



Banking for Government Contractors

SCS Government Contracting Seminar

David R. Bradshaw, City President

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David Bradshaw

City President, SunTrust Bank

- **BS Industrial Engineering, MBA**
- **10 years at Y-12 (mostly Work for Others)**
- **7 years at Southeast Community Capital (now Pathway Lending)**
- **3 years at SunTrust**

SunTrust Overview

Our corporate mission is to help people and institutions prosper

- Bank assets totaling over \$170.7 billion as of 6/30/10
- Senior debt ratings for SunTrust Bank are A2 (Moody's) / BBB+ (Standard & Poor's)¹
- SunTrust Banks, Inc. equity market capitalization of \$11.648 billion as of 6/30/10
- Ranked eighth among all U.S. commercial banks by total deposits²
- Headquartered in Atlanta with over 1,600 branches and 2,800+ ATMs across 11 states in the Mid-Atlantic and Southeast Regions
- SunTrust backs its relationships with nearly two centuries of commitment, leadership and trust

SunTrust is a top performing, full-service financial institution with strong capital and excellent liquidity.

Capital Ratios SunTrust Banks, Inc.

	2Q 2010 actual	1Q 2010 actual	4Q 2009 actual
Tier 1 Common Ratio	7.92%	7.7%	7.65%
Tier 1 Capital Ratio	13.51%	13.13%	12.90%
Total Capital Ratio	16.96%	16.68%	16.40%

¹ Senior debt ratings as of 8/11/10. For further rating information please refer to our website, suntrust.com.

² Source: SNL Financial, data as of 6/30/09 based on US bank rankings published by American Banker on 11/17/09

Key Business Challenges

Our research indicates these top 5 challenges

Capital - Access to credit and maintaining an appropriate level of capital is a main concern of businesses surveyed.

Liquidity - Firms say that they are increasingly looking for ways to monitor, manage and forecast cash flow.

Complexity - Many companies tell us managing increasing regulatory complexity and mitigating risk are main concerns.

Productivity - Companies say they need to better leverage technology and information to reduce costs and automate financial processes to work within the constraints of today's environment while attracting and retaining top talent.

Growth - Most businesses want to position themselves to compete more effectively and exploit opportunities to grow market share while improving profit margins.

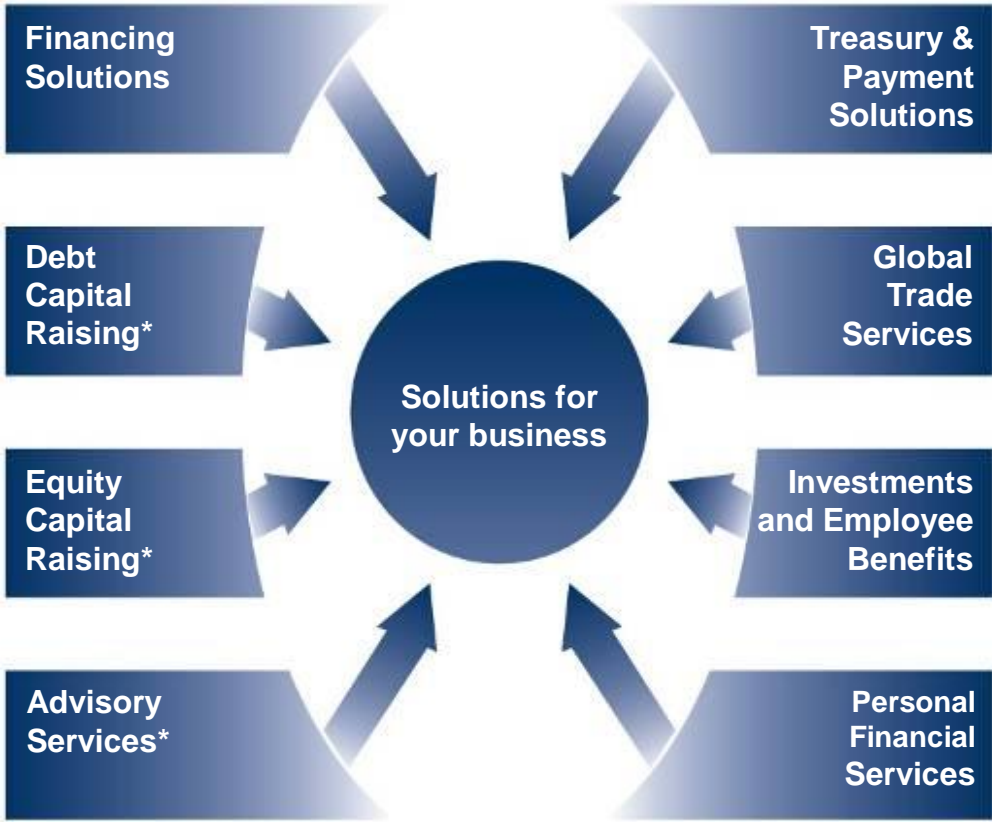
Questions to consider for your company

- What are you currently doing to optimize working capital?
- How adequate is your accessibility to capital?
- What type of capital structure alternatives have you considered to position your company for long-term growth or transition?
- What tools are you using to manage the cash conversion cycle?
- How are you currently forecasting your cash flow?
- What investments have you considered for daily excess cash as well as short or long term cash reserves?
- How are you mitigating interest rate risk? Operational risks, fiduciary risks, etc?
- What regulatory issues are you currently facing?
- What contingency plans do you have in place in case of a disaster?
- What technologies are you currently using to maximize security and help identify and prevent fraud?
- What technologies are you currently leveraging to reduce transaction costs, speed receivables, improve compliance and better manage spending?
- What challenges do you face in attracting and retaining top talent?
- What other expense levers or revenue opportunities can you control to drive profitability?
- How are you balancing your growth plan with profit margin goals?
- What markets, either domestic or international are attractive to you?
- What are your key competitive advantages?
- How will ensure your earnings keep pace with expectations during economic uncertainty or industry consolidation?

**SunTrust Treasury executive Survey; SunTrust best practices and survey of owners*

A Full Suite of Capabilities

- Term Loans and Lines of Credit
- Real Estate Financing
- Asset Based Lending
- Equipment Leasing
- Insurance Premium Financing
- Franchise and Vendor Programs



- Payables and Receivables
- Online Information and Control Services
- Liquidity/Cash Position Management
- Commercial Card Programs
- Merchant Services

- Syndicated Finance
- Interest Rate Risk Management
- Real Estate Leasing
- Tax-Exempt Finance
- Private Placement of Debt
- Public Debt Issuance
- Asset Securitization

- Currency Risk Management
- Trade Finance
- Overseas Investment Trade Services

- Public Equity Issuance
- Private Placements of Equity
- IPOs
- Follow-on offerings
- Convertible securities
- Share Repurchase Programs

- Investment Advisory and Management
- Fixed Income Investments
- Retirement Plans
- Health Savings Accounts
- Employee Banking

- Mergers and Acquisitions
- Buy- and Sell-Side Advisory
- Business Valuations
- Fairness Opinions
- Business Transition

- Wealth and Investment Management
- Financial Planning
- Investment Services**
- Insurance**
- Concentrated Equity Strategies
- Executive Banking

*Offered by SunTrust Robinson Humphrey, Inc.
 ** Offered by SunTrust Investment Services, Inc.

What might an early financing package look like?

- **Personal guaranties**
- **Cash secured**
- **Starts small then grows**
- **Secured by non-traditional assets**
- **Government guarantee (SBA, USDA, etc.)**
- **Non-traditional lender (such as Pathway Lending)**

Early Challenges to Obtaining Financing

- **Lack of consistent financial performance**
- **Lack of reliable financial statements**
- **Getting to A/R**
 - **A government contract is not A/R**
 - **An IDIQ is not A/R!**
- **Direct government A/R involves Assignment of Claims Act of 1940**
- **Foreign A/R is usually not collateral unless supported by insurance, letters of credit, or a guarantee**
- **Focus on cost of financing instead of benefit**

What might a mature working capital financing package look like?

- **60% - 80% advance on A/R**
- **40% - 50% advance on inventory**
- **Borrowing Base Report reviewed monthly**
- **Must match up with detailed A/R report**

Additionally...

- **Monthly internally prepared financial statements**
- **Regular review of corporate tax returns and financials**
- **Regular review of PFS and personal tax returns**
- **Consistent reporting is key**

Pursuant to the Loan Agreement dated as of _____ by and among _____ (the "Borrowers") and SunTrust Bank as lender (the "Bank") (as at any time further amended, modified, supplemented or restated, the "Loan Agreement") (capitalized terms herein shall have the respective meaning assigned to them in the Loan Agreement), the undersigned certify, on behalf of the Borrowers, as follows, as of the date hereof:

SUNTRUST		Borrowing Base Certificate	
		for _____	
		as of _____	
	Line Commitment	\$	-
Section I			
	Total Accounts Receivable	\$	-
	Less: Ineligibles ¹		
	Net Accounts Receivable	\$	-
	Advance Rate	80%	
	Available Accounts Receivable	\$	-
Section II			
	Total Inventory	\$	-
	Less: Ineligibles ²		
	Net Inventory	\$	-
	Advance Rate	50%	
	Net Eligible Inventory	\$	-
	Inventory Cap	\$	-
	Available Inventory	\$	-
Section III			
	Total Available Collateral	\$	-
	Available Borrowing Base (lesser of line commitment and total avail collateral)	\$	-
	Outstanding Loan Balance	\$	-
	Excess/(Deficit) Borrowing Base	\$	-
Please attach/mail an AR aging along with this Borrowing Base Certificate			
I hereby certify that the above calculations were taken from the company's financial statements dated _____, and, to the best of my knowledge are accurate and correct. By delivery of this Certificate, the undersigned on behalf of the Borrowers hereby represents and warrants that the Borrowers are in compliance with all of the terms and provisions of the Loan Agreement and that there exists no Event of Default specified in the Loan Agreement, and there exists no condition, event or act which, with the giving of notice or lapse of time, or both, would constitute such and Event of Default.			
Authorized Signature/Title			
By: _____		Dated: _____	
(name and title)			

A
**Borrowing Base
Certificate
is typical...**

1	Ineligible Accounts Receivable						
a	AR subject to sale on consignment, sale on return, or any other similar arrangement						
b	AR subject to any defense, dispute, offset, counterclaim or other claim by the account debtor						
c	AR is payable by an account debtor which is not a solvent, going concern						
d	AR due from an affiliated company or related party						
e	AR more than ninety (90) days old from the original invoice date of the relevant invoice						
f	AR subject to any “bill and hold” or other similar arrangement						
g	AR unacceptable to SunTrust in its sole discretion						
2	Ineligible Inventory						
a	property represented by any bill of sale, invoice or similar document						
b	property in which a claim exists disputing Borrower’s title to or right to possession of such property						
c	property is not in good condition and/or does not comply with any applicable laws, rules, regulations and standards imposed or issued by any Federal, state or local governmental or quasi-governmental authority or agency with respect to its storage, production, manufacture, use or sale						
d	property is on consignment						
e	property has been determined to be unmarketable or obsolete by SunTrust in its sole discretion						
f	foreign receivables						

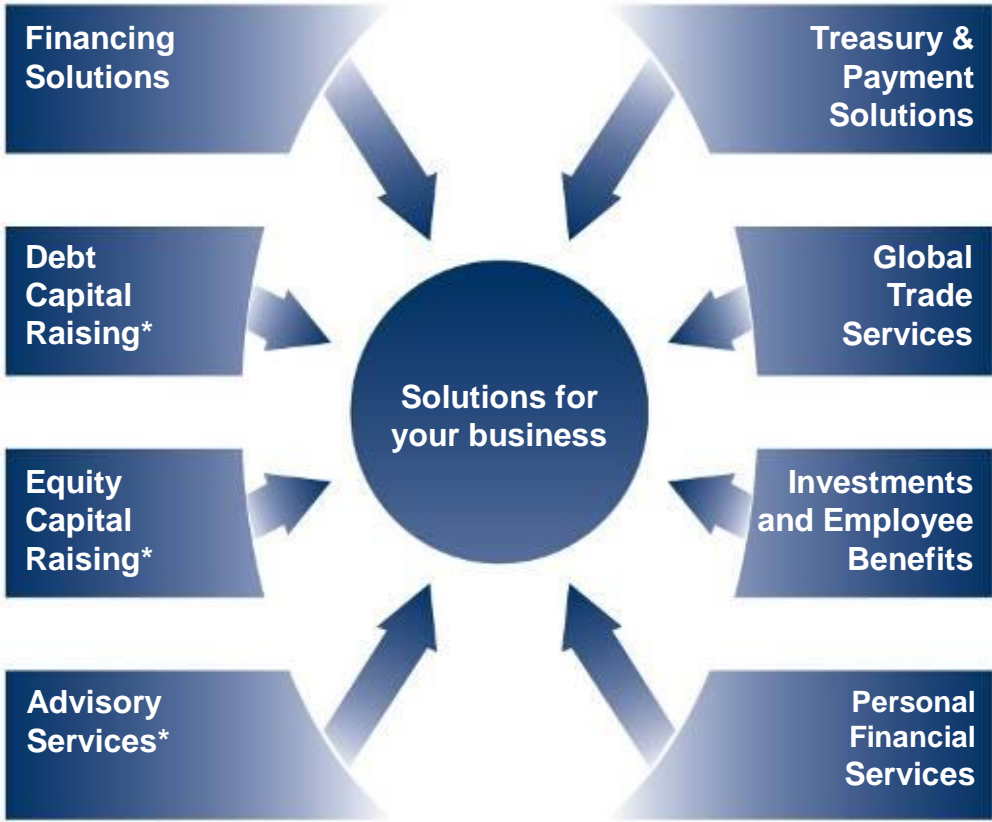
...however, some A/R and Inventory will be ineligible.

The Key to Success is Building a Banking Relationship

- **Communicate all the time!**
- **No surprises from either party**
- **Consistency and accuracy are important on both sides**
- **Trends are important**
- **Use your banker as a resource for structuring deals**
- **Know your banker's assistant**
- **Expect hard work and only an occasional miracle!**
- **The grass is not always greener...**
- **Use all of the resources your bank has to offer...**

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Are Not Bank Guaranteed	May Lose Value

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