holding up really well, as well as our architectural inner layers, but it's reasonable to expect some of that's going to moderate as existing projects might be completed, but through Q2 I think it's going to be okay. The question is what happens longer-term to some new starts and housing.

"And then the real challenge is in transportation which I think is extremely well documented where you've got auto plants and tire plants shut down all over the world. Fortunately, China is coming back. But we track every tire plant, every auto OEM, every window plant down to the model in our mapping all that out. They're all shut down now, so the question is when are they going to start back up. We see that recovery and that sequential improvement in China already, but obviously the US and Europe is still a question mark."

"April, I think, is a good indicator for the quarter," Costa said when asked about short-term prospects. "I think we could expect it to be more challenging in May as the supply chain line catches up to us with a lot of these plants being shut down. Then we presume, as do the consultants, that things will start back up to some degree and you'll see some of that benefit in June."

"There's just a phenomenal amount of uncertainty when we don't even know how the US and Europe are going to restart yet. We can get people back to work in a lot of companies, but it's really a question of what consumers are going to do." ■

RCAM apprentices stay on pace with proctored online testing

As Coronavirus/COVID-19 forced a national shutdown, colleges sought new ways to engage students and deliver content online. The Regional Center for Advanced Manufacturing (RCAM) of Northeast State partnered with the college's Office of Testing Services to keep apprentice students on track with proctored online testing.

Cindy Necessary coordinates training and credentialing services for apprentice students enrolled at Northeast State through RCAM. Those apprentices follow course maps to earn their certificates. They are required to complete a set number of courses each year. "We are trying to keep them on schedule," said Necessary. "In the downtime we wanted to get the remote online testing going so they wouldn't get so far behind."

The national lockdown in response to COVID-19 created a problem for apprentices to follow their course map that includes hands-on laboratory tests. Through the work of RCAM and Testing Services apprentices can complete those courses not requiring lab time and take exams online remotely. The process keeps apprentices earning credit hours and moving toward their U.S. Department of Labor Certification.

Necessary found an ally with Barbara Clark in the Northeast State Office of Testing Services where plans were already underway to move the College's Accuplacer testing online for students. The RCAM and Testing staff reviewed NCCER's remote online testing availability. "Because the Testing Center had started working on how to do Accuplacer testing online," said Necessary. "That's when we knew this might be a viable option for our apprentices."

The first step involved getting Zoom credential to host testing sessions for students. Northeast State's Information Technology department acquired Zoom professional service credentials for a slew of departments including RCAM and Testing Services. RCAM currently uses the National Center for Construction Education and Research (NCCER) curriculum for the Mechatronic Apprenticeship Program and administers the exam program for apprentices at RCAM. NCCER announced a temporary remote proctoring option through May 15 and possibly beyond for craft module tests using online testing remotely versus live in person proctoring.

Zoom virtual testing requires proctors see what students are doing during exams. An auditor from NCCER must be invited to the exam session and proctors store the video file for review purposes. Clark with Northeast State Testing Services followed the strict regulations set forth by NCCER prior to making Zoom online testing available for apprentices. This testing also met FERPA standards to safeguard students' privacy during exams.

Clark contacted Necessary and the duo decided that Clark, who is a certified NCCER proctor for RCAM, would receive the training to perform the online testing remotely. Webinars plus additional training sessions included learning Zoom teleconferencing software and how to secure test sessions. NCCER granted approval on April 22 to RCAM and Clark to administer proctored apprentice testing remotely.

Testing staff assessed what hardware and software apprentices



RCAM and Northeast State Testing Services moved proctored testing online for students. PHOTO COURTESY NORTHEAST STATE

need to access the online exams. Students are required to have access to laptops or tablets. Once a student logs into a ZOOM meeting, a proctor verifies their identity to take the exam. Upon completing the exams, students get immediate results of pass or fail. "Right now, we will see on an individual basis what the apprentices need due to work schedules, computer abilities, and internet access," said Clark. "I am grateful to be working with both Testing Services and RCAM to meet the needs for all students regardless of the career path."

RCAM expects to open the first round of exams for 10 students immediately with five more in the coming weeks. Those numbers could expand as RCAM's regional partners learn of the Zoom online testing options. Necessary sent word to all RCAM's industry partners that this testing was available for their apprentices. "We've contacted all our apprentices and told them if they want to do this just connect with us by email," she said. "Our industry partners/students are thrilled we are able to offer this and give them an option. We are all learning in this."

Clark expects to keep testing on schedule while keeping the apprentices connected with RCAM staff for advisement. She said some employers offered to accommodate apprentices by allowing them to test on the job site for computer and internet capabilities if need be.

Necessary said RCAM's Zoom test delivery system for apprentices could expand beyond the region. RCAM is currently reviewing several online based programs and testing options. The uncertainty of the times had prompted RCAM and Testing Services to preserve the exam model for the future of online education. "We want to have more than one option if this should happen again," said Necessary. "You have got to have options if you can't physically be there." ■

Mattern & Craig announced that **Brad Craig**, current principal and member of the Board of Directors, has been selected as Mattern & Craig's new president.

Mattern & Craig, based in Roanoke, VA, employs more than 75 employees in their six offices in four southeastern states. The firm has offices in Johnson City and Kingsport, Tenn.

"I'm honored to step into the role of President of Mattern & Craig, which was founded over 40 years ago," Craig said. "I plan to uphold our firm's commitment of high-quality service to our clients while maintaining a culture in which our employees can grow and prosper, even in these unsettling times."

Craig succeeds Steve Campbell who, as part of the firm's leadership transition plan, is stepping aside after serving 16 years as president. Campbell will remain as a vice-president and member of the Board of Directors. "I want to take this opportunity to congratulate Brad Craig on being named President of Mattern & Craig," Campbell said. "This decision was finalized at our annual board meeting, but the planning for it began years ago. It has always been a policy of Mattern & Craig to plan for the future, to place ourselves in a position to grow, and to train our folks for future leadership. Training and selecting the right person to be our president is certainly near the top of that list."

Prior to his role as head of the firm's Civil Division and principal in the Roanoke office, Craig served as project manager on numerous planning and design of infrastructure improvement projects for various municipalities and state agencies.

His primary focus has been on water and wastewater facilities, including design of utility projects, pumping facilities, storage tanks, and water/wastewater treatment plants. Additionally, Craig has designed and managed projects involving stormwater facilities, site development, roadway design, public works facilities, and downtown revitalization/enhancement.



Brad Craig

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A hand up for small business in an unprecedented crisis

by Andy Dietrich

On Tuesday, March 31, I could not sleep.

I kept thinking about all the small businesses in our region that were struggling – just hanging on by a thread. The next day I called Mitch Miller, the CEO of the Northeast Tennessee Regional Economic Partnership (NeTREP) and said, “Hey, you all (NeTREP, NETWORKS Sullivan Partnership, the Kingsport Chamber of Commerce, the Johnson City Chamber, the Bristol Chamber, the Northeast Tennessee Tourism Association, and SyncSpace) have this website up called RegionAhead.com with more than 230 businesses listed on it. We need to do more than just promote those businesses; we need to find a way to raise money from our local communities and give it to our local businesses that are hurting the most.”

We then called Don Raines, who has helped organize the Niswonger Children’s Hospital Radiothon the last seven-plus years to figure out a way to organize something like a telethon/mediathon that has never been done before. I spent seven more hours on the phone that day calling Tony Treadway with Creative Energy and my chamber and economic development friends. We then started having Zoom meetings to start orchestrating our plan.

Within two weeks, we pulled together 38 organizations willing to donate their time, energy, assets and expertise – and do it all free of charge to pull this thing together. Today, more than 10 Chambers of Commerce, plus multiple economic development entities, tourism folks, colleges/universities, TV stations, newspapers, magazines and radio stations are involved. This could be the start to a new regional organization after the fundraiser is complete.

Working together via Zoom on a daily basis, we created the Local Business Recovery Fund at www.regionAHEAD.com. It went live only 16 total days after that first conversation. Our region, as defined for this effort, consists of 17 counties in Tennessee and Virginia, plus the independent cities of Bristol and Norton in Virginia.

To be able to submit a grant application, your business must be in one of the above listed counties and have 50 or fewer employees. Your business will need to fall in one of the listed categories: arts, entertainment, recreation, accommodation, food services, retail trade or manufacturing sectors.

We decided that the best way for us to hold and then redistribute funds was to create a trust, which we created with pro bono legal and accounting assistance. Donations could not be made tax deductible because we are giving back to for-profit businesses.

We then created an anonymous grant committee



to go through the grant applications that were submitted through regionAhead.com. Creative Energy and Cumberland Marketing created public service announcements for us to pass along to our media partners in TV, radio and print. Those PSAs have been run free of charge by the region’s media outlets.

We plan on running this fundraiser through the end of May. We hope to start distributing some of the money by the first of May and continue weekly until the end of the month. We don’t know how much each grant distribution will be because we don’t know how much we will be able to raise. At the end of the day, we will do our best to help as many struggling small businesses as we can. While I am writing this, we are seeing that the need is far greater than the money that has been donated thus far. To learn more, and to see how your business might help or be helped, visit regionAHEAD.com.

These small businesses are the backbone to our great region. They need us now more than ever.

Andy Dietrich is owner and vice president of Champion Chevrolet and has been a consistent voice for regional business cooperation.

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