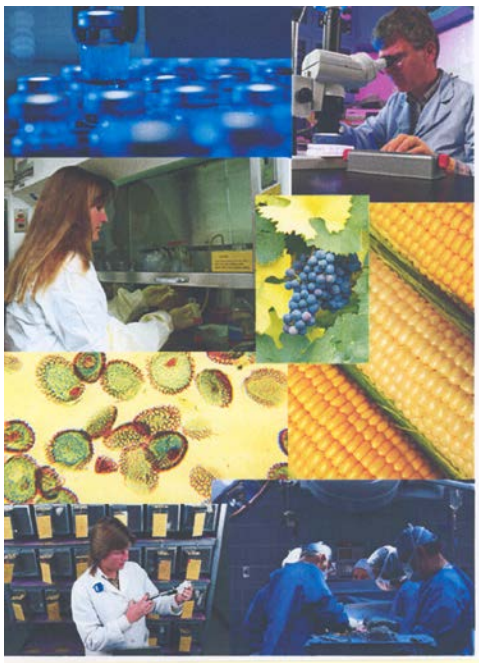
The Innovation Park Business Accelerator Center

A Plan for a Mixed-Use Incubator in Tallahassee, Florida



Innovation is about people, and people need a place to innovate.

Contents

Note: LPA recommends the NBIA Publication, **Put It in Writing II** by Mark Long, © 2012. This publication has all of the client forms necessary for an incubator. LPA will provide a flash drive to Innovation Park with all of these forms.

I. Executive Summary

Overview

The business plan should be read in conjunction with the LCRDA Feasibility Study/Needs Assessment Report which provides background, best practices, summary findings and strategic recommendations that form the basis of LPA's recommendations in this business plan.

Introduction

The shift in the U.S. economy from heavy industry to high-technology business is reflected in the economy of the State of Florida. Traditional manufacturing jobs are decreasing while Life and Health Sciences, Information Technology, Agribusiness, Advanced Engineering and other technology disciplines continue to prosper. Florida is also experiencing a "brain drain" as many of its college graduates in Science/Engineering leave the state after graduation from the major universities. Florida currently ranks in the middle quartile of the 50 states in new business investment dollars, new companies created, small business grant dollars and other categories related to the creation of new companies. The technology sector in Leon County is impressive, and ranks high in the State of Florida. However, net company formation and overall technology sector job gains in this region have been stagnant or decreasing in real terms over the last few years.

On the bright side, the existing life sciences and technology base within Florida is strong, with over 1,000 biotech, pharmaceutical, and medical device companies; and a foundation of more than 44,000 healthcare establishments. Also, agribusiness has shown resilience over the past five years and offers tremendous growth opportunity. In addition, the Information Technology sector continues to grow in strength and capacity with over 25,000 companies employing nearly 245,000 people in Florida. The Florida software industry is growing in areas such as gaming, entertainment, law enforcement, defense/homeland security, etc. The Enterprise Florida Initiative, launched in 1996, is a public-private partnership between Florida's business and government leaders and is the principal economic development organization for the State of Florida. One of the key functions of Enterprise Florida is to facilitate job growth for Florida's businesses and citizens leading to a vibrant statewide economy.

The Northwest Florida region has its share of strategic assets and successes. These assets are covered in detail in the feasibility report in the section entitled, "Overview of Key Northwest Region Economic Conditions." Additionally, some of the challenges are documented in the feasibility study for transitioning Northwest Florida's economy to a community engagement model of connecting resources, assets, knowledge, and industry to create a vibrant community.

To recap, LPA's feasibility findings recommended that LCRDA pursue an incubation model that has formal partnerships with colleges and universities (model #2). A recap of key action/items and findings from the Feasibility Study are delineated in **Appendix A**.

The Innovation Park Business Accelerator Center (also referred to throughout this document as the "BAC") is a bold step in the economic development efforts in Leon County. The presence of Florida State University, Florida A&M University, Tallahassee Community College, the

Leon County Research & Development Authority, The National High Magnetic Field Laboratory, DOMI Station and the City of Tallahassee, working together, provides a strong base of new business development potential. The establishment of the BAC will enable Leon County to compete with surrounding areas that already have or are in the process of establishing such facilities.

Mission and Goals

Mission

Advancing the commercialization of innovations based on scientific research by stimulating the creation and growth of early stage innovative companies

Public policy debate has shifted the economic development conversation from job creation to wealth creation; high quality jobs to matched and leveraged investments; and durable, local companies to liquidity/exits and monetizing wealth/return. These are the issues LCRDA need to examine in determining what goals the BAC should be focused on achieving for the community.

Primary Goals

- Link FSU/FAMU/TCC and industry interests in technology transfer to create licensable intellectual property
- Encourage the creation of innovative, new enterprises based on scientific research
- Encourage and inspire faculty and staff of educational institutions to look at how to commercialize their technology
- Give expert, individualized management guidance to entrepreneurs
- Foster new businesses by providing a high-quality physical place to nurture new start-ups
- Serve as a “feeder mechanism” for Innovation Park
- Develop training and educational programs for entrepreneurs
- Enable access to funding sources for capital across the continuum (from Founder to institutional private equity)

Secondary Goals

- Leverage corporate and government support for applied research supporting regional clusters
- Facilitate access to a network of service providers and FSU/FAMU/TCC resources
- Increase new company survival rates by growing and graduating successful companies
- Create a culture of entrepreneurship in the community

Key to Success

The next steps in forming the BAC primarily involve funding and planning. It is necessary for such a facility to be as close to debt-free as possible so that competitive (below market) rent levels can be offered to subsidize early stage companies.

One of the primary factors involved in the success/failure of new companies is their ability to begin with a low overhead cost. Also, these companies must have good sources for funding capital. It will also be important to either establish a permanent seed fund for the BAC, so it can fund companies, or to organize local angel groups or venture capital funds or connect to the University's seed funds.

To establish the BAC would require building a high quality technology space of at least 40,000 to 50,000 square feet. In addition, this should contain a variety of flexible spaces that will include offices to facilitate project development; light manufacturing space to encourage product assembly and process improvement; engineering laboratories to allow prototyping and experimentation; and "wet laboratories" for biomedical, biotech and biochemical work. The wet laboratory space is currently generally unavailable in the greater Leon County area, and this space will add a unique dimension to the BAC. The BAC has great potential to grow and expand as businesses grow and expand in the Northwest Florida area.

Four things must be kept top of mind in delivering wet lab facilities:

- FSU has a funding request for an incubator in the science center in its legislative requests. Clearly defining the relationship with FSU as to what it does in its incubator and what the BAC does will be very important. LPA's estimates from interviews indicated annual demand of 3-5 wet labs yearly. FAMU may have 1-2 requests for wet labs yearly. The community deal flow is 1-3 annually assuming the out migration to Sid Martin is retained in the local community. FSU's utilization of BAC wet lab space is implicit in this model.
- Area entrepreneurs interviewed didn't understand the rate structure of wet lab space. Their idea of leasing the space versus the proposed rates (even deeply subsidized) might require subsidy to afford physical space.
- Wet labs for entrepreneurs are shrinking in size from 1,200 square feet in 2000, to 625 square feet in 2005, to an average of 300 square feet today. In addition, entrepreneurs who are seeking wet lab space today often want flex space (coworking type wet labs) or a time share agreement to pay based on not needing the lab 24x7x365days.
- Wet labs market rate should be benchmarked to NIH/NSF reimbursement rates for wet lab space to ensure being competitive for innovative companies.

The formation of the BAC will require a concerted effort between the private sector and the Universities. Fortunately, the partnership between FSU, FAMU and TCC forms a solid foundation for the BAC upon which to grow.

Economic Benefits

The estimated total cost outlay for a 40,000sf to 50,000sf building over a five year period is in the vicinity of $22-24 million. However, as pointed out in the impact assessment study the potential economic impacts from ongoing operations of client businesses and program activities at the incubator were projected to stabilize in five years at around $16.96 million per year. Total employment impacts from operations were estimated at 256 jobs, and total value-added impacts would be $7.17 million annually. The total output impacts, including regional multiplier effects from the construction of the BAC incubator were estimated at $21.47 million in 2015 dollars. Total employment impacts were estimated at 186 full and part-time jobs. Total value-added impacts for the construction phase were estimated at $7.17 million.

The establishment of this facility will provide a quality venue for the formation of new companies which will contribute to the Northwest Florida economy. The BAC will provide opportunities for students who may intern, work or provide services to BAC clients. It will also give many students the opportunity to find gainful employment within the state after graduation. The BAC will offer faculty from the Florida State University and Florida A&M University a place to consult with businesses to help them succeed and will also allow faculty of both universities the opportunity to germinate their ideas into successful companies. The presence of the National High Magnetic Field Laboratory, and other companies in Innovation Park, in conjunction/partnership with Innovation Park, the utilization of University resources (FSU School of Business, the Jim Moran Institute, and others), the cooperation of local business organizations and government all point to the need for, and high probability of success, of the Innovation Park Business Accelerator Center – a center for the future of Leon County and all of Florida.

Over the years, incubator managers have found eight 'shared' characteristics of the most *successful* incubated client firms:

[1] A capable and effective management team;
[2] Adequate funding;
[3] Customer development driven (version 1.0 to market);
[4] Clear understanding of the competitive landscape and market dynamics;
[5] The venture and its leaders pivot when necessary as a result of insights and learnings;
[6] Robust & dynamic business model;
[7] Prudent risk managers and financial stewards; and
[8] Boundless enthusiasm" (passion, commitment, tenacity, and resiliency).

II. Introduction/Background

Entrepreneurial Landscape

Today, entrepreneur's needs are complex and different. If you met one entrepreneur you met one entrepreneur. There is no one size fits all in orchestrating, delivering, and growing early stage companies. Four trends are providing the overarching context for the challenges and opportunities in organizations serving and supporting entrepreneurs.

- The trend of **MORE**— Entrepreneurs need, want, and expect more from their entrepreneurial support organizations including MORE sophisticated and complex services.
- The trend of **WOULD BE**— Millennial entrepreneurs can't afford to be entrepreneurs, but WOULD BE if they had the resources.
- The trend of **INSPIRED** workplace— Renewed appreciation and emphasis for the role that space plays in supporting community-building and connections.
- The trend of **AND**— Communities need incubators, tech parks, seed accelerators, coworking facilities and university, corporate R&D Centers.

Four Characteristics of Successful Business Incubators

A business incubator is more than Just a Facility…It's a Community support process [& place-based entrepreneurship matters.]

Simply put, successful incubation requires aligning objectives, ensuring support of its key stakeholders, and having a group of champions who serve as advocates for the entrepreneurial development efforts. An incubator is a location, a facility. The support process is business incubation. Industry thought leaders (INFODEV Research Report Enabling Innovative Entrepreneurship through Business Incubation) pinpoint four areas in which a facility should "deliver" in order to rightfully be called a business incubator:

- **Shared infrastructure** such as office, production space, meeting rooms, shared internet/telecommunications infrastructure, security services combined with flexible space (reducing start-up costs);
- **Business advisory services** to assist the entrepreneurs with management issues (business planning, financial management, marketing, government and municipal compliance);
- **Access to a Continuum of Capital services and early stage funding** (offering, coordinating and running seed funds, angel syndicates or networks, taking equity or royalties); and
- **Encourage Professional Networking/Connections & Entrepreneurial Community** (professional seasoned experts, serial entrepreneurs mentoring, knowledge sharing and providing valuable and important linkages, business relationships and contacts [networking] to the incubator clients.)

4 Traits of Successful Business Incubation Programs

NBIA [National Business Incubation Association (www.nbia.org) identified Core Attributes and Traits of a Successful Incubation program.

"The ability of an incubator to achieve its objectives is critically dependent on the type, range, and quality of business support services it provides."

- Integration into larger community (fit and linkages into overall community comprehensive economic and community development plan.)
- An effective advisory and adjunct management team to its clients (professional management with a network of advisors, mentors, and consultants.)
- Professionalism & Relevance (emphasizes client assistance, strives for self-sustainability, measures its impact, and models good business practices.)

There are five common reasons why business incubators fail: [1] Stakeholders expect too much too quickly (if results were fast, it would be called a "microwave" and not an "incubator"; [2] Selecting the wrong incubator professional (must be well rounded, well-organized, have a good business sense, and be a skilled networker and influencer}; [3] overestimation of the incubator's role (the most important purpose of an incubator is to work with entrepreneurs to accelerate the development of emerging companies); [4] overspending (cash flow is the economic denominator/lifeblood of the incubator and the client company); and [5] failure to leverage resources (financial sustainability takes time, leveraging other resources/assets is essential to long term viability and success.)

Why business incubators Matter

The Burning Platform for Change: A Call to Localized Grassroots Community Action
Business incubation in the context of an economic engine of community growth:

- ***Business incubation*** is an important tool for assisting entrepreneurs at the stage of their greatest vulnerability;
- ***Business incubators*** are a critical component of the early stage entrepreneurial landscape and ecosystem;
- ***Business incubator as client-centric business development places*** increase client company likelihood of success and accelerate their growth in development (increased and accelerated growth in sales, employment, and capital formation);
- ***Business incubators as vibrant entrepreneurial communities*** are catalysts for like-minded, passionately driven entrepreneurs to create and build relationships, network, collaborate, and partner to create next generation jobs and companies; and

It's the synergy of practices and policies that leads to incubation program success. This best practice insight is a recognition that "incubators with expert managers and incubators with networks of resources typically do well, but programs that have both tend to excel."

Across the U.S. and developed countries, business incubators have become a widely used tool for economic growth. An incubator nurtures young, start-up firms, helping them survive and grow during the start-up period when they are most vulnerable. Incubation programs accelerate

the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by incubator management and offered both in the incubator and through its network of contacts. An incubator must provide management guidance, technological assistance and consulting tailored to young, growing companies. Incubators usually also provide clients access to appropriate below-market or free rental space, flexible leases, shared equipment, technology support and assistance in obtaining the financing necessary for company growth. The graduation goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs and wealth, revitalize neighborhoods, commercialize new technologies and strengthen local and national economies.

Today, there are more than 1,700 of these programs in the United States, up from 12 in 1980. These points are outlined in a 2010 study reported by the National Business Incubation Association (NBIA):

- 87% of companies who have graduated from an incubator are still in business today.
- Startup firms served by NBIA member incubators annually increased sales $240,000 each year and added 3.7 full and part-time jobs per firm.
- For every $1 of estimated annual operating subsidy provided the incubator, clients and graduates of the incubator generate approximately $45 in local tax revenue alone.
- 84% of incubator graduates stay in their communities and continue to provide return to their investors.
- Every 50 jobs created by an incubator client generate another 25 jobs in the community.

Changing Entrepreneurial Landscape

There are some major entrepreneurial pivots being experienced today. These “national” pivots should be kept in mind as programs and services are constructed to serve and support the needs and demand of the Greater Tallahassee region. Keep in mind the following realities:

- Today’s start-up company is one third less in size of a start-up company in 2001.
- The peak age to start a company today is 40 years old.
- Women are starting businesses at twice the rate of their male counterparts.
- Only 3% of all small businesses are gazelle/high growth potential.
- Start-ups have declined as a share of all businesses by 44% from 1978.
- The worst failure rate of any demographic group is the millennial generation.
- The highest start-up rate as a percentage of its age group’s population is the 55-64 age bracket.
- Today, only 18% of all start-ups were launched by 20-30 year olds versus 35% in 1996.

Innovation Park Edge- Connecting the Greater Tallahassee's Dots

The Innovation Park Incubation program is designed to:

- Gain more community and internal/external commitment, ownership, and buy-in along with clarity regarding the goals in moving toward a fixed, permanent business incubation program;
- Organize itself for formalizing and expanding its research and commercialization initiative by enhancing the discovery, licensing and commercialization activities of the local educational institutions to build internal and external capacity;
- Begin a community outreach program to enhance communications, encourage access, and to assist the community in delivering meaningful, specialized, and complex support resources that engage, develop, and grow companies and jobs;
- Better solidify potential quality deal flow from every potential source and demand in the total service area and to surround them the resources to grow; and
- Better comprehend the total costs, operating flow, time demands, personnel requirements, and total budget constraints for a permanent, full-time, large scale incubation program for the Northwest Florida service area.

III. Market Analysis

Needs Assessment

Leon County is located in the Northwest Florida economic region. Total MSA population (Leon, Gadsden, Jefferson and Wakulla Counties) in 2010 was estimated to be 367,315, with unemployment below the national level at about 7.9%. Gross Regional Product of the county was $14,946.3 Million in 2008 (IFAS study). Tallahassee is a high technology center and is sometimes referred to as "Silicon Valley South." Surprisingly, agriculture currently ranks among the top three industries for Leon County and the area is prominent in the sector for food processing. However, current targeted industry sectors include Advanced Manufacturing; Aviation and Aerospace; Transportation and Logistics; Research and Engineering; Health Sciences and Human Performance Enhancement; Information Technology; and Renewable Energy and Environment (CleanTech).

Certainly, research and engineering play a major role in the area's future; the presence of The Florida State University and Florida Agricultural and Mechanical University, plus the additional capabilities of Tallahassee Community College, add to the region's research and development capacity. In addition, the presence of the National High Magnetic Field Laboratory, the only facility of its kind, presents a unique opportunity for the area in research, applications and commercialization. The "MagLab" is a partnership among FSU, the University of Florida, and Los Alamos National Laboratory, and every year more than a thousand prominent scientists from dozens of countries visit the MagLab to utilize the facilities there and perform complex research. The Center for Power Systems is also housed there. Also, in Aerospace, the Florida Center for Advanced Aero-Propulsion (FCAAP) is headquartered at FSU, providing an interdisciplinary approach to aeronautics, aerospace, propulsion and space sciences. **Clearly, Tallahassee is a "Center of Excellence" for engineering research.**

However, the Leon County area (and the corresponding universities) has not been a huge producer of commercializable Intellectual Property (patents) over the past 10 years. The Association of University Technology Managers (AUTM) data for technology transfer offices shows comparably little activity for startup companies and for patent production at both Florida State University and Florida A&M University from the period of 2000-2010, especially when compared to peer institutions in the State of Florida (UF, UCF). In general, the Greater Leon County MSA has not produced a significant amount of commercialization (although the MagLab has contributed to the total patent count). In addition, when considering major employers in the area, there are no "research/technical" employers in the list of the top 20 companies; most of the top companies are governmental/academic/retail oriented. Details of demographic trends can be found throughout the Feasibility Study.

Despite the challenges, opportunities remain. For instance, there are several "Centers of Excellence" in Leon County. The major competitive assets include the National High Magnetic Field Laboratory, the Advanced Manufacturing Training Center, the Institute for Energy Systems, Economics and Sustainability, the Florida Center for Advanced Aero-Propulsion, the Center for Advanced Power Systems, the High Performance Materials Institute, the FSU College of Medicine, the FAMU College of Pharmacy and Pharmaceutical Sciences, the FAMU-FSU College of Engineering, and the Leon County Research and Development

Authority, among others. In addition, the presence of DOMI station, a co-working accelerator, in downtown Tallahassee, adds an element of business growth that was not previously available in the area.

There is general consensus that the one of the key elements that has been lacking in the area has been the availability of "wet laboratories". The general definition of a wet laboratory is a facility that offers a chemical fume hood, traditional laboratory bench space, sinks and distilled water, and access to specialized equipment, which may include autoclaves, flammable storage, biosafety cabinets, distilled/deionized water sources, and other specialty items. In the appendix a detailed list of equipment is provided including equipment required in a bio-common equipment room.

The presence of these wet laboratories will allow Innovation Park to:

- Take advantage of key discoveries in the School of Medicine and form/facilitate the formation of biotechnology/biomedicine companies, and provide an adequate environment for their growth;
- Facilitate the commercialization of a wide range of chemical, biotechnology, and biomedical research, and attract these types of companies to the area;
- Allow for partnering with other research institutions; new enterprises involved with cutting edge technologies in chemistry, biology, food, and the new life sciences; and local entrepreneurs for the development and commercialization of new products and processes, which in turn would lead to job creation and the retention and growth of new firms in the area.

The BAC is a joint proposed community initiative by the LCRDA, Florida State University, Florida A&M University and Tallahassee Community College. In addition, the project is supported by a cross-section of community leaders, units of government, and the entrepreneurial ecosystem. The LCRDA and others are in a "group partnership" to establish a state-of-the-art Business Incubator/Accelerator that would foster early stage (phase 1: 2-9 employees and phase 2: 10+ employees) businesses by providing a physical space for a company to start up and grow, as well as lending the support and expertise of the industry's top scientists to translate their research into a private venture. This Incubator (the BAC) would also provide support through training in areas such as biological sciences, chemistry, engineering, cleantech, aerospace, and other areas of entrepreneurship. This could be accomplished through a loaned executive program from larger companies, anchor clients or support personnel providing by the universities running the common equipment or assisting companies in setting up their processes and clinical work. It would offer a unique opportunity for entrepreneurs to interact with world-class scientists located at the BAC, and other Northwest Florida Institutions such as the Advanced Manufacturing Training Institute, in Innovation Park, and around the area.

Biotechnology

The existing biotechnology/biosciences (hereinafter referred to as "life sciences") base within the Leon County MSA is growing. The presence of FSU, FAMU, TCC and other players in the area represents a good concentration of scientists and technologists in this area. FSU's College of Medicine continues to expand, which bodes well for future research and collaboration, and possible increases in Intellectual Property production. Currently, at least two companies have left the area to take up residence at the Sid Martin Biosciences Incubator at the University of Florida due to the lack of wet laboratory space in the Tallahassee area; both of the companies could have been housed at Innovation Park, if the wet laboratory space had been available there. In fact, one of the companies indicated they were interested in coming back to the Leon County area once this type of space has been built. Attractive incentives may need to be offered. Sid Martin is an NBIA award winning program ran by veteran incubation professionals.

Ideally, once the BAC is built, tours can be arranged for university faculty to make them aware that the space exists, what amenities are available, and to inform them regarding the process for admission into the BAC. There is potential in the area for wet laboratory companies – however, many individuals do not think it prudent to attempt to form companies without appropriate space being available or adequate capital in hand (revenue contracts, angel investment, and/or grant funding}. Adequate marketing will be essential once the BAC is constructed, to insure everyone is made aware of the existence of the wet labs.

Also, BAC should consider partnering with local healthcare assets, such as Tallahassee Memorial HealthCare and Capital Regional Medical Center. The health care delivery transformation through innovation, predictive and prescriptive health, and the value-based payment system will be important to the long-term success of the life sciences sector. Many spin-out companies have been formed in incubators across the U.S. for clinical trials, trial management, electronic medical records, patient management, clinic software, specimen processing, new medical devices, and other hospital-related items (health care IT, orthopedic devices, health services, health care big data [analytics] etc.). Again, making parties aware of the BAC assets and programs is a key part of the overall program for the incubator.

Information Technology

To diversify sector risk, appeal to younger generations and the constraints of deal flow and appropriate mentors with domain expertise, information technology companies will also be targeted as potential BAC clients. Companies in such areas as e-commerce, informatics, networking/telecommunications, and convergence are examples. These companies typically require much less incubation time (typically 12-24 months), less start-up capital and provide decent exit ROIs when sold.

The Florida IT industry, as mentioned in the summary, is significant. The Florida State University is striving to become a "leader in the use and application of information technology in absolute terms", according to the FSU Strategic Plan and Vision. The Communications and Information Department is now offering an undergraduate certificate in healthcare informatics. The initiative focuses on growing the information economy in Florida by building the high-wage segment of the workforce and retaining highly trained graduates after school. The

strategic plan of FSU states one of the additional goals is to "Invest in Book and Database acquisition, research technical staff, and laboratory facilities" to improve the university's position over the next several years. Certainly, the BAC is an asset and step in the right direction toward meeting those goals.

FSU is also connected to Internet2. Internet2 is the world's most advanced high-speed network for research and education, and is the next step in advancement of Internet network growth. The project will provide an advanced network test bed and create facilities for network research here in Florida. Abilene is a project of the University Corporation for Advanced Internet Development (UCAID), in partnership with fiber-optics provider Qwest Communications, equipment maker Cisco Systems and Nortel Networks. The presence of Internet2 focuses attention on the technological expertise of FSU, as well as its technological infrastructure. Companies with an interest in IT research, as well as high-tech service businesses may want to locate near BAC and Innovation Park, to avail themselves of this potential bandwidth capability, reliability, and infrastructure.

Also, the National High Magnetic Field Laboratory (MagLab) is a computing powerhouse – the amount of data generated at the MagLab is staggering, and the computing power required to operate the MagLab is massive. This attracts a number of scientists/programmers, and is a true asset to the BAC and Innovation Park.

While IT is emerging in IT capabilities, Florida, as a whole, has the workforce potential, education capability and quality of life attributes for IT-based economic growth, but it needs to provide greater employment opportunities. Currently, early stage IT companies are faced with a high barrier to market entry due to lack of affordable space and adequate financing during the initial start-up phase. The BAC will facilitate the creation and development of information technology start-up companies, thereby providing more Florida employment opportunities and higher tax revenues. Information Technology is a true "growth field" for Innovation Park and the BAC.

Typically, mixed use facilities focus on critical regional clusters; software, information technology, health care IT/informatics, and regulatory biosciences and life sciences opportunities. It is imperative that BAC assemble the resources and focus on two early commercial risk management areas - a process for de-risking customer risk through the use of lean canvas tools and a regulatory risk management consultant to develop the regulatory pathway (the likely path, time, resources, and money) prior to initiating meaningful commercialization process.

Domi Station graduates or clients who outgrow their space are prime stage 1 targets for the BAC. BAC should make sure connection points/interoperability – networking, mentoring, programming, and culture within the facility are seamless so entrepreneurs can move freely as they grow and develop. As a founding sponsor, FSU should help "broker" the connectivity and support system between the two important community-building entrepreneurship programs.

Bioinformatics

Bioinformatics can help to bridge agricultural sciences to the state's growing information technology industry. The integration of the efforts of the current biotechnology/life science efforts with the state's IT industry could yield substantial benefits from new developments including imaging software, interactive diagnostic tools, microarrays, genetic information databases, and new medical discovery processes/diagnostics screening tools. The life sciences initiative could take advantage of the State of Florida's world-class information technology infrastructure including supercomputers, facilities for storing massive amounts of computer data, and 3-D visualization laboratories. Many of these partnerships will develop through collaboration with the University of Florida's HiPerGator and GatorNet networks, connected to the National LambdaRail network.

Applying the potential of software and the Internet to manage information within the biomedical/biotechnology industry is also emerging as a significant field called medical informatics. Potential products stemming from the field of medical informatics include decision support services, clinical pathways, health outcomes, clinical trial management systems, enterprise management systems, drug management systems and patient information management systems.

As the use of health information is increasingly linked to genomics/genetic research, the boundary between bioinformatics and agricultural informatics becomes blurred. It may become an area of great benefit to link various genomic databases together for plant sciences, as well (i.e. the USDA Wheat Genetics database, the National Agricultural Biotechnology Information Center molecular marker database, the USDA Maize Genome Database, the Germplasm Resources Information Network, etc.) with the current research in plants and health. This effort could help create a national database on plant research and genetic health, adding to the current USDA Genetic Resource Management and the National Crop Database. With new IT technology, perhaps these databases could all be merged to a new, online accessible content management system that reflects current research efforts to improve human health and food sciences. Working with the FSU College of Medicine and/or the regional health system makes sense in connecting clinical research, translation research, and clinical research and innovation.

Again, the potential exists for forming new companies based on biomedical informatics research and the development of new tools to aid in assessing, manipulating and storing research information. The BAC would provide a facility for further development of biotechnology/biomedical informatics IP into new companies.

Agribusiness

There is also a reasonable presence of Agribusiness within the Leon County area. The presence of BioFront Technologies, a company that does Food Safety testing, is evidence of progressive movement in the agribusiness sector. BioFront would definitely benefit from the addition of the BAC.

In addition, FAMU is an "Agriculturally-based university"; they have an excellent College of Agriculture and Food Sciences, with an outstanding cooperative extension program. FAMU currently has a BioEnergy program, focused on the development of biofuels (including the

optimization and utilization of cellulosic wastes and cellulosic products), biomass production and bio-refinery use; they have a Center for Water and Air Quality, with research on both areas including wetlands preservation, biological assessment of water quality, watershed management, and nutrient management, including a soil and water analytical laboratory; a Center for Viticulture and Small Fruits Research; a Center for Biological Control; and a Center for Rural Development and Small Farms, among others.

According to the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS), the demand for tropical fruits has been steadily increasing over the past 5 years at an exponential rate. Given the interconnections between scientific methods and agriculture today, the programs at FAMU have the best long term potential for significant industry interactions and commercial/economic impact. Some of the possible products that can be generated out of this program include new instruments and devices for soil, water, and plant assessment; the development of new fertilizers and fertilization methods; new models for soil and water monitoring and management; improvement and manipulation of soils to improve yields; better methods of establishing grape cultivars in Florida; methods for assessing water quality; new methods and processes for producing energy from biomass and cellulosic sources; and methods of controlling invasive alien plant species. These are just a few of the many up and coming projects mentioned as possible developments in the near future. Coming in the wake of recent developments with national federally funded agricultural projects, these research projects could have far-reaching impact on science, technology, business development, and education. This research could position Northwest Florida as an international leader in agricultural applied research, data collection, and technology development, and many of these projects could lead to significant Intellectual Property production and new companies.

The subsequent agribusiness companies will require qualified employees with experience in agriculture. Most firms are also looking for suppliers, adjunct firms with similar technologies who can assist development efforts, and even firms that could be acquired to complement existing portfolios. Establishment of an incubator with a wet laboratories capabilities and common equipment will promote formation of such small companies and will also provide a training ground for prospective qualified employees for existing companies. This also helps to retain agriculture, business and other graduates within the State of Florida.

As mentioned above, there are many partners who can participate in this effort. The distribution of federal and corporate research dollars invested at universities continues to vary each year, but most of these dollars are still directed at progressive research. The research programs at FAMU can produce a reasonable amount of intellectual property (IP); additional IP is produced at the Florida State University and other places. The patent portfolio at each university continues to expand and these intellectual assets should be exploited strategically to support this important strategic initiative. Most of this IP is currently out-licensed to existing companies worldwide and royalty income is collected to further internal departmental research. Some of these invention disclosures could provide the basis for starting new companies; however, it has been shown, nationally, that the lack of an adequate facility and the absence of an adequate capital access continuum inhibits the formation of such companies. In addition, spin-off companies from existing Florida businesses, and start-up firms from the community at large, could greatly benefit from access to lower rent, business advice, and introduction to financial

resources – integrated in a one stop shop experience for research-intensive entrepreneurs on the Innovation Park campus. The presence of the BAC would greatly enhance the ability of companies to be formed and stay resident within the Northeast Florida region and in the Leon County area.

Entrepreneurial Opportunity Evaluation

As partially discussed above, the entrepreneurial services opportunity for the BAC in Leon County is supported by the presence of Innovation Park, The Florida State University, Florida A&M University, Tallahassee Community College, LCRDA, the supporting organizations, the surrounding existing businesses and the community infrastructure. In addition, the universities and TCC are aggressively recruiting new faculty; the BAC is an attractive adjunct that can assist in that process and in future faculty commitment.

There have been several actual companies created in the last few years that could have used the wet labs capabilities of the BAC facility, as previously mentioned. One of those companies is currently located in private space due to the lack of a public incubator facility. This company produces test kits for allergens from nuts. The other company is located on University of Florida property (the Sid Martin Biocenter), and is essentially a "commuting situation" for the founder (who still lives in Tallahassee). There are currently other possibilities for companies for the BAC in the area, as evidenced in the feasibility study. There is no question there is a demand for wet laboratory space; however, there is also demand for "office-IT" type of space, and engineering/prototyping space. Thus, in the feasibility study, the recommendation was made for a "mixed-use" facility with an emphasis on university research commercialization and a focus on research-intensive industries combined with attraction efforts in IT and engineering/prototyping.

The other opportunity present in the Leon County area is to solicit occupancy by some of the major local organizations or universities to rent space as "anchor tenants". These organizations would occupy a portion of the BAC on a five-year or more lease, providing solid income to the facility. This would provide several key advantages to other BAC clients, and to the anchor tenant as well. The BAC clients would benefit from the business acumen, organizational structure, and experience of the anchor tenants. In addition, the anchor tenants would gain a "first look" at new technologies, new company opportunities and associated businesses. Innovation Park would encourage the anchor tenants to participate, wherever relevant, with BAC clients in an advisory and educational capacity. Also, participation by faculty members from FSU/FAMU would provide valuable input to the anchor tenants by serving on scientific advisory boards and providing consulting services. Graduate and post-doctoral students would benefit from close contact with anchor tenants, providing a pathway to possible employment after graduation. The "anchor tenant" concept provides high value to prospective anchor tenants, client residents, and students and faculty.

LPA views the most plausible anchor tenants to include:

- moving a center of excellence or intact certification program from within FSU, FAMU, and TCC to the BAC

- Relocation of tech transfer office activities related to out-licensing (LPA recognizes FSU has worked hard to collocate its TTO office on campus in one central space.)
- Entrepreneurial support organizations like SBDC, SCORE, the County EDO or organization that can provide additional assistance like a component activity of the Jim Moran Institute.
- A mid-size or larger corporation who has synergies with commercializing research from one of three primary universities and/or community colleges.

Educational Opportunities

One of the goals of the BAC is to provide a conduit for the movement of intellectual property created at FSU/FAMU into the public marketplace by assisting new companies formed from that IP. The BAC promotes a close relationship between faculty and students and the business community. The ideal method of encouraging such relationships is to place the two entities in close physical proximity.

The BAC will encourage many educational opportunities as faculty and students have the chance to meet with, observe, and interact with established and beginning businesses. There is terrific potential to utilize the outstanding resources of FSU/FAMU for educational and training purposes; the faculty and services of the Jim Moran Institute for Global Entrepreneurship at the FSU College of Business, and the sponsorship of the Leon County Research & Development Corporation, will provide an outstanding foundation for the advancement of programs at the BAC. Some of the plans for the BAC include the following:

- **Business plan development** – The FSU College of Business provides an excellent resource for the development of business plans/financial planning/administrative guidance for the beginning companies in the BAC. The faculty at the FSU College of Business can provide consulting advice and will be encouraged to participate as advisory counsel for the start-up companies in the BAC.

- **Post-doctoral and graduate students** – The BAC provides an excellent training ground for these individuals by providing a "hands-on" learning experience. This will also benefit companies by having top quality help available at comparatively low-cost. In addition, companies can groom potential future employees – providing excellent jobs for future graduates.

- **Faculty participation** – faculty from the FSU and FAMU main campuses can benefit from being on company advisory boards and from managing their own ideas into the start-up phase. Faculty members will be encouraged to recommend graduate students for participation with companies and mentoring/monitoring the progress of both the student(s) and the company.

- **Internship program –** students from various disciplines will be provided the opportunity to intern at BAC companies. This could involve a summer internship program or a yearlong part-time study opportunity. Students would observe and participate in a new business to learn about financing, entrepreneurship, business management and operation.

- **Educational and immersive experiential learning opportunities in a community-setting**—the BAC will provide numerous educational enrichment opportunities to students, faculty and staff. Participation will be encouraged and abetted by Innovation Park efforts to inform, educate, and recommend participants to BAC companies.

Summary

The BAC is a "win-win-win" for government, universities, faculty, students, the community and especially for the BAC clients who want to create locally owned, locally operated companies.

In addition, university faculty and students benefit from the BAC. Students benefit from projects and internships created by BAC clients, as well as potential local employment opportunities available after graduation. Faculty (and students) will have a facility and a catalyst for commercializing new technology based on scientific research. The BAC will serve its mission to accelerate these technology start-ups by giving each company the tools and resources to succeed.

Potential knowledge-based employees from a larger draw radius outside of Northwest Florida might be interested in potential collaboration and collocation. In fact, GE has done exactly this with Purdue University in West Lafayette, IN in research areas within advanced manufacturing (http://www.purdue.edu/newsroom/releases/2014/Q4/purdue,-ge-to-collaborate-on-advanced-manufacturing-to-enable-faster,-efficient-brilliant-factories.html) and Microsoft Corp just announced a strategic partnership with University of Washington- Seattle on emerging technologies (http://www.bloomberg.com/news/articles/2015-06-18/microsoft-funds-university-of-washington-tsinghua-tech-program).

Corporate stakeholders' involvement provides them with the opportunities of:

- Technology transfer out of their own labs and facilities
- Development of strategic alliances
- Investment prospects
- New customers and vendors relations
- Increasing the area agribusiness and technology employment base
- Being a generous benefactor to the community

Further, the BAC's programs integrate and leverage business service providers – attorneys, accountants, and marketing specialists – by providing knowledge about emerging technologies and access to new business opportunities. The program functions as a catalyst for growth, providing a forum for the exchange of ideas and opportunities to network with peers. Local and state governments benefit from the increase in local demand for highly skilled workers thus reducing the "brain drain," higher wages and increased tax revenues, potentially attracting other companies in these targeted industry clusters to establish offices in Florida, and advancing Florida's image as a technology state. The Economic Development opportunities provided by the BAC extend to a broad base of citizens, companies, the community, and government.

IV Structure & Staffing Model

Incubator Mission & Goals

The mission statement and the goals of the BAC are set forth below.

Advancing the commercialization of innovations based on scientific research by stimulating the creation and growth of early stage innovative companies

Primary Goals

- Link FSU/FAMU/TCC and industry interests in technology transfer to create licensable intellectual property
- Encourage the creation of innovative, new enterprises based on scientific research
- Encourage and inspire faculty and staff of educational institutions to look at how to commercialize their technology
- Give expert, individualized management guidance to entrepreneurs
- Foster new businesses by providing a high-quality physical place to nurture new start-ups
- Serve as a "feeder mechanism" for Innovation Park
- Develop training and educational programs for entrepreneurs
- Enable access to funding sources for capital across the continuum (from Founder to institutional private equity)

Secondary Goals

- Leverage corporate and government support for applied research supporting regional clusters
- Facilitate access to a network of service providers and FSU/FAMU/TCC resources
- Increase new company survival rates by growing and graduating successful companies
- Create a culture of entrepreneurship in the community

Future Plan – Client Graduation as a Trigger

As companies begin to mature in the BAC, a need may arise for a "graduate" facility. Growing companies can move into this facility to allow them to continue to mature with the goal of eventually moving out into the marketplace. If sufficient growth occurs, and deal flow develops, there may be a need for a graduate facility similar in size to the proposed BAC within 5 years. Also, additional facility space for expansion of the BAC may be needed within a similar time frame (to the extent possible, this growth should be incorporated into the architecture and building floor planning process to maximize gross to net square footage, leveraging staffing, and operating costs. As the BAC reaches capacity, additional space may be needed to handle the overflow of prospective companies. It is recommended that continuous space planning be a part of the BAC long-range plan (in conjunction with the Innovation Park long-range planning efforts). **See Appendix C** **for graduation triggers, involuntary client exit and voluntary exits from the business incubation program.**

Structure

The BAC should be governed under Innovation Park as a non-profit arm of the LCRDA, if possible, with other entrepreneurial entities and local government as partners. LCDA needs to make a determination on whether it is better to form a new legal entity subsidiary or if it should be managed as a program under the existing legal structure of LCRDA. BAC employees assigned to the project should manage the BAC operations. Accordingly, the LCRDA will oversee the BAC through its existing Board of Directors. A BAC Advisory Council should be formed to support the activities and responsibilities of the BAC, but it is a non-fiduciary board of advisors. The BAC advisory council will be appointed to assist in three areas (Development, Marketing/Outreach, and Admissions).

Staff

Total staff needed to operate the BAC will vary based on the level of services provided, the number of clients served and the support provided by the board and stakeholders. A California survey of technology incubators showed that the average incubator operated with four full-time staff members and two-and-a-half part-time staff.[1] Please note: the terms "client" and "tenant" are used interchangeably in this document to refer to residents of the BAC. Recent surveys by NBIA showed the average FTE to be 1.6 employees – an incubation director and a client services/administrative person. Organizations at this level of FTE operate with a very engaged service provider network complementing the full-time professional staff. Large incubation programs like what is proposed at BAC may need 3 to 4 full-time professional staff depending on Innovation Park centralized resources (accounting, property management etc), contribution of in-kind services or personnel from the universities, and/or community entrepreneurial support organizations that collocate in the building and bring support staff with them.

The BAC is currently planned for an initial full-time management staff of two people: one professional level Executive Director, and one client services (administrative Assistant/Receptionist.) The Executive Director of the BAC will report directly to the Executive Director of Innovation Park, who will accordingly review his/her performance. The Client Services (administrative assistant/receptionist) will report directly to the Executive Director of the BAC. LPA recognizes that both the proposed BAC will be larger than the average facility size and due to its higher concentration of technological assets and focus area, the staffing levels, over the longer term, will need to be larger than its counterparts. According to industry best practices and based on two studies, the mix is as flows:

SOI Date	Incubator FTE	Ave. Residential Clients Only	Ave Facility Size	FTE for Tech Programs Only	Ave # residential clients for Tech Programs**	Ave Facility Size (Tech Programs only)
2012	1.9	20	32,319	2.2	18	37,406
2006	1.8	17	37,086	2.0	14	36,631

**Total residents and affiliate clients for 2012 was 35 and in 2006 it was 25. A key trend is incubation programs are broadening their client reach to include areas outside their physical facility. This trend translates into an average of 11-17 who are obtaining client services as non-residents of the incubator's physical program.

US EDA's Incubating Success Study (2011) clearly correlated certain variables to higher level of incubator performance (more effective, high performance incubators). ***These variables included: dynamic client selection processes, higher levels of staffing ratios, and tracking and reporting outcomes based metrics.***

Entrepreneurs-in-Residence Delivering Coaching, Mentorship, & Services

Another proven way, incubation and acceleration programs utilize adjunct or part-time staffing is to have an entrepreneur-in-residence programs. One of the key incubation management enhancements made in recent years is the incorporation of an entrepreneur-in-residence program (EIR). An EIR is a "current or former CEO of a start-up company who spends a set number of hours or days in the incubator." EIR's are on-site advisors. There are several important factors to consider when deciding whether to have an EIR program or not:

- EIRs work in a voluntarily basis (typically, the client doesn't fund this effort, the incubator through sponsors or funders does) with the client companies they support in the incubator;
- EIRs are successful and experienced entrepreneurs who have started and led one or more companies;
- EIRs are employed from a few hours a month to 20 hours a week, commit to coaching a certain # of clients at a certain level of effort and have an independent source of income; and
- EIRs are usually funded through sponsors and receive a nominal salary, office space and administrative support ($25,000 for 20/hours a week or an arrangement based on the particular needs, circumstances or financial position of the EIR).

NOTE: LPA would recommend the utilization of part-time, EIRs in the BAC programming. These EIR's could also provide consulting and advisory services to the clients, support the pre-incubation program, and serve in an interim management team capacity for start-up clients of the BAC, if necessary. This may be a potential in-kind service that could be offered by FSU and FAMU in accessing regionally located successful alum's.

The BAC Executive Director should be hired during the early stages of developing the program, and this person should assist in opening the BAC and hiring and supervising additional staff. He/she should be a dynamic individual with business experience in the targeted industries to be supported by the BAC. The Executive Director must be able to effectively market the BAC to potential client businesses, financial sponsors, and stakeholders, including local professionals and industry specialists, investors, corporate CEOs and foundation managers. The Executive Director must also be able to coach client businesses, identify their needs and facilitate the use of outside resources. The Executive Director must be able to work with the board to impart the vision of the BAC and its mission to the general public and, through the selling of that vision, enlist support. Additionally, no single individual can be expected to be fully knowledgeable in all aspects of entrepreneurship required to help ventures. Therefore, the Executive Director must understand what is needed and be able to bring in outside assistance to fulfill these needs.

It is anticipated that Innovation Park personnel will maintain the basic physical facility; however, a full-time Facilities Manager may be required for the BAC building and graduate facility, combined, when it grows to capacity in the next 10 years (as additional buildings are added). This person will be responsible for 1) overseeing all aspects of physical facilities, security and grounds, 2) selection, purchase, and maintenance of shared equipment, 3) working with architect and real estate developer to finalize plans for the building design and development, 4) overseeing the building construction, 5) working closely with tenant companies to meet their needs, and 6) supervising any movement of equipment in or out of the building. This is mentioned here *only* for future consideration.

Once the BAC begins to acquire more tenant companies, there may be a need to have other personnel working more closely with the tenants. Two additional positions are suggested: Director of Operations – Life Sciences, and Director of Operations – Marketing. The hiring of these positions will depend on the mix of tenant companies in the respective industry clusters, the occupancy rate, the fee schedule and client demand. These positions would be focused on bringing in new companies, finding permanent homes for growing companies (who need to move out of the BAC), managing International expansion/export sales for companies, assisting with IP transactions, and marketing the park both domestically and internationally as it expands.

Some other operational functions will be outsourced under the supervision of the BAC Executive Director, such as legal and possibly some marketing and public relations. Some other operational functions would be performed or coordinated by other Innovation Park staff, such as human resources, accounting, computer networking support and maintenance, and some clerical. It is recommended that the local SBDC be “co-located” in the BAC to provide client counseling and advisement; this will also negate having to hire a full-time “Entrepreneur-in-Residence” or mentor to provide advisement and counseling to resident clients. The use of the local SBDC counselor is highly advised as this builds a great network for client companies of the BAC and utilizes existing services/resources in Leon County.

Involving other private sector personnel to support the BAC Executive Director and its tenants is also planned. Some organizations have a loaned executive program. Critical in the early development of the programming and building of the facility will be to have spokesperson and evangelist in the community building and connecting networks and people to raise the visibility and buzz around the project.

A strong service provider network is required for the augmentation of the staff and for the diversity of the client's business development needs. Certain protocol should be followed in working with service providers:

1. Service provider should have background and experience in working with early stage entrepreneurs.
2. BAC should always have two or more credible providers in each area of service.
3. BAC should arrange for a level of free service, a tier of discounted service, and a timeframe for services to rise to market rate at graduation with each provider.
4. Satisfaction surveys should be conducted periodically to gain client feedback on the quality of the service provider and their expertise.

A minimum service provider network should include the following services:

Service Provider Type	Range of Services
Legal	IP Corporate entity Business Transactions Employment
Accounting	Bookkeeping services Taxation Valuation Monthly financial statement preparation
Insurance	Life insurance (especially if seeking investment) Company-specific (Contents, product liability etc.)
Angel investors	Advice Mentorship Investment (networking/connections)
Bankers	Business model/plan feedback Information on SBA-backed loans Support on how to construct financial pro formas

V. Governance

Advisory Council

As mentioned earlier, an advisory council will be selected for the BAC. This advisory council has no fiduciary responsibilities and will be responsible for monitoring the overall direction and progress of the BAC and make recommendations to the official Innovation Park board of directors for action. The size of the initial advisory council will be approximately 5-7 people and should meet at least every other month for the first two years and every quarter thereafter.

Strong leadership and support from the advisory council is essential. The advisory council will provide strategic direction and leadership and support the BAC Executive Director in performing his or her duties. Advisory Council members will be selected for their interest in supporting the organization's mission:

- Advise on the strategic plan for the BAC
- Serve as a liaison with government representatives
- Market the BAC to potential stakeholders and client businesses (advocate with legislature, stakeholders)
- Support the BAC's Executive Director in establishing and managing the professional services network, mentor network and investor network
- Support the operation of the BAC and monitor BAC budgets
- Support fundraising activities
- Support the screening, admissions and development of successful client businesses
- Mentoring clients if appropriate
- Asking insightful and powerful questions of management

It will be made clear to advisory council candidates that a time commitment is necessary. It is contemplated that the term for serving on the advisory council is two- three years (renewable and staggered).

The advisory council will include a mix of individuals with different characteristics and skills, as outlined here:

- Leaders or champions with a clear vision of the BAC's mission, and the capacity to motivate and sustain the board's commitment to its mission
- Professionals with investment and professional services community connections
- Service providers and mentors who can advise client businesses and facilitate the use of resources
- Venture capitalists, angel investors, and bankers who understand new venture equity and debt financing
- Entrepreneurs who have developed successful ventures and who can ensure that the BAC's services are responsive to its clients
- Technologists who can assist the director in evaluating the technical components of a new venture applying for assistance from the BAC.

Within the advisory council, three high impact committees should be created to assist with more specific needs. These committees should include non-advisory council members. Ideal size of

these Committees should be 3-5 members, and there should be at least one advisory council members and perhaps, one or more, of the fiduciary board members on each of the committees.

- **BAC Development Committee:** To assist in planning and implementation of plans to raise funds, or services in-kind, to support the BAC and its clients
- **BAC Admissions/Graduation Committee:** To provide advice with respect to the evaluation of prospective BAC clients and to review management's recommendation.
- **BAC Marketing/Outreach Committee:** To assist, monitor, publicize and implement public relations, press releases and marketing plans to increase public awareness, as well as industry and community support for the BAC. To create buzz and energy around the activities and potential of the new BAC facility. This committee should also promote news releases around early clients who sign on to take space when the facility opens.

Membership on the BAC Advisory Council should be as follows (5-7 of the following types):

- 1 member from FSU appointed by the president
- 1 member from FAMU appointed by the president
- 1 member from TCC appointed by the president
- 2 "at large" community leaders appointed by the LCRDA board
- 1 member – successful community entrepreneur (eventually 1 successful graduate from the BAC program)
- 1 member – rotating yearly from the directors of centers of excellence operated by one of the three university partners

VI. Facilities, Programs, Services & Design

Facility and BAC Overview – Amenities

The BAC will consist of one (1) two-story building located on the campus of Innovation Park. As described to LPA, The LCRDA proposes to locate the incubator building on 12 acres of undeveloped land it owns adjacent to the northwest corner of Innovation Park. The adjacent parcels include 10 acres of undeveloped land under LCRDA's long-term land lease with the State of Florida, and include a storm water pond that might be useful to the development of the incubator building.

The first building will contain high-quality wet laboratory facilities, with functional amenities (to be described in this document) to augment bioscience/biomedical company operations. This building will also house a minimum of eight (8) specialized labs for biotechnology/biomedical activities that will total approximately ~3,000-4,800 SF. **Costs are outlined in the budget in Figure C.**

The second phase of the building will include engineering laboratories for prototyping and engineering research. In addition, office space/IT workspace will be included in this stage of the building. This building will have a high quality infrastructure to accommodate flexibility in space uses such as "hotel doors" to allow movement between spaces, a loading dock, and a "brainstorming room" that will be available for meetings on a regular basis for scientists, entrepreneurs and others to exchange ideas and concepts for forming new businesses, and several conference rooms of varying sizes. BAC offices will be located in the facility, including its Administrative Office. The BAC facility itself will contain state-of-the-art equipment and support high-speed networking infrastructure. There is a range of services that would be offered to participants in the BAC. Some would be included in the particular level of participation purchased, others would be provided on a fee and/or equity basis. A more detailed discussion of these amenities follows below. **Figure A** sets out a preliminary client amenities listing.

Physical Facility - Space Requirements

The specific layout of the offices and labs within the BAC will be determined through discussions with the real estate developer and architects of Innovation Park. The points below are a suggested general overview of the requirements for the space.

Keep in mind: the trend in space is to program smaller and more flexible space. Early stage companies tend to not have deep pockets to pay for more than they need. Recent studies have indicated the per person space requirements are 80-100 square feet per person. Typically, early stage businesses start with one Founder with the ideal space side is approximately 100-120 square feet or two Founders and the ideal starter office for 2 people is 120-144 square feet.

Space configuration: Office space in 100-144 square feet offices with flexible walls between some of the spaces to allow a company to expand easily. Lab space should be configured into single units of 300-650 sq ft with adjoining doors on some units to allow for expansion for companies, and to allow some companies to occupy larger spaces. Clients utilizing lab space will also need office space to handle other aspects of their business, and most scientists prefer

to have a private office near their lab for convenience. Typical lab configurations at some Schools of Medicine for standard lab modules are 500-800 square feet. The BAC will work with Innovation Park and FSU to follow the same standards that are used there except LPA cautions on the significant reduction space required by today's emerging growth companies. A space programming document based on similar facilities around the U.S. is shown in **Figure B.**

Common areas: Reception area, "Brainstorming room", development and testing lab, conference room (which can also double as a training room) with audio/visual equipment (projectors), common lab space housing centrifuge, autoclave, ice machine, and other equipment shown in **Figure A**. Some items are present in other buildings on the Innovation Park campus, and do not have to be included directly in the BAC building (such other large meeting rooms, special kitchen facilities, large storage facilities, and other common area items).

Storage: Secure storage areas including both cold storage and regular storage (limited space).

Communications/Network: State-of-the-art, high-speed networking will be available. Clients associated with FSU/FAMU will be on the FSU/FAMU network. Other clients may have access to a commercial network.
Security: 24-hour access, 7 days a week. The system will permit addition and deletion of users as clients enter and graduate. Parking will be made available per Innovation Park regulations. All employees and tenants will be required to wear badge identification. All visitors will be required to wear badges and to be escorted at all times, per IP regulations. LPA strongly recommends an integrated IP cameras and an access control system.

- HVAC: This will be zoned for flexibility in the use of space. Building frames will be used that allow easy installation of special laboratory needs such as ventilation for a wet lab. Clients will be able to control their own area. Control for airborne contamination and other construction issues will be handled with advice from FSU School of Medicine facilities. HVAC will also allow clients to override the program during after-hours and weekends. LPA strongly recommends the use of non-proprietary control systems that offer interoperability. HVAC solutions that carry a proprietary brand like Siemens will ultimately cost Innovation Park more over a life-time because only Siemens can work on its own control system. IP should commission the service of the building to help achieve optimum environmental performance.
- Electrical: Lab spaces should have individual circuit boxes; if it is determined that the cost of distributing power within these spaces exceeds the standard dollar amount allocated for power, the tenant will pay for additional power usage. The threshold for this will be established during the first year of operation. Back-up power will be in place to help ensure the building never loses power.
- Plumbing/Sewer: Careful handling of hazardous materials in waste containment systems, floor drains, etc. will be guided by the FSU School of Medicine standards.
- Parking: Parking will be provided by Innovation Park. Minimum parking metrics is 3 spaces per 1,000 gross square feet (120-150 spaces based on facility size).
- Janitorial: Standard janitorial service will be provided by Innovation Park. Hazardous waste disposal will be coordinated under the guidance of the Innovation Park facilities personnel, under their guidelines.

- Special Features/Considerations: one loading dock with roll-up doors, and a safety wash will be available. A tenant may rent and bring in other types of gas tanks as needed. Wide hallways with oversized doors will be available to enable ease of moving large equipment into the facility. Adequate floor loads, level of floor, stain and acid-resistant floors and walls, and vibration dampening will all be considered during the design of the building with the Innovation Park facilities personnel.

Build-Out

The build-out of the facility will been planned by the Innovation Park designated architectural services and planning group, in concert with LCRDA requirements. One portion of the build out should include space for BAC offices and a conference room and office spaces for small companies who are more "IT/Biomedical Science" oriented. BAC administrative area (excluding the reception and lobby area) should be approximately 800-1200 square feet. The primary part of the build out will include entrepreneurial space, all common areas and shared facilities, and some wet lab and office space for engineering research and development, and some "light manufacturing" space.

Office "value-added" Services

There are two approaches to delivering services to the tenant. BAC may choose to offer a la carte services to ensure its costs and services are comparable to office space and services in the Greater Tallahassee area or BAC can charge an all-inclusive service fee for clients (this method allows BAC to not be perceived as nickel and diming the client with nuisance fees. This effort also requires less clerical tracking. The BAC may offer these services to clients for free or a nominal fee or include them in an overall client service fee (with exception of copying).

Service	Billing Charge	Comments
Clerical Services (use of administrative personnel)	Actual Cost + 15% mark-up	Use of BAC staff to do mailings, word process proposals or do other administrative duties.
Telephone System (rental of handset, use of voice mail and other features) & Internet services	Per month fee per person	Alternative is to allow each company to procure their own IP service from a local provider or Vonage; internet bandwidth should be provided and charged to each client (on per person or size of business or flat fee)
Postal service	Actual Cost +15%	Meter postage and charge clients account (provide this service centrally at IP or wait to offer until sufficient demand to afford a meter)
Notary Service	Free to clients Charge to guests ($15 per transaction)	IP should ensure its client services person obtains his/her notary status
Projectors		IP should have a small, lightweight, loaner for clients to take for presentations
Conference rooms Usage	Residential clients should have unlimited Use	Conference rooms should have integrated a/v capabilities built into the room
Furniture rental	Monthly rate of $60-$100/month/per person	Either include in a bundled service rate or charge per person per month
Fax Services	No cost	Provide central fax service in the business center with a copier that can scan and fax
Copier services	$.05 (BW) and $.49 (Color)	Charger per copy for B&W and color copies

Employee Benefit Administration

The BAC may provide assistance and direction to new companies for the following employee-related services for client companies at a nominal additional charge to client companies (these are normal incubation services) through engaging service providers. Employee benefit administration should be provided by competent service providers. LPA would recommend a Professional Employers Organization (PEO) who has the ability to offer quality benefits, HR administration and infrastructure (handbook preparation, I-9 verification services, offer letters, and access to quality insurance brokers.)

LPA recommends either a local PEO or TriNet (http://www.trinet.com/), a PEO, who have worked with many incubators, VC client portfolio companies, and who has a portfolio of scalable, affordable insurance products at competitive rates. Start-up companies will need to attract talent. Today, companies have struggled in recruiting employees because they are unable to offer a competitive benefit program.

- Benefits Administration (Health Insurance, Dental Insurance, Vision Insurance. Group Term Life Insurance & AD&D, Supplemental Life Insurance & AD&D, Short and Long Term Disability Insurance, Flexible Spending Account, Conduct employee onboarding, and assistance with Workers Compensation.
- Payroll Administration (I-9, W-2's, W-4's, Payroll and payroll tax processing, and direct deposit)
- Personnel Administration (Assist with Employee Handbooks, assist with employee relations (terminations), and assist with contacts for PEO's)

BAC Management Service to Clients

The ability to coalesce these services into a comprehensive business assistance program designed to successfully nurture emerging ventures must be the ultimate objective of a best practices incubator. BAC staff will be closely involved with clients in several ways: 1) needs identification, 2) coaching and facilitation, and 3) monitoring client progress. BAC Staff will also provide response to client physical space and facilities needs on a 24-hour coverage basis (for client emergencies, a contact will be provided). These services will be discussed in more detail in the next several sections below. **Please look at the process flow of Appendix B** which describes how prospective clients will be triaged through the early identification and screening process.

Client Prospecting Flow

1. Complete an initial inquiry request (simple, fast, and easy with basic information LPA. Recommendation is to set up form using Incutrack).
2. Visit and discuss program options and needs (This activity creates engagement and interest); once facility is completed add a tour as well.
3. Determine appropriate program fit for the client based on his/her goals (refer to other Entrepreneurial Service Provider if not appropriate for the BAC).
4. Client completes needs assessment (either separately or together with BAC'S staff. **See Appendix E for information regarding this assessment process.)**
5. Program length, framework, and client outcomes are defined (for residential or affiliate)

Needs Identification

Identifying client needs is an ongoing process. At the onset (i.e., during the application process), the BAC must clarify the needs of applicants to determine whether the services offered by the BAC can provide sufficient value to adequately fulfill these needs and, thus, justify their admission into the program. The BAC will continually assess the needs of clients on a proactive basis to address the ever-changing environment faced by emerging technology ventures. Early in the process, this may consist of daily meetings with the management team. As the management team matures, this may diminish to semi-monthly or monthly meetings, but pick up once again if the venture works to secure equity capital. Regardless of the situation, needs

identification provides the platform from which the BAC can take action to assist its client. LPA's assessment tool for asking initial assessment of the idea questions when coaching or first interviewing Founders who are looking for services. In addition, BCA Staff can use the interview guide in **Appendix E** to work with entrepreneur and the Founder. In addition, in **Appendix F is an outline of what an expanded executive summary should cover for potential clients being admitted into the BAC.**

Focus area	Assessment Question
Passion + Persistence = Entrepreneurial Success	Has the entrepreneur faced a lot of rejection? How'd they handle it?
Business Model/Lean Canvas	Can the entrepreneur express the pain/problem in the marketplace he/she are driving to solve?
Trusted Advisors/Service Providers	Early assessment of the value of the idea and likelihood of protection of the idea, and identification of sustainable competitive advantage if any. Has the entrepreneur sought out of advice? If so, what did he/she do with the advice?
Business Model Search	Has the entrepreneur created a Minimum Viable Product or spoken to early potential customers about his/her solution and their level of interest?
Gap Analysis	Where is the present development plan versus where it needs to be to take next steps to meet milestones? Where is the venture in its de-risking process by type of risk? (Could be stage, product, management, execution, product, technology, or other risks needing mitigation)

Coaching and Facilitation

The true value of coaching and facilitation comes when the BAC's staff can facilitate the use of specialized resources or instruct the clients on how to do something in such a manner that they can complete the task themselves. Other aspects of coaching and facilitation will include serving as a sounding board and cheerleader for client businesses as they face the many challenges associated with starting a new venture, and continuing to identify needs before issues become urgent or problematic. In addition, partnerships will be sought out with key faculty members to serve in an advisory capacity to BAC clients. Fortunately Innovation Park, through a partnership with the Small Business Development Center (SBDC), can deliver consulting, training and information to help businesses succeed and create positive impact for the Florida economy, while providing value for our stakeholders. This will be an important asset for BAC clients, and this is why it is suggested that the SBDC be co-located in the BAC.

LPA also believes there are certain business development tools that BAC might focus on while referring less complicated entrepreneurs to the SBDC or engaging service providers who can provide more complex coaching and facilitation around capital access, international exporting, management team acquisition, and tools for de-risking the venture.

LPA's assessment tool for evaluating the credibility of the entrepreneur (upon in-take and initial assessment) might include the following: **Has the entrepreneur or his/her team….**

Focus area	Comments
De-risked the venture?	Made a prototype, sough IP counsel, put initial funding into their idea (remember only 1-3% of all patents pay for themselves)
Committed fully to the venture?	Most ventures that do not have at least 1 FTE seldom grow beyond lifestyle business. (Has the entrepreneur taken risk by using his/hers own cash, borrowed from their 401K, used their credit cards, or borrowed on their home equity?)
Acquired domain expertise in the proposed venture's industry?	Ventures with deep industry experience/insights perform, in general, better than ventures without such experience.
Sought out trusted advisors and/or mentors?	This would include Service providers (CPAs, lawyers, insurance agents, entrepreneurial support organizations-SBDC, SCORE, incubators, seed accelerators, and coworking facilities?)
Evaluated their own strengths and development needs?	Does the entrepreneur know what management team issues they may have? Have they used psychometric instruments like Gallup Entrepreneurial Strength finders, team assessments to help identify execution/management risks?
Followed through on "homework assignments" demonstrating their commitment and determination?	Give the entrepreneur some homework to see if they do it, and if they come back. Test early commitment before you waste resources on them.
Focused on achievement of critical de-risking milestones?	Ventures should focus on up to 3 milestones at a team. Each milestone should de-risk the venture, making it more valuable and moving it closer to launch-ready. Does the entrepreneur know what will really move the needle?

Monitoring Client Progress

The BAC's Executive Director will periodically take a step back to objectively evaluate a client's progress through the BAC program and whether it is likely to graduate from the BAC. The Executive Director can measure progress in terms of specific milestones that reflect the evolution of a new venture as well as the mission of the BAC.

Specific accomplishments such as completing/refining the business plan, solidifying the management team, completing the "proof of concept," securing capital, achieving specific sales targets, establishing strategic partnerships and graduating from the BAC are examples of milestones by which the Executive Director can track clients' progress through the BAC program.

BAC management will work with each tenant company to establish their own specific milestones depending on where they are in their evolution. During the first three months in the BAC program, the client, BAC Executive Director and mentor/advisory council will jointly set short term objectives for company performance, and develop a written company action work plan.

Two performance reviews of each client company are required each year. Staff and advisory council gauge the progress of a company against its objectives, and evaluate the quality and impact of the business assistance from the BAC. Metrics should be collected quarterly, semiannually, or annually (or at exit for final data collection).

The recommended CRM and tracking system for client facilities management and for metrics reporting is Incutrack from Cybergroup at http://incutrack.com/.

An example of a typical metric scorecard for an incubator is included in **Appendix D**.

Professional Infrastructure

Needs identification defines the direction, coaching and facilitation provide the process, and client monitoring measures the outcomes. However, the strength and diversity of the resource pool supporting the program will ultimately influence the integrity of the BAC, as well as the subsequent value it provides to clients. A key element of this resource pool is professional infrastructure, which is composed of three basic resources: 1) professional services network, 2) mentors, and 3) interim boards.

Know-How Network, or Professional Services Network

This is a collection of experts from the BAC's region who are willing to provide services to BAC's clients at no cost or at reduced rates. These networks typically consist of senior level accountants, attorneys, marketing specialists, venture capitalists, professors, technology specialists and others who have chosen to support new ventures. Acknowledging and managing the value to these participants is as important to the BAC as it is to the client businesses it serves, because without them, the value of the BAC to new ventures diminishes significantly.

The BAC Executive Director will maintain a preferred service provider list. The service provider has to have experience with small businesses/entrepreneurs and be willing to spend time and work with tenants, come to the facility, etc. There will be a survey for tenants to use to rate the service provider. If the service provider receives poor reviews, the BAC has the right to drop them from preferred provider list.

BAC clients can benefit from interacting with others who have been successful at launching a new venture and who have been in similar circumstances to theirs. The one-on-one nature of this interaction allows the mentor to become more familiar with the intricacies of the client's business operations at a level that may not be feasible for advisory council members or BAC staff. The CEO of the tenant company will be required to commit time to meet with a mentor as part of participating in the program. Mentors will be volunteers from the BAC supporters, sponsors and select faculty and staff members. See additional information the service provider network covered on **page 25**.

Interim Client Board of Advisors

During the early stages of development, many new ventures lack an effective board of directors of board of advisors. Consequently, the BAC can provide value by helping clients form a temporary or interim client advisory board to serve in this function until the tenant company establishes a formal board of directors (typically, when the company raises capital). The interim board will be comprised of volunteers with the range of expertise needed by the client. The composition of this board may change over time as the business progresses through its various stages of development. BAC staff may assist tenants in selecting their interim board. It is anticipated area business organizations, faculty from the FSU College of Business, faculty from FSU/FAMU/TCC and Innovation Park/BAC personnel will form the majority of interim board members. Clients should execute a Liability Waiver for giving advice.

Client Access to Capitalization and Financing

High growth ventures perceive access to capital as one of the most valuable services that the BAC can offer as part of its comprehensive business assistance program. Capital can come in the form of equity, debt or some hybrid of the two. Sources of capital include venture capitalists, high net worth individuals or "angels," corporate investors, Small Business Innovation Research (SBIR) grants, and other federal and state equity/loan/grant programs. Corporate revenue projects or partnering can offset the capital needs of a BAC client. Utilizing this approach, a client can obtain valuable support such as manufacturing, marketing, and distribution and sales in exchange for license agreements, equity, an increased portion of the revenue generated from sales or some other arrangement that provides financial return to the corporation.

BAC staff will understand, and facilitate access to, all sources of capital. In addition, the BAC will maintain information on each source (such as approval process, information requirements, allowable uses of funds, amount available and time until the release of funds) and be prepared to assist clients in securing the capital they need at various stages of their development. Again, the Florida Small Business Development Center Network, through a partnership with the BAC, may prove invaluable to this effort through their ability to provide access to Capital and Loan Packaging, Marketing Plan Development & Research, and Business Plan Development.

Client Networking

The BAC will provide the buzz, energy, environment and facilitation required to encourage client networking. Regular events in the BAC should include: Lunch N Learns, Client Appreciation events, experts in resident, and outside workshops and seminars. The role of client networking:

- Provides client with moral and psychological support, reducing stresses and the likelihood of failure due to burnout
- Provides instrumental benefits including opportunities for sharing expertise, employees and other resources and co-bidding, among others
- Provides important contributions in preparing clients for learning and enhancing the learning experience
- Shift some of the burden of counseling clients to others inside and outside the BAC, permitting management more time for monitoring and higher-level coaching

Client entrepreneurs need to have a willingness to take advice and accept critical feedback. The BAC will promote norms and attitudes that including sharing, support, openness to ideas and friendly relations among clients, such as brown bag lunches, network fairs, and CEO forums.

Client-Centric Entrepreneurial Programming

BAC should target programming to specific entrepreneurial segments both as a feeder system and pipeline to residency but as a way to demonstrate its services in action to build its initial reputation.

Target segment #1: Pre-company, research intensive products or innovative ideas with disruptive or breakthrough potential.

Service Gap/Need	Suggested BAC Educational Client Offerings
Coaching and mentorship	BAC should train in and use Lean Canvas tools and techniques to help the Founder and his/her team construct a viable business model.
Access to capital and continuum of capital	BAC should promote bootstrapping tools and techniques using the Customer Funded Business by John Mullins or use modest high performance grants $10,000-25,000 to de-risk customer and regulatory risk.
Business Development programs or Client Support Tools	The Search Lite to conduct customer discovery and validation A regulatory Consulting approach to developing a white paper /regulatory roadmap to the time, milestones, cost, and expectations regarding regulatory pathways
Investment Considerations	Could offer a matching program on the cost of the services below: SearchLite—Approximately $6,000 to conduct customer discovery and validation of product pain/problem in the marketplace (www.thesearchlite.com) Regulatory consultant with strong track record of success with the FDA and working with early stage companies. Typical cost is $5,000-$10,000 depending on complexity.

- Lean canvas (http://leanstack.com/)

- The Searchlite process (http://thesearchlite.com/)
- LPA recommends Regulatory Affairs Associates (http://regaffairs.net/)

Target segment #2: Pre-revenue companies with one to three co-founders or employees (or contractors) who have licensed IP or created IP who need commercial lab space and who need a headquarters location for their company/venture and who are in need of outside capital or are already in the process of raising capital.

Service Gap/Need	Suggested BAC Educational Client Offerings
Coaching and mentorship	Client company should be aligned with a mentor/subject matter expert in the discipline and science. Client coaching should be twice/month at a minimum (one meeting should be focused on the milestone planning and venture commercialization de-risking and the second meeting should be on the development of the business (management team, partnership, trusted advisors etc.)
Access to capital and continuum of capital	BAC should be focused on the investment presentation (including financial pro formas)/story development process. BAC should educate client on private equity, and should support the client in grant application for research funding, business competitions, crowdfunding, and angel investment. Investment presentation could use a template* approach
Business Development programs or Client Support Tools	Lean Stack Milestone planning (venture planning type services) Growth Wheel** (www.growthwheel.com) **WKI So What program** ** *(for ideation and idea formulation) and business model canvas (for business model thinking instead of a business plan) and the Art of the Start 2.0 by Guy Kawasaki
Comments	** and *** require facilitator certification to offer courses Milestone should be focused on raising some early stage capital and advancing the science to prove commercial viability

*Potential Investment Template (There are no lack of them!)
http://www.slideshare.net/Sky7777/the-best-startup-pitch-deck-how-to-present-to-angels-v-cs
Start at slide #8.
http://www.northbayangels.com/documents/InvPresentTemplate.pdf
http://www.newworldangels.com/Documents/Investor%20Presentation%20Article.pdf
** www.growthwheel.com
*** http://www.wendykennedy.com/

Target segment #3: Early stage start-up with a few employees or contractors who have proven commercial viability and looking to identify possible vertical markets, obtaining early sales, and have raised some funding or are self-funded. These companies may or may not be biotech and good be IT or other types of technology enabled or innovative companies. Company plans to grow and hire employees.

Service Gap/Need	Suggested BAC Educational Client Offerings
Coaching and mentorship	Mentor-based, service provides who form outside advisory council for the venture and BAC helping to sort out issues and opportunities
Access to capital and continuum of capital	BAC should facilitate access to angel network, syndicate, and other grant opportunities for the prospective client. Typically, investment needs for a company might be between $500,000 to $1.5 million.
Business Development programs or Client Support Tools	Growth Wheel (aspects relevant to scaling the venture and team) Art of the Start 2.0 Scaling Up and template forms on www.scalingup.com
Investment Considerations	Seed funds, matching funds, leveraged third party funds for ramp-up and scaling of the venture Financing is provided through customer-backed contract

VII. Community Programs & Events

Special Programs and Competitions

The BAC should utilize discretionary income from program fees, sponsorship fees and/or seek outside funding to implement the following programs. If the BAC is able to obtain funding, the following programs will be implemented. If the funding is not made available to the BAC immediately, the BAC will seek to fund these programs from other sources cited above. **See Appendix F — Entrepreneurial event best practices for additional guidance**

Graduate Student Intern Teams

Each of the university partners should create one or more Graduate student teams to assist client companies in a variety of business aspects and/or product development. A typical graduate student team would be comprised of 2-4 students from different disciplines, such as business, science, and law. The composition of the team would depend on the BAC client's particular needs. Client projects could be integrated with project-based activities occurring in the Jim Moran Institute.

Examples of appropriate types of team projects include but are not limited to:

- specific product development or enhancement,
- solving a specific business problem,
- assessing the potential market for a particular product or service,
- feasibility testing,
- Preparation of a business plan, or business model canvases
- Preparation of a strategic marketing plan.

Student Business Concept Competition

An annual Student Business Concept Competition is planned for Innovation Park/BAC. To **qualify, the student(s) have to be full-time graduate or undergraduate students enrolled at an** affiliated university/organization campus. The student(s) submit a business concept description explaining their product/service concept and business model. The business **concept must be in one of the fields of focus at the BAC (as previously listed). The BAC will** assemble a panel of judges to choose 3 winners.

The 3 winners will each receive $5,000 and an opportunity to develop a minimum viable product using the tools and concepts of Lean Canvas. The winning students will be able to receive additional entrepreneurial training provided by the BAC and its service providers, and have access to BAC Advisory Council members and other BAC preferred service providers for advice and feedback. Once the milestone plan is developed, the student team may apply for "fast track" admission to the BAC and receive free or deeply discounted space and/or submit their business plan in the Ultimate Business Plan Competition described below.

Ultimate Business Plan Competition

An Ultimate Business Plan Competition is also planned for the BAC. This competition is not limited to students; anyone may submit a business plan for consideration. Once again, the business plan must be in one of the BAC associated fields. The BAC will assemble a panel of judges to choose 3 winners.

The first place winner will receive $25,000 toward starting the business and admission to the BAC with up to 150 square feet of entrepreneurial office space at no charge for up to two years. The new company can remain in the BAC during that time as long as business presentations made to the advisory council every six months show appropriate progress toward the company's established and agreed-upon goals (with BAC management's agreement). The company must also comply with all other client requirements.

The second place winner will receive $10,000 and the third place winner $5,000, toward starting a business in the BAC.

Other Benefits of University Linkage

Other benefits from the association of the BAC (as outlined in the Concepts section of this document) with Innovation Park and its university partners include:

- Faculty/technologist consulting
- Student interns and employees (paid or receive credit)
- Access to technical facilities and equipment
- Access to databases and researchers
- Access to research and development financing: Accessing federal research funding such as that provided through the Small Business Innovation Research (SBIR) program is greatly enhanced when BAC clients submit a joint application with a university, and working with the SBDC
- Credibility and visibility resulting from being a BAC client.

Target Tenants

Client selection and graduation are critical to a successful BAC. The screening process is customized to meet the BAC's mission and ensure that firms selected can benefit from its value-added services. The BAC will focus on companies within the following cluster industries:

- Agribusiness
- Life Sciences (Biotechnology/Biomedicine/Medical Devices/Diagnostics/Bioinformatics)
- Cleantech (Environmental technologies/Renewable energy)
- Engineering & Research
- Advanced Manufacturing
- Aviation & Aerospace
- Transportation & Logistics
- Information Technology with associated Agribusiness market target

These targets have been selected because of the synergy with the business goals of the economic development agencies in the area, the availability of a knowledgeable talent pool, and the university strengths. As mentioned earlier, these industry clusters themselves are merging closer together every day with applications such as bioinformatics and software research and analytical tools to expedite genetic identification for disease, nutritional enhancement of foods, use of alternative energy sources, and other new areas of development combine. Further, the

shorter start-up time for an information technology company provides a good balance to offset the longer incubation time required for new biotechnology/bioscience companies.

However, it should be noted that if a company outside of these areas presents itself for admission to the BAC, it does not mean that company will not be considered; each company, in any area of research, will be considered on its' own merits. A company with high potential for success in any knowledge intensive or innovative area should be considered for candidacy for the BAC.

Client Qualifications

Aside from the anchor tenants (who will be charged market rental rates), who can qualify for admission into the BAC?

A few basic characteristics of the BAC's selection process follow:

1. The BAC will accept a diverse range of clients to increase synergy and diminish direct market competition. This is true, given that intellectual property protection and recognition of potential conflicts of interest must be of concern to the BAC and its staff.
2. Applicants must fall within a broad definition of a for-profit venture producing products or services that can be commercialized within the time permitted for BAC. *Consulting home-based businesses, or wholesale businesses will not be considered for admission.*
3. Applicants will be identified within the aforementioned clusters (or noted in other with the nature of the innovation and rational for admittance) that are the focus of the BAC.
4. The applicant must be early-stage – generally within the first two years of business operations – not yet profitable and still growing. Exceptions may be made for small firms that are changing focus, in a "turn-around" mode, substantially restructuring or launching a new business project.
5. Applicants must show ability to pay rents and fees charged by the BAC while developing positive cash flow (i.e. be adequately capitalized).
6. Applicants must present a management team that is capable of handling the technical aspects of the business or understands how to obtain needed technical assistance and is receptive to input and mentoring.
7. Applicants must identify products, technologies or services that can benefit from the added value provided by the BAC and its resource network. At the same time, BAC management must feel confident that it has the capacity to help the business succeed.
8. Applicants must provide potential economic benefits in the form of job creation or new business opportunities for community vendors or contract agencies. Alternatively, the business must be developing a product or service that will further the economic objectives of the region.
9. Applicant's technology will be reviewed against other residential BAC clients to determine if there is any direct competition or potential conflicts. Often, client's activities may be similar but ventures may be pursuing different vertical markets, may have different value propositions, or different customers. In LPAs experience, very few client conflicts exists prohibiting admission (<2% in our experience). An applicant might be admitted if specific conditions can be established to mitigate conflicts and protect intellectual property.

The BAC will consider these factors when reviewing a potential tenant: commercial promise of idea; nature of the idea (in one of the mentioned sectors); technology based on scientific research; rudiments of a solid business plan executive summary; track record of applicant and references; and other factors deemed by the BAC advisory council to be relevant.

An application for admission to the BAC should be available online on the BACs website (in addition, it can be integrated into a needs assessment within Incutack) and should include the following information:

- **Formation of company**
  - How it began (brief history)
  - Who owns the business and what is their background
  - Type of business
- **Description of the Business**
  - Principal product(s) envisioned
  - Target market (size in both dollars and geography)
  - Competition
  - Goals and objectives
  - List of business needs to be provided by the BAC
  - Number of jobs expected to be created
- **Financial Condition**
  - Business plan or business model canvas
  - Historical financial statements (if any)
  - Future financial projections
  - Any cash flow issues to be discussed
  - Special leasehold improvement needs

Application review process consists of four basic steps:

- ✓ Step 1: Simple review of the four pillars of a sound business project: management, money, technology, and market.
- ✓ Step 2: Assess in a very general sense the potential market size, need for such a product, marketing strategy, distribution channels and competitive analysis.
- ✓ Step 3: In-depth interview with applicant to explore: an entrepreneur is ready to hire business management to run the company within a 6-month period; proprietary advanced technology; financial resources to sustain operations for a reasonable period; and a significant potential market worth and a strategy for capturing this market.
- ✓ Step 4: Use application review committee (of the advisory council) who can help validate the credibility of the company's business plan, determining where the strengths and weaknesses are.

The application program is proven to be good for companies that are not admitted, because it reveals that some are not capable of thriving. The BAC will utilize the advisory council Admissions/Graduation Committee for approval of a candidate tenant in the following scenarios:

Type of Client	Lease Term	Admissions/Graduation Committee Approval	
		Entry	Renewal
Regular Clients	1-2 years	Yes	Yes
Anchor Tenants	3-5 years	No	No

Online applications of expression of interest in the business incubation program should be simple and short. The form should not be onerous and request too much information before a relationship (in person with a tour) has been established between the entrepreneur and the BAC team.

Types/Levels of Client Businesses

The BAC will have the following different type of office/lab configurations to support different types of client needs:

- Full tenant wet lab
- Full tenant dry lab
- Full tenant no lab (office only)
- Affiliate clients (coaching and use of common areas; wet lab time sharing)

Client Responsibilities: Setting Expectations

A key differentiator between business incubation programs and other non-residentially based coaching and affiliate programs is setting client expectations. BAC should establish that its process of business incubation is a disciplined, focused, intensive program of organizational and professional growth. The BAC needs to be clear about what it expects and what it delivers (and doesn't deliver) so expectations are appropriately calibrated.

The BAC will require its client companies to:

1) Operate their business in a legal and ethical manner, including establishing necessary legal actions including company formation and protection of intellectual property via patents, trade secrets, copyrights, trademarks or otherwise
2) Establish an appropriate accounting or bookkeeping system and report financial data to the BAC quarterly
3) Pay invoices promptly (via ACH or credit card) for program fees, rent, and other services.
4) Provide the BAC with quarterly data on required metrics (this requirement should be stated in the lease document). See metrics scorecard example in the appendix.
5) Jointly, with BAC staff and advisory council, establish short term objectives for company performance, develop a written company action work plan, and a company milestone events and schedule with a listing of critical success factors.
6) Provide monthly (in the first year and then establish a frequency in the second year) progress reporting including milestone progress and critical factors
7) Establish a one page strategic plan and blueprint for the business planning aspects of the venture by using tools like Jim Horan's One Page Business Plan –book can be

purchased on Amazon.com and **Scaling Up** by Verne Harnish—book can be purchased on Amazon but free tools, assessments, and templates are available at www.scalingup.com.

The standard client lease term is for one-year with a 30, 60, or 90 day termination with an annual review of the company's progress toward its goals, need for and utilization of the BAC's resources, and other factors the advisory council Admissions/Graduation Committee determines relevant to measuring client progress. Evaluation for graduation can occur earlier if a business grows quickly, such as if the client has over a specified number of employees or takes up more than a specified number of square feet. The BAC will be flexible and informal about its graduation process, given the differences between the various industry clusters served (some typically incubate longer than others). Separate graduation standards will be established to tailor the process to the particular industry needs. The details of these standards will be determined with the assistance of the Admissions/Graduation Committee of the advisory council.

The Admissions/Graduation Committee of the advisory council can terminate a client early under certain conditions. Conditions for continued participation in the BAC program include:

- Diligent pursuit of business objectives to satisfaction of Advisory Council Admissions/Graduation Committee
- Non-Timely payment of fees
- Compliance with BAC rules (such as participation in networking or mentoring)
- Conduct deemed illegal or detrimental to the program as a whole
- Client is not healthy to the internal community building of the BAC.

A client may leave on his or her own accord with one to three month's written notice. This notice provision should be clearly defined in the leasing documents.

VIII: Market, Brand, & Communications Plan

The targeted activities grids is for the first three years AFTER the BAC opens. The core components and targeted activities for the BAC should include the following goals:

	TARGETED ACTIVITY	Year 1	Year 2	Year 3
1.	E-Newsletters/E-blasts	Monthly	Quarterly	Quarterly
2.	Client Case Stories/videos	Six/year	Six/year	Six/year
3.	Pro-Active Speaking Engagements With networking/social groups	24 2/month	24 2/month	24 2/month
4.	Sponsored Social Events*	2	2	2
5.	Leadership Outreach Breakfast Meetings**	6	6	6
6.	Prepare/release an annual report Prepare/produce informational brochures	1/year 3/year	1/year 3/year	1/year 3/year
7.	Local press coverage/ press releases, interviews	12/year	12/year	12/year
8.	Legislative Advocacy Strategy***	2	2	2
10.	ESOs ****	4x/year	2x/year	2x/year
11.	BAC'S Referral Network*****	2/yr	2/yr	2/yr

*Sponsored social events would be an annual signature fundraising event to highlight the work of the BAC and to raise discretionary funds for program development and operating cost support.

** Twice a month host breakfast events (for funders, community leaders, corporate executives, and potential entrepreneurs) with a short program describing what BAC does, perhaps a testimonial from a client, and a list of ways stakeholder's can engage with BAC'S. These should be small gatherings of 6-8 people.

*** Advocacy strategy should include legislative outreach and activities to build a strong delegation of knowledgeable legislators advocating on behalf of the BAC (this would include hosting small legislative groups, touring the facility, talking with clients/tenants; and preparing 1 page ASK document)

**** Regular meeting of the community's ESOs to coordinate, reduce perceived redundancies, and to discuss common patterns and gaps in service delivery to entrepreneurs.

*****ESO= Entrepreneurial Support Organization. The referral network would be a luncheon or breakfast including appreciation of the referral agents, education about what the BAC does and how to pre-qualify potential prospects for referral, or discussion of emerging trends in what entrepreneurs are struggling with or what they need to be successful. Identify the top 100 referral agents you believe are the "connectors" in your community. Seek them out, give them collateral material, and make it easy for them to refer. Referral sources should never have to vet the leads. The BAC should meet with anyone but may need to refer to other ESOs if it is not a fit for the program.

NOTE: A key metric BAC' should be tracking is its conversion rate from qualified leads.

While there are five broad categories for promotion (advertising, sales promotion, sales force, marketing public relations and direct marketing), the two most concentrated marketing tools (weighing cost and focus) used by entrepreneurial support providers are **referrals**, **advertising and marketing public relations.**

***BAC* Marketing PR & Advertising Activities should primarily focus on the following pneumonic PENCIL:**

Integrated Marketing PR Communications Element	Marketing Activities
P=Publications [Well-placed stories, marketing collateral materials (brochures, annual report, client success stories and profiles)];	-Electronic and printed downloadable brochures highlighting specialized program services and resources to assist the entrepreneur in the development and growth of their venture. -An Annual Report highlighting clients, former clients, community, investment, successes, partners, and major accomplishments.
E=Events [Networking events, direct mail, and collaborations with community-based organizations to co-brand events and training activities.]	-Networking with business leads groups, service organizations, and chapters of national organizations to gain awareness of the services offered by the incubator. -Networking events, workshops, experts-in-residence which draws people to the facility and the entrepreneur begins to receive "value". -Host regular open houses to celebrate major client and Center milestones (Client milestone- first customer; a successful round of financing; Center- a major grant award) -Offering or partnering with business idea or plan competitions and workshops can drive better qualified traffic to entrepreneurial support programs -Regularly host community leaders, potential entrepreneurs, and other stakeholders for breakfast to share and tell the story.
N=News [Press releases and open houses]	-Every time there is a new client, a press release should be issued -A client rotator featuring current and eventual graduates from the program with their logo and link to the client's website -Create 3-4 themes for newspaper coverage (BAC should be thought of as a thought leader in entrepreneurship and innovation. Themes might include: importance of patents, what does it take to be an entrepreneur).
C=Community involvement	-BAC staff engaging in prominent and visible roles on boards, committees (as a form of PR and networking for referrals) -Formalize BAC referral network (e.g., lawyers, community leaders, successful entrepreneurs, lead economic development

Integrated Marketing PR Communications Element	Marketing Activities
[Co-branding/sponsorship of BAC with synergistic organizations doing JA, Destination Imagination, or Lemonade Day]	organizations) to meet several times a year to talk about best practices, service gaps, and to engage the providers in the mission of BAC. -Coordination role with other ESOs to ensure programs and service offered are complementary and synergistic to other small business/entrepreneurial support providers. -Formalize an Entrepreneur in Residence (EIR) program
I= Identity media [Web based portal development and comprehensive social media strategies (**Facebook, Linked IN** at the very least)]	-A comprehensive web site with online resources (including FAQs and fact sheets) and tools that encourage the entrepreneur to take the next step in setting up an appointment or placing an inquiry (online needs assessment, application, and business tools.) Be sure to deliver value in every interaction with potential prospects. -Develop a focused strategy on leveraging social media strategy to generate buzz, excitement, and to be attractive to younger entrepreneurs who are looking for resources, connections, and opportunities. -Integrate a narrow set of social media platforms to concentrate on (for highest ROI) are: Facebook, Twitter, and Linked-In. LPA's discussion with entrepreneurial support providers on the use of social media for prospecting found the cost per qualified lead was staggering and the ultimate conversion rate was poor. The central focus of the social media strategy should be to generate buzz and excitement so it opens up referrals from key opinion leaders and creates additional community ownership in the BACs programs.
L= Lobbying/Advocacy activity [to funding decision makers not just political types]	-Incubator Tours (most effective for engagement and cultural onboarding of entrepreneurs- helps them understand they are not in it alone), -Open houses, coffee chats with the entrepreneurs while encouraging visits from political figures and major donors. -Need an advocacy strategy with clear objectives (1 pager).

"The marketing plan is an engine that drives you toward the realization of your strategic plan's goals." Prior incubation/entrepreneurial support provider studies (David Allen Study) have ranked the following promotional techniques more successful and effective. However, while this assessment was conducted a long time ago, it is the experience of LPA that the techniques are still relevant and appropriate today. LPA recommends BAC will need to focus on networking, public speaking, brochures, and referrals to build its word of mouth and network to ensure potential prospect referrals.

Rank	Technique	Rating
1	**Networks/contacts**	**4.6**
2	**Public speaking**	**3.7**
3	**Mass Media**	**3.4**
4	**Brochures**	**3.0**
5	Radio ads	1.9
6	TV ads	1.9

(1=Least effective and 5= most effective)

Incubator Launch Planning

The following are the high-level critical elements of a well-coordinated launch of the incubator. The BAC will need to identify the resources necessary to execute the launch. Estimated dates are reflective of "**X"** months prior to opening its doors to the public.

Critical Deliverable, Event, Or Activity	Est. Date	Priority
INCUBATOR OPENS ITS DOORS TO THE PUBLIC[1]; GRAND OPENING	**11/2017**	**High**
INCUBATOR OPENS ITS DOORS TO VIPs; GRAND "SOFT" OPENING	**9/2017**	**High**
Successfully Recruit Director	4-8/2016*	**High**
Ensure Incubator Director obtains NBIA training (certificate training)	ASAP	**High**
Secure Incubator Certificate of Occupancy	10-11/2017	**High**
Establish a BAC Advisory Council and committee structure	9/2015	**Medium**
Commence Branding Efforts And Launch Web Presence With Online Application Process (Create 1 page profile & fact sheets)	3/2016	**High**
Begin Pre-Marketing & Client Recruitment Activities By Gaining Newspaper Attention, Speaking At Social Organizations (Rotary, Lions, Kiwanis), And Preparing Marketing Collateral Materials (Consider Pre-Incubation Program)	9 -12 Months Prior to opening	**Medium**
Determine Core Entrepreneurial Support Programs, Delivery Methods, And Onsite Co-Location (SBDC, Domi-Station)	3/2016	**Medium**
Identify And Recruit Sponsors, Service Providers, And Mentors	6-9 Months Prior	**High**
Determine Educational Training Elements (Brown Bag Lunches, C-Level Lunches, Experts In Residence Training Programs)	3-4 Month Prior to BAC Opening	**Medium**
Determine Educational Programming Elements (Coaching Method, Specialized Services Offerings)	3-6 Months Prior	**Medium**
Implement Incubator Operating Policies And Procedures Including Pricing Method, Lease Agreements, Metrics, and ensure web interface	4-6 Months Prior	**Medium**
Screen And Select Qualified Incubator Applicants; Secure Anchor Tenant(s) and/or Additional Resident Clients (through a business competition or challenge)	Ongoing	**High**
Implement The Strategies/Tactics Outlined In The Business Plan	Ongoing	**Medium**
Refine 1st year and a rolling 3 Year Financial Plan	3/31/2016	**High**

*Executive Director should be on board once the decision is made to proceed with an incubation program (this person should be on board to take ownership of the program details and to work with all the stakeholder's involved in the project.

IX. Measures of Success

"We only ask our clients for the absolute minimum information we need so they don't get upset with us."

Incubation Program Evaluation

The NBIA Board of Directors states evaluation/outcomes as a best practice, noting the need for "maintaining a management information system and collecting statistics and other information necessary for on-going evaluation, thus improving program effectiveness and allowing it to evolve with the needs of the clients." Ultimately, the objective is to establish a mechanism for adapting and improving the BAC's offerings to better meet the goals and objectives outlined in its mission statement. Examples of measurements include: number of jobs created, funds raised in grants and capital funding, payroll dollars, amount of income generated, amount of tax revenues generated, dollar sales volume, percent increases in sales, cost expended for each job created, number of companies created, number of companies graduated.

Economic Metrics

Several performance metrics will be used to measure the success and impact of the BAC. A preliminary list for consideration: number of technologies commercialized; number of jobs created; tax revenues contributed to local economy; number of companies graduated; dollars attracted and leveraged by tenant companies; sales revenue increase of tenant companies; growth of company; length of stay in BAC; and return on equity in tenant companies after graduation. **See Appendix D for some examples of balanced scorecard metrics/outcomes.**

BAC staff will track this data in a specialized tracking database and report annually to the board of directors on each metric. LPA strongly recommends the LCRDA board of directors have strategic conversations around how to measure the incubators' economic impact. These conversations should include likely donors and funders to ensure early collection of metrics includes outcomes of importance to the funding sources (government, foundations, and corporations) **At a minimum, BAC should follow the 10 metrics in NBIA's Toolkit, "Measuring Your Business Incubator's Economic Impact.**

Timeline

The following chart is a very preliminary timeline for the BAC facilities management side of the project from now through opening of the BAC. This timeline includes very rough estimates based on the information available at the time this document was developed. This chart is based on the proposed building for the BAC:

Milestone	Target Completion Date
Preparation of property	12/1/2015
Begin forming advisory council	12/1/2015
Obtain commitments for financial support for pre-construction expenses (to complete detailed facilities plan)	3/31/2016
Implement and launch strategic marketing plan & activities	10/1/2016
Finalize all elements of design (preliminary design complete)	4/30/2016
Break ground for construction	6/1/2016
Hire BAC Executive Director	4/30-8/1/2016
Begin screening potential clients	3/2/2017
Obtain commitments to fund BAC operations for three years and initial capital equipment	4/1/2017
Acquire additional BAC personnel	6/1/2017
Detailed program and policy development	6/1/2017
Complete standard lease documents	7/1/2017
Implement client marketing plan activities	8/1/2017
Complete lease negotiation for 25% of available space	9/1/2017
Completion of BAC space & equipment acquisition	10/1/2017

Client occupancy level is estimated at the following:

Year	Occupancy
1	25%
2	40%
3	55%
4	70%
5	85%

Today, the average occupancy of NBIA incubators is between 75-80%. Best Practice metrics would state full occupancy is achieved between 85%-90%. Best practices optimal occupancy rates of 85% - 90% allows flexibility for expansion of growing clients, acquisition of new clients, and providing for potential unanticipated prospective client opportunities.

X. Financial Plan & Pro Formas

The portions of the Finance Plan include overall costs, pricing, operating expenses and revenue, and sources of capital. Many of these figures are estimated, as exact costs are unavailable until the type/location/size/build-out of the BAC is determined. **The 5-year financial pro forma is attached as Figure F.**

Costs

The cost estimate for the facility construction and build-out depends on the purchase/build route taken. A study and evaluation of the site on Innovation Park property has already been completed; the estimates of total expense of the build-out of that building (to accommodate lab construction) are in the $15 to $22 million range, including equipment (this does not include land cost, which is assumed to be built in). The building site currently under consideration would be much more efficient due to the available land at Innovation Park. The majority of the physical build-out expense is for wet lab space, which can run as high as $450/sf, depending on the configuration, style and contractor used. For the purposes of this document, square footage (considering this is NOT medical quality space, or tissue culture room space, or "Class III" type laboratory space) for this type of "wet laboratory" building will be calculated at a cost of $300.00/sf for construction costs (one can easily alter the calculations if it is more/less). For the second phase (the rest of the building, which is more "office, Information Technology, and general "dry laboratory" type space), cost is calculated at $180/sf. Additional expenses will be incurred for capital equipment purchases specific to BAC operation and individual client needs, including support structures and specialized equipment (back-up generator, etc.). Other "additional" expenses will vary dependent on client mix. **Preliminary capital expenditures for sources/uses of funds are estimated in Figure C.**

Pricing

Client benefits pricing depends on the level of participation (wet lab, dry lab, or entrepreneurial office). The chart below is an initial plan for lease rates for clients. The advisory council will be consulted for recommendations regarding rental rates. The LCRDA would actually set the lease rates. The BAC would be charging less than market rates for rent for regular clients. The American University-Related Research Park Association (AURP) survey found that the majority of incubator rents are *below market price*.

Type of Client	Wet Lab Suite	Dry Lab Suite	Furnished Office	Unfurn. Office
Regular Tenant	$30/sq ft	$16/sq ft	$15/sq ft	$10/sq ft
Anchor Tenant	$35/sq ft	$20/sq ft	$18/sq ft	$12/sq ft

Other sources of revenue for the BAC would include: fee for seminar if not an BAC client, registration fees for networking faisr, fee for mailing list or announcement, affiliate membership fees, sponsorship fees, or rent lab for one-time/shared use, rental of software development and testing lab, if available. Also, work for hire situations will be evaluated on an individual basis.

See **Figure D** for overall pricing rates and best practices for financial sustainablity. Some special services provided to clients are on a fee for use basis. See **Figure E** for details on pricing for these ala carte value-added services.

The final lease rates to charge will have to take into consideration the building and equipment costs, once those are determined. Guidelines suggest maintaining a reserve of $5 per rentable square foot. Total rentable square feet will be based on a factor of 1.12** times actual rented square feet to account for use of common areas and general facilities (although there is nearly 28% non-leasable square feet. Incubators are not able to get the full non-leasable space compensated for in overall rate structure).

The BAC could, if desired, take an automatic 2% equity stake in the tenant company upon admission, and thereafter 1% per year until graduation, up to a maximum of 5% equity. This arrangement will be structured to comply with tax laws for a non-profit entity, upon consultation with Innovation Park's tax advisor (thus, may be structured as a warrant or other mechanism until tenant graduation). Approximately **12%*** of U.S. mixed-use incubators take equity stakes; this is an option available to the BAC, if the BAC so wishes to pursue this course; at this time, LPA does not recommend this option as it is an unreliable source of income, many angel investors and venture capital firms do not value this approach (it causes problems when raising funding), and often can be a turn off for the most promising high potential companies.

Pitfalls and Profits from Equity/Royalty Agreements[1]

Pros for Equity/Royalty	Cons for Equity/Royalty
Creates potential for substantial return from client companies	Returns are typically at least 7-10 years out (however, IT type ventures may be 3-5 years)
Demonstrates incubator commitment to clients	Requires staff expertise and time
Can be a flexible financing tool to work with client companies	May be viewed as a conflict of interest for nonprofit organizations
Indicates the sophistication of the incubator	Can cause a negative perception from client companies (may put the incubator and client at odds with each other)
Equity helps incubators provide low-cost services	It may result in adverse selection or may discourage good clients IRS implications
Appropriate for high growth companies with a clear exit strategy	Client lacks clear exit mechanisms
	Loss of potential new clients (potential "adverse selection")
	Increased legal consultation costs

*Technology incubators take 21% in selected companies and 8% take equity in all of them. Mixed use incubators take 1% of all of the clients they work with in their program.
** Note: 28.5% in the non-leasable space; however, incubation programs are unable to recapture all of their indirect space costs.

The risk analysis of whether an incubator should take equity/royalty depends on the incubator's client base, economic standing (existing self- sustainability, and available expertise.) Some key considerations include:

(1) evaluate how equity/royalty agreements support the BAC's mission;
(2) set parameters and guidelines for amount willing to put at risk and for how proceeds/income will be used (obtain tax advisor/legal review to ensure exemption purpose is met);
(3) create clear, straightforward, and reasonable agreements, and
(4) determine the BAC's goals (is your goal cash generation or strategic investment and structure accordingly.)

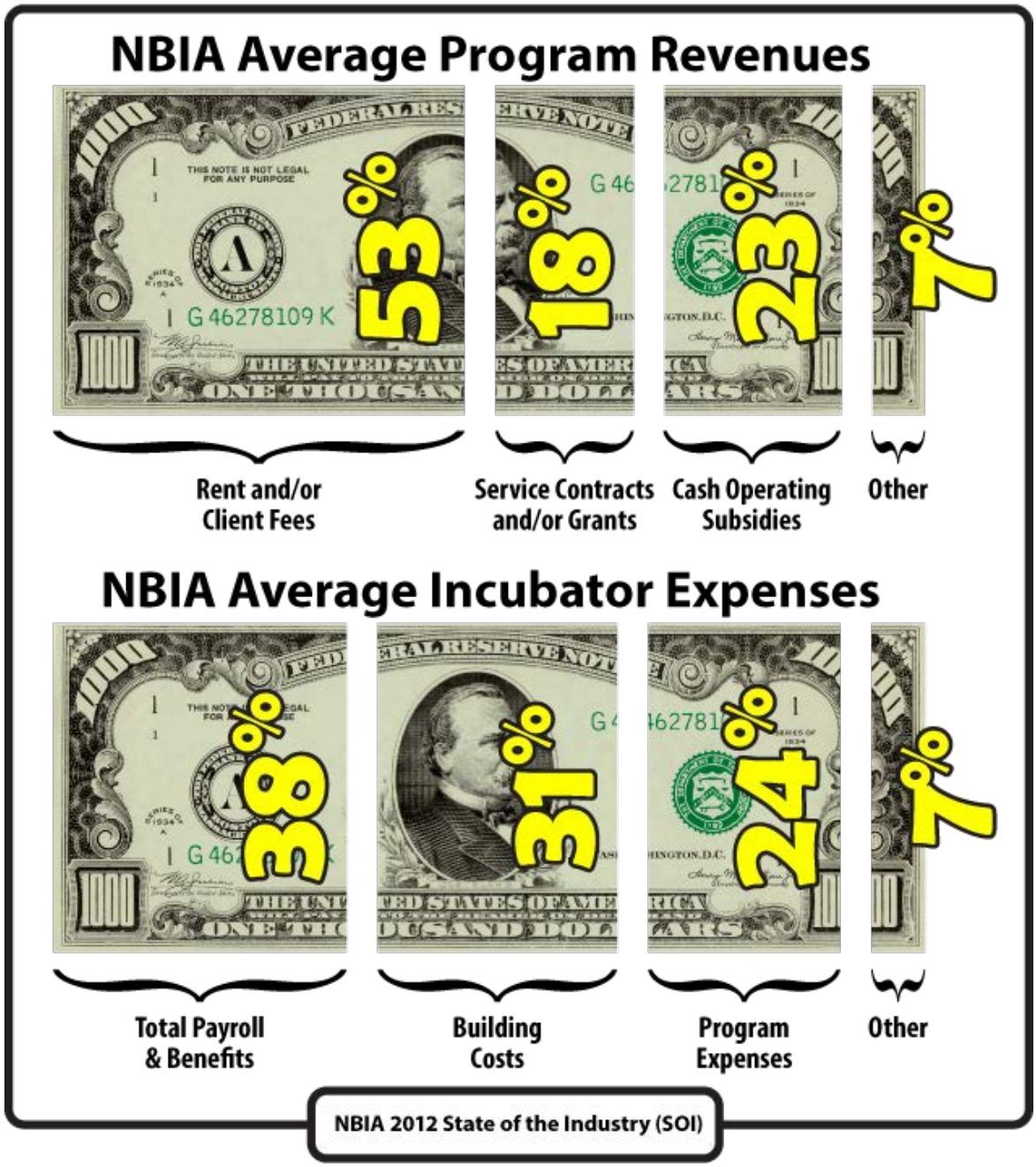
Operating Expenses

Operating expenses for the current building under consideration can be more accurately estimated based on the make-up of the proposed clients. After adding on the costs of the build-out, annual expenses can be estimated more accurately by Innovation Park personnel. **The items, which need to be estimated on an annual basis, the BAC (at an estimated total of 40,000 sf), would include Utilities and personnel, with other items covered by Innovation Park, as noted in FIGURE F.**

Estimates for a new building could vary as much as ± 20%, depending on the design, construction and available graded land at the location. The expenses listed above could also vary depending on type/amount of capital equipment purchased and client mix. Utilities are based on current utility rates in Leon County. Additional expenses passed on to clients might include high-speed network access, use of common equipment and any exceptional maintenance/cleaning requirements.

Revenue Structure

Typical business incubators attempt to cover operating expenses with low-cost rent of facilities, equipment and common areas to tenants. Additional sources of revenue include grants (federal, state and private) and philanthropy. To provide the rent level necessary to subsidize prospective start-up businesses, the BAC *must be at least 75% debt-free*. Client rent income alone will not cover capital purchase expenses or operating costs. See below for additional benchmarks of components of NBIAs members' revenue and expenses.


NBIA Average Program Revenues
53%
Rent and/or Client Fees
18%
Service Contracts and/or Grants
23%
Cash Operating Subsidies
7%
Other
NBIA Average Incubator Expenses
38%
Total Payroll & Benefits
31%
Building Costs
24%
Program Expenses
7%
Other
NBIA 2012 State of the Industry (SOI)

Sources of Funding

As mentioned above, rental income will not cover the total expense of the BAC. Possible sources of funding include any/all of the following:

- Federal grants
- Industry contributions
- Private grants
- University contributions
- Private contributions
- Fees/temporary rental/equity divestments

In the initial stages of development, business incubators often focus on several types of funding (construction/renovation capital sources of grant funding and operational support sources of grant funding).

Federal Economic Development Grants

The primary government funders of business incubators are as follows:

The US Economic Development Administration (EDA) is part of the US Department of Commerce and has been the largest federal funder of incubation projects. Typically, EDA may cover 50% of eligible costs of construction of an incubator up to a maximum amount per project. All of this being said, per project funding levels are additionally limited by the commitment level already made against its annual Fiscal Year appropriation thresholds. Business incubators that support small to medium-sized emerging business are well positioned for EDA funding assuming they meet the qualifications (distress and rural are no longer requirements in certain EDA administered grant programs). LCRDA also needs to work with its state and federal congressional members to seek out targeted federal appropriations (earmarks) and possible appropriations from the State of Florida legislature.

Another important strategy is to find clients who are applying for SBIR and STTR type grants. This client grant opportunity offers the opportunity for the client to write the incubation program in as the commercialization agent supporting the grant and receive additional financial support through becoming the commercialization engine for the client company.

Funding Programs for Business Incubators

Funding Entity	Programs
US Economic Development Administration	Public Works and Economic Development Since 2008, EDA has funded $200 Million into business incubators and accelerators Economic Adjustment Assistance- Make it in America Challenge (focus on energy, med device, transportation, and aerospace Regional Innovation Strategies (3 components: i6, Science and Research Planning and feasibility and operating support for seed funds) – There may also be a targeted segment i6 program for Rural communities7
USDA	Rural Business Opportunity Grant (RBOG) Rural Business Enterprise Grant (RBEG)
US Department of State (Global entrepreneurship) Small Business Network of Americas	**La Idea:** -Reciprocal program with Peru, Chile, Columbia; and Mexico -Spend two weeks in a host location attending workshops and making contacts (followed by 3 months of virtual follow-up) -Designed to promote economic development in certain sectors: life sciences/health care, advanced manufacturing and agri-business
US Small Business Administration (SBA)	Accelerator Growth Fund competition (special focus on manufacturing and under-represented groups) in geographies with disparate access to capital. Round 2 submissions were due June 1st. **LPA would expect subsequent rounds in the future**. Applications for round 2 were due by **June 1, 2015** Call for proposals was entire US.
US SBA Women's Business Centers	Targeted program to certain states (Florida is not included) but this type of program should be actively monitored for future opps (perhaps speak with SBA about an immigrant entrepreneurship center modeled after this grant opportunity). Applications were due June 18. $900,000 of funding. 6 centers will be funded. 12 states were eligible to apply.
DOE Solar Energy Tech Program	See Victor Kane PV Technology Manager Victor.kane@ee.doe.gov

A portion of the BAC assigned staff salaries for the first three years will be paid as staff salary from the Innovation Park budget. However, a plan for additional funding for other expenses needs to be prepared. This plan should include at a minimum:

- Identification of and enlistment of at least one very high level champion of the cause
- Amount of funding needed and for what (build out versus operating expense)
- Potential sources of funding in the interim (University Foundation, city bonds, bank financing)
- Potential sources of in-kind support to reduce costs
- Development of collateral material to aid in the presentation and request for funding (see Marketing Plan above)
- Establish timelines and milestones

XI. Summary

The Innovation Park Business Accelerator Center (BAC) provides a solid avenue for economic development in Leon County and Northwest Florida. The BAC will give promising early stage businesses a place to prosper by providing close contact with the resources of Innovation Park and the committed partners.

With assistance from the FSU College of Business, The Jim Moran Global Institute for Entrepreneurship, Tallahassee Community College, The Florida State University, Florida A&M University, The Leon County Research & Development Authority, Leon County Government, SCORE, the SBDC, and Tallahassee City Government, clients in the BAC will be effectively supported with advice, access to venture and intellectual capital, and good management.

The students and faculty at FSU/FAMU will further their educational experience by participating with companies in the BAC. And, best of all, graduating companies will provide high-quality high-paying jobs for FSU/FAMU/TCC science and engineering graduates.

The BAC is a “win-win” for all parties involved, and will pave the way for future economic growth in the state. The partnership of Innovation Park and the LCRDA make the Business Accelerator Center an outstanding prospect for job generation, new company formation, and enhancement of the entrepreneurial ecosystem of Northwest Florida for years to come.

XII. Figures

Figure A — Lab & Common Equipment Amenities Planning

- Asterisk denotes service is provided on a fee basis.

Wet or Dry Lab Suites; Entrepreneurial Offices

Wet Labs include:

- Benches and technician desks
- Fume hood
- Dishwasher access with Distilled water final cycle
- DI water supply access
- 220 (upon request) & 110 outlets, 2 outlets on constant power
- Sinks
- Fire extinguisher
- Hazardous waste disposal*
- Flammable solvent storage room access*

Shared Common Space

Large & small conference rooms* equipped with:

- Overhead projector*
- Slide projector*
- LCD projector*
- Projection screen*
- White board*

Meeting rooms*
Parking*
Security*

Shared Equipment

Cold room*
Ice machine*
Autoclave*
Other equipment as available

Operating Support Services

Copier*
FAX*
Telephone service*
High speed internet access*
Visitor reception*
Mail distribution*
Shipping and receiving*
Clerical assistance*

*May be provided by Innovation Park from existing resources/facilities/buildings

Figure B — Space Programming

BAC Incubator

(Based on 40,000 sq. ft. total – actual may be +/- 10,000 sq. ft.)

Preliminary Space Configuration

Leasable Space

Type	Quantity	Sq. Ft. Each	Total Sq. Ft.
Wet lab	2	450	900
Wet lab	6	650	3900
Wet lab (production)	2	1000	2000
Dry lab/Production/Cubicle Space	10	600	6000
Engineering/Prototyping/Mechanical	8	600	4800
Light manufacturing space	3	2000	6000
Regular private office	25	120	3000
Scientists Offices	10	200	2000
		Total Leasable:	**28600**

Non-Leasable Space

Type	Quantity	Sq. Ft. Each	Total Sq. Ft.
Bathrooms (on each floor)	4	100	400
Break room/Coffee Room (on each floor)	2	200	400
Management Office (Executive Director)	1	200	200
"Brainstorming Room"	1	400	400
Conference room (large)	1	400	400
Storage (1 on each floor)/Maintenance/Janitorial Closet	2	150	300
Storage – flammables (on each floor)	2	200	200
Hallways/loading dock/receiving/IT closets (2)	4	600	4400
Server room (1 in each building)	2	200	400
Washing/sterilization room[1]	1	300	300
Test lab/shared equipment space	2	200	400
Tissue Culture Facility/Bio Culture Room	1	1000	1000
Lobby/Reception	1	400	400
Fax/Copy/Postage/Printing/Storage	1	200	200
Mechanical/HVAC/Electrical	2	1000	2000
		Total Non-Leasable:	**11400**

Total Square Feet:

Leasable		28600
Non-leasable		11400
	Total:	40000
Percent leasable:		71.5%*

1 – Sterilization/Washing may be covered in other buildings already present

* -- Typical recommended utilization rate for business incubators is 60-80% maximum. Subsequent facilities should increase utilization in the high 70s, low 80s.

2 –- Hallways = 2,000sf minimum added to total

Figure C — Sources & Uses of Funds

Sources of Funds

Staff Support Years 1-5	$ 765,000
Equipment for Staff Support (computers, supplies, etc.)	$ 10,000
Shared lab equipment/maintenance contracts	$ 200,000
Parking/Road work/Land Preparation	$ 420,000
Innovation Park Facility Team Construction Planning	$ 200,000
Innovation Park Utility Contribution	$ 75,000
Cost for Biotech Production Facility Portion	$3,825,000
Contribution for Non-Biotech Facility Portion	$5,670,000
TOTAL COMMITMENT OF FUNDS REQUIRED:	$11,557,750*

*NOTE: This is EXCLUSIVE of land costs, which are assumed to be included

Uses of Funds

Staff Support	yrs. 1-5	$ 765,000
Equipment purchase for staff support (Computers, supplies)		$ 10,000
Shared lab equipment/maintenance contracts		$ 200,000
Parking/Roadwork/Land Preparation		$ 420,000
Construction Planning		$ 200,000
Utilities		$ 75,000
Build-out and completion of building		$9,495,000
TOTAL USES OF FUNDS		$11,557,750

Note: some equipment can be acquired through lease/rental, grants, and through cooperative sharing with existing labs, and moved to the operating expense budget. Other uses of funds may come from specific designations by Innovation Park staff and LCRDA Administration as they see fit.

Total sources of funds are variable at this point, depending on matching, sourcing of corporate donors, sponsorships, available University funding, Federal/State/County/City funding, and other available funding at the time of this report. This report contains some “suggested” sources of funds which may/may not be available from the listed sources. The BAC should also pursue corporate partners/sponsors for “sponsorships/in-kind donations” of funds and equipment.

Figure D — Below Market Lease Rates**

Pricing Rates

Type of Participant	Type of Suite (per sq. ft.)			
	Wet Lab	Dry Lab	Furn.Office	Unfurn. Office
Regular tenant	$30 *	$16	$15	$10
Anchor tenant	$35	$22	$18	$12

Facility Rental

Non-tenant companies may use the facilities and equipment on a fee for use or hourly charge basis. Type of facility used will determine rental rate. Pricing for these services will be determined on a case-by-case basis by BAC management.

***BAC may consider an introductory pricing on wet lab space only for $25.00 to ensure the pricing is under the Sid Martin Biotech Incubator at $28.00 all-inclusive program fee.**

****LPA Caution:** NBIA defines "***A self-sustaining incubator is one that is on sound financial footing, with predictable, reliable sources of funding." This in contrast to self-sufficiency which implies that "an incubator requires no external subsidy to cover operating expenses***". BELOW MARKET lease rates are not a long-term best practice for any incubation program; however, to stimulate deal flow, pent up demand, and to attract back companies that might travel to Sid Martin Biotech Incubator, LPA recommends the promotional/introductory price for the construction period and depending on economic situation and deal flow, it might be necessary for first 12-18 months after opening.

Please see NBIA articles below (only 39% of incubators self-report that their program is self-sustainable.

- **Bright Ideas for Achieving Self-Sustainability** at: https://www.nbia.org/resource_library/review_archive/0202_01.php.
- **How the Funding Landscape is Changing** at: http://www.nbia.org/resource_library/review_archive/1013_02.php
- **Advice from the Trenches: How Incubator managers balance serving client companies, program fundraising, and facility management** http://www.nbia.org/resource_library/review_archive/1012_01.php

Figure E — Ala Carte Value Added Services

Special Pricing

Telephone/reception	$75.00 per month
(includes voicemail, reception and one line on a VoIP system)	
Connectivity (high speed access)	$75.00 per PC install
Bandwidth charges	$Variable, to be determined
FAX (dedicated line)	$80.00 per month
Signage	at cost to Incubator
Copying	$0.05/page b/w
	$0.49/page color
Faxing	$0.50 per page (U.S. only)
Clerical	$15.00 per hour
Accounting	$80.00 per hour
Payroll	$variable (no. of employees)
Shipment (UPS, Postal Priority)	$5.00 handling fee
Equipment leasing	$variable

This list is not inclusive; other items will be considered on a case-by-case basis.

NOTE: Exterior and interior signage is of extreme importance to start-up companies; the BAC will have to follow Innovation Park policy for displaying exterior signage, and will have to develop a policy for interior signage for tenant companies (signage should be visible from the “street level” for prospective investors/partners/consumers for tenant companies).

Figure F — Proposed Annual Budget – 5 year Forecast

BAC INCUBATOR: PROPOSED ANNUAL BUDGET

High-level, base case budget for a 40,000sf Incubator

Income	Year 1	Year 2	Year 3	Year 4	Year 5
Incubator Clients	144,175	237,360	326,370	415,380	504,390
Affiliate Clients	0	6,000	12,000	18,000	24,000
Total Income	144,175	243,360	338,370	433,380	528,390
Expenses					
Staffing (1)	152,950	157,539	162,265	167,133	172,147
Utilities (2)	(90,000)	(95,000)	(102,000)	(104,000)	(105,000)
Biological Supplies/Maintenance	10,000	12,500	15,500	18,750	20,500
Equipment/Maintenance Contracts/Repair	25,000	25,000	27,500	27,500	29,000
Marketing/Promotions (3)	1,500	1,500	1,750	1,750	2,000
Supplies	3,500	3,500	3,750	3,750	4,000
Postage/Printing	4,000	4,000	4,500	5,000	5,000
Prof. Fees/Grant Assistance/Consulting/Meetings	20,000	22,000	24,000	26,000	28,000
Misc.	1,500	1,500	1,500	2,000	2,000
TOTAL EXPENSES (4)	209,450	227,539	240,765	60,700	63,500
TOTAL SURPLUS/(LOSS)	($65,275)	$15,821	$97,605	$181,497	$265,743
Debt Service	FN#5	FN#5	FN#5	FN#5	FN#5

Additional Proposed Pro Forma Budget Assumptions and FootNotes

Footnote #1: Staffing includes an Executive Directors' salary at $80k (plus 33% for benefits) and an Administrative Assistant/Receptionist at $35k (plus 33% benefits), with a 3% annual increment. The employees, as shown in the SOURCES AND USES OF FUNDS table, will be "zeroed out" as their salaries are assumed to be covered by the funds provided at the onset of the project, and thus are not included in this calculation (the money for the scientists will be set at the beginning of the project for 5 years and thus is a zero sum over the initial 5 years of the BAC).

Footnote #2: Utilities "scale" as a function of building capacity; as the building "fills", the utilities will gradually increase to a maximum level. These are PROVIDED BY Innovation Park (they may be a chargeback; it is not known at this time), and are only shown here for demonstration purposes (thus they are zeroed out and not included in the calculations).

Footnote #3: Marketing costs assume the bulk of the marketing budget is contributed through the ongoing efforts of the Innovation Park. Typical standalone incubator marketing budgets range from $15,000-$50,000. LPA would recommend a $25, 000 annual budget if this were a standalone incubator.

Footnote #4: At the request of the Client, depreciation was NOT included in the calculations at this time. All calculations are assumed as "straight-line" per the percentage occupancy levels for each type (office, light manufacturing/dry lab, and wet lab) listed below. No "anchor tenants" were included in the calculations; if anchor tenants are obtained, the "surplus" amount will increase by at least 20% or more.

Footnote #5: Debt Service depends on whether or not the building is completely "Paid off" at the beginning of the project or if the building needs to be financed.

ASSUMED OCCUPANCY LEVELS FOR THE INCUBATOR BUILDING (based on projections from current projects):

Year 1 = 25%
Year 2 = 40%
Year 3 = 55%
Year 4 = 70%
Year 5 = 85%

Monthly affiliate rate expected = $250.00

Number of Affiliate Members* (those who wish to benefit from the services/programs of the BAC Incubator but do not require resident space):

Year 1 = 0
Year 2 = 1
Year 3 = 2
Year 4 = 3
Year 5 = 4

Incubator client revenues are based on average rent income figures from occupancy levels against expected average rent levels as listed in Figure D times the split expected in the building of average office space versus average lab space, plus a 70% building utilization rate (which is high for many buildings as multi-tenant buildings tend to average around 55-65% maximum average utilization rates).

SPECIAL NOTE: Achieving profitability, at all, is HIGHLY UNUSUAL for any business incubator. Most business incubators (over 80%, in the United States) operate "at a deficit"; they require an ongoing subsidy to remain in operation. This pro forma represents the ongoing commitment of Innovation Park and its partners to "make this project work", by donating time, equipment, utilities, land, finances, and effort to perform the amazing feat of achieving profitability in the first year and subsequent years. Much depends on achieving the levels of occupancy detailed in this document, and much depends on the ongoing commitment of government, the private sector and the generation of new companies by the entrepreneurial ecosystem in NW Florida.

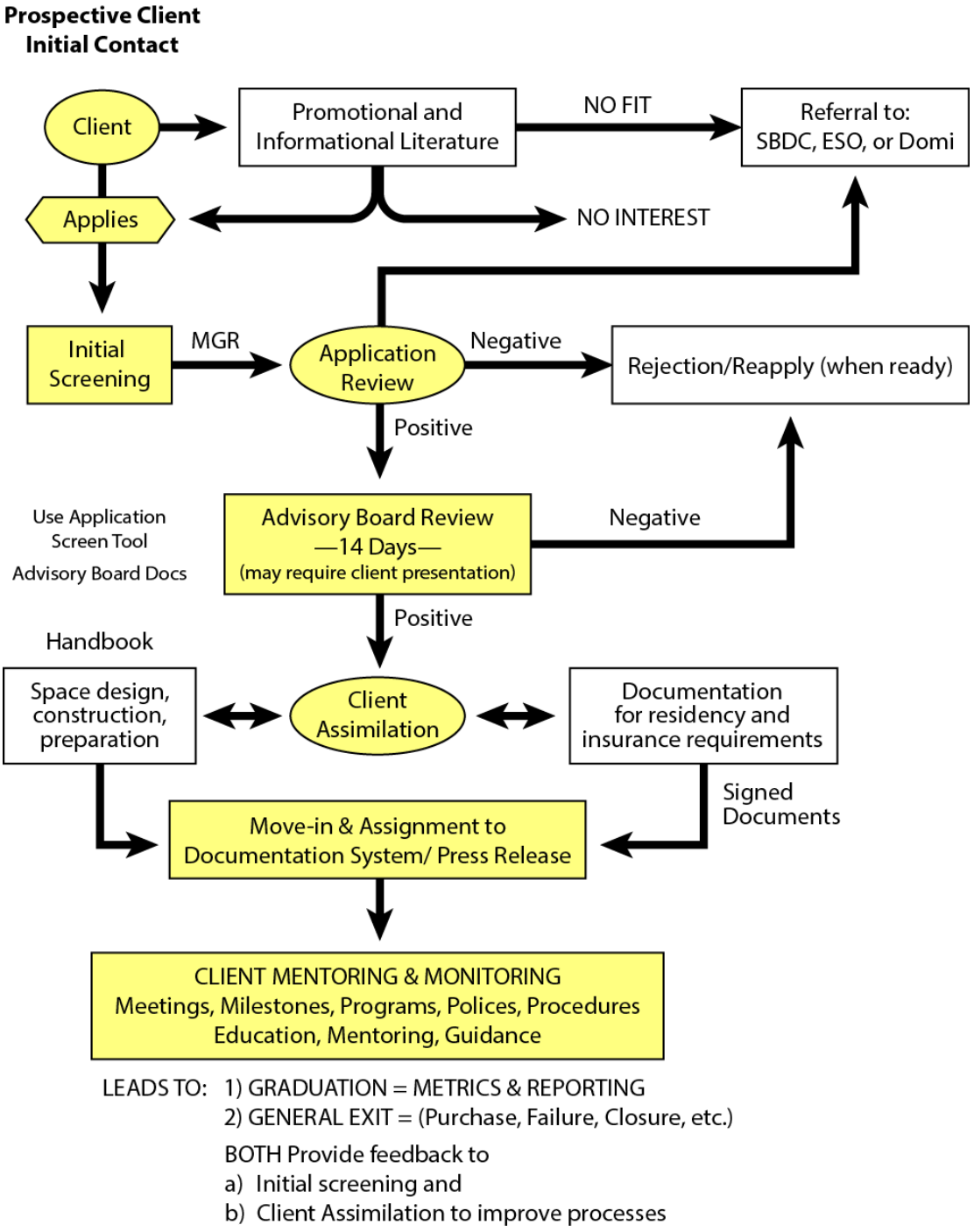
*In addition, LPA recommends BAC's affiliate program to be more focused and intentional with respect to affiliate clients should have potential to grow into the incubator. Often, business incubation programs have affiliates who pay nominal fees and who seldom grow out of a lifestyle business. BAC should target nascent and early stage companies who are likely to become residential clients.

XIII. Appendices

Appendix A — Feasibility Outstanding Issues

Outstanding Item	Responsibility
Confirm intent to move forward with a mixed-use tech focus versus a biomedical Wet lab incubator	LCRDA Board
Clearly articulate the 3-5 overarching goals for the BAC	LCRDA Board
Develop set of metrics/outcomes 3-5 overarching goals identified above	LCRDA Management and Board
Determine level of commercialization activities to be conducted based on community ideas versus university IP	LCRDA Board
Establish a working advisory council and overall champion for the efforts	Authorize the council and appoint the champion to lead the effort
Confirm anchor tenant interests of University partners (centers of excellence, departments, TTOs etc.)	LCRDA Management
Confirm potential deal flow of potential clients requiring wet lab space from university partners	LCRDA Management with University Leaders
Develop one page infographic to educate broader Public on what the BAC is and what it will not be (Tell the potential and power of the incubator)	Advisory Council Committee on Marketing
Identify an close 25% of total gross square footage with initial client flow (% may change based on wet lab deal flow) prior to opening	Advisory Council Committee on Fund Development
Develop Investment Plan – Funding requirements, sources, and timeframe	LCRDA Management with Board
Develop selection and graduation criteria	Advisory Council Committee on Admissions
Develop basic website, messaging, and initial positioning (strategic marketing and communications plan)	Advisory Council Committee on Marketing
Build partnerships with SBDC (in-house counseling for BAC clients) and Domi Station (create seamless back and forth between Domi Station and BAC)	LCRDA Management
Determination of providing services during the construction phase at LCRDA office	LCRDA Management/Board
Capital Access continuum needs to be in place prior to incubator opening (The funding source availability for entrepreneurs should be clearly communicated to potential entrepreneurs)	LCRDA Management with reps from universities

Appendix B — Prospective Client Initial Contact Business Flow *



- **LPA listed several primary referral sources in the flow chart above. BAC should use the Appendix 8 in the Feasibility Study: Entrepreneurial & Innovation Landscape document for areas of expertise of the Entrepreneurial Support Organizations to determine prospective client referrals.**

Appendix C — Client Exits – Voluntary, Involuntary, and Graduation

The BAC needs to prepare for three types of client exiting from its business incubation program. There is voluntary termination; involuntary termination; and graduation. Each triggers a range of responses and responsibilities from the BAC Staff.

- In the case of voluntary exit, the client should provide 30-90 days of advance notice of intent to vacate (whatever is documented in the lease).

- In the case of involuntary termination and the discretion of the BAC Staff, the severity of the circumstances should dictate the speed of exit of the client.

- In the case of graduation, several triggering events should be considered and evaluated when determining whether graduation is an appropriate next step for the client.

Given the facility size of the BAC and the potential expansion space at the Citi-Bank Building, the key graduation triggers for the BAC should include:

- Client has grown a client company's employment from 1-3 employees to 10+ employees working for the client company AND/OR
- Client space requirements exceed incubator maximum square footage allocation per client (2,500 square feet unless an anchor tenant) AND/OR
- Client has a liquidity event (IPO or is purchased, merged or acquired) AND/OR
- Client has grown financially viable and free standing and no longer has an active and ongoing use for the BAC's services.

LPA Note[1]:

"Formal graduation policies contribute to incubator success."— **NBIA 2012 SOI**

Graduation Policies	2012 SOI	Rural	Urban
Client company has achieved mutually agreed upon milestones*	58%	**55%**	66%
Client company has outgrown space available in incubator	62%	**54%**	88%
Client company has spent maximum time allowable in program	27%	39%**	44%**
No specific graduation policy	26%	39%**	69%**

*Milestones may include revenue levels, staff size or composition, or degree of market penetration.
-1**Data extractions performed by LPA based on frequency tables/statistics provided to us by NBIA Publications.

LPA Recommended Graduation Triggers

Graduation Trigger	LPA Recommendations	Comments
Clients exceeds a pre-determined % of the available space	Client exceeds 2,500 sq. ft.; becomes a candidate for graduation	Based on current facility size; if facility expands to Citi Bank building, 5,000 sq. ft. would be maximum for any one client
Client achieves a liquidity event (IPO, sale to another party)	Immediate graduation or successor client must re-qualify for selection and admissions	Successor company must gain admissions into the incubator and meet incubator qualification requirements
Client exceeds a certain pre-determined period of time for incubation	Do not recommend "hard and fast" time limit. How well and frequently the client is utilizing the incubator's services should be the determining factor.	Clients grow and contract differently. If client is on reduced rent program, a maximum time could be established before client is at market rent
Clients cash flow allows them to obtain commercial lease terms in the community without subsidy or need for incubator services	The BAC should work with client firm and commercial brokers to assist in re-locating the client into available space in the community by determining its financial strength and needs to ensure the risk of needing to return to the incubator is remote.	The goal is client firm leaves viable and financially freestanding and the risk of return to the incubator is remote.
Client no longer needs the advisory services, business coaching, or access to services that the incubator provides	The BAC should track and review semi-annually and annually the use of incubator services, progress towards milestones, and financial performance of the client firm.	Establish clear client benchmarks (custom for each client) and commitments to determine whether client is taking advantage of the services and making a contribution to the community ecosystem (mentoring other clients, serving as a community spokesman, working on revenue projects with other clients in the program etc.)

Sometimes the client refuses to see the signs of potential failure; therefore, some warning signs that may need to be considered by the incubator staff and client regarding possible wind-down (or at least a "pivot") as a possible best and most cost-efficient option include: client continues to fail making their target revenue goal; client continues to fail to deliver the promised product; the plan and execution/direction are very different; management infighting, bickering, and figure pointing (blaming); customer or potential customers refusal to continue to work with

Involuntary/Voluntary Exit Triggers

Steps	Client	BAC Staff	Timing	Client Cost
1a. **Voluntary:** Notification of desire to exit the BAC	Client provides the Innovation Center with a 90 day notice of his/her intention to leave the facility	• BAC Staff receives the notification and begin searching for a new client to fill the newly available space • BAC staff will also review the client's billing history to ensure that lease payments are up-to-date, and the client leaves in good standing.	30-90 days	N/A
1b. **Involuntary:** Lease Expiration or termination	Client ignores BAC's lease expiration notifications and allows the lease to expire due to past due bills or he/she violates the agreements of the lease resulting in a lease termination Client is asked to leave.	• BAC Staff authorizes a lease termination in the event of a breach of the lease's stipulations. BAC asks the client to leave the facility. • When a lease is about to expire, a verbal warning, written warning and a final deadline for renewal are all presented to the client. If all these warnings are ignored, the client is asked to leave.	On a case by case basis	To be determined
1c. **Graduation**	Business completes 3 years in the business incubation Program OR Client has employed 10+ employees to work at the Premises OR Client's space requirements exceed incubator maximum per client OR Client makes a public offering of its stock or is purchased, merged, or acquired OR Client no longer uses or has a need for BAC's services	• BAC Staff meets with the potential graduate to review the client's eligibility for graduation. • Once eligibility is determined, BAC gives the final okay for graduation; and a small party is held to commemorate the occasion. • BAC meets with the client to determine ways BAC can continue to assist him/her post-graduation and to discuss the benefits of him/her staying with BAC as an Affiliate	On a case by case basis	N/A

Involuntary/Voluntary Exit Triggers (Continued)

Steps	Client	BAC Staff	Timing	Client Cost
2. Exit interview	Client meets with BAC staff to discuss reasons for exit	• BAC interviews voluntary and involuntary termination clients to determine their perceptions of BAC and understand ways that BAC can improve its service offerings. BAC meets with graduates as defined in 1c. to gather their feedback on the BAC.	3-4 days	N/A
3. Exit checklist & contact information	Client separates his/her furniture and office appliances from those provided by BAC. Client returns all BAC property. Client provides contact information.	• BAC staff reviews her records to ensure that the client does not remove any BAC furniture when exiting the facility. • BAC collects pass keys and office keys and deletes phone/copy/print/scan/fax access codes from the BAC system • BAC collects new phone, email, and mailing address from the client • BAC removes the client's email address from BAC's internal distribution list	1 week	To be determined – only applies if BAC property is damaged or taken
4.Official exit	Client moves his/her property to a new location	• BAC ensures that the move occurs smoothly, and the client space is left in good shape for the next resident.	1 week Or less	Same conditions as #3
5. Remainder of Security Deposit	Client receives the remainder of his/her security deposit minus all fines, the BAC furniture replacement costs, and past due bills.	• The BAC assesses any fines for damaged or missing furniture as well as any past due lease payments and deducts these expenses from the client's security deposit. • The remaining security deposit is mailed to the client. If the security deposit is not large enough to cover client debts, any remaining balance will be billed to the client. Appropriate measures will also be taken for collection.	1 week	No cost for mailing security deposit but fines and past due payments are deducted from the total

Regarding graduation, LPA believes it is best to maintain some "flexibility" in graduation requirements, and not be too rigid (requirements for graduating by a certain time frame, or by a certain dollar of sales, etc.). Typical considerations on whether to terminate or graduate may include:

The company exceeded the size limitations of the incubator (See Page 98 for LPA Guidelines.)

Capital - if a company were profitable for 12-18 months consecutively, and they could afford to move out to a commercial facility and let someone else take the incubation space they occupied; and

If a company was NOT meeting milestones, and was NOT growing, and was NOT raising capital (usually after 24 months consecutively), then it was usually time to re-assess the business and determine if incubation was appropriate for that business, perhaps move them out and reconsider them in the future as they made better progress.

STRONG INCUBATION PROGRAMS HAVE A CLEAR PATHWAY TO SUCCESS

Appendix D — Sample Metrics Scorecard

Metric(s)	Results	Metric Definition	Comments
Coaching Engagements **(# of clients served)**		# of completed client coaching engagements during the measurement period	This should be based on # of companies /clients who engage with the BAC to provide specific entrepreneurial services
Coaching Assistance **(in # Hours)**		# of coaching hours delivered to incubator clients during the measurement period	This could also be shown as an average # of direct coaching hours provided and divided by # of clients served. You may also include hours delivered by service providers or subject matter experts in addition to the incubator professional.
Occupancy %		% of space leased/occupied by clients as a % of total square footage of facility	Depending on the ratio of net leasable square footage to total facility square footage, you may also calculate this based on # of leasable spaces
Average Client Wage Rate		Total Payroll of all BAC clients divided full-time equivalent employees (FTE)	This metric should be compared to the per capita wage rate of Carson City and/or the region to show the % higher wage level of the jobs in the BAC (measured annually and over a period of time)
Total # of jobs created since inception		Total jobs created since inception of the BAC	There is an additional multiplier effect of **2.0-2.6** additional jobs per every job created
Incubator Client Survivability Ratio %		% of companies started in the BAC still in business 5 years after started	The national rate for all incubators is **87%** and for companies not started in an incubator **less than 50%**
Incubator Client Retention Rate %		% of companies started in the BAC who stay within the service area/region of the BAC five years after they started	The national rate for all reporting incubators is **84%**; no comparable non-incubation metric
Revenue $ CAGR% Rate		Aggregate revenue growth of all the clients over a period of time	This should be a compounded average annual growth rate over successive periods of time (CAGR%)
Innovation Barometers		# of patents filed or applied for by client companies	Increases in community per capita income levels are positively correlated to increases in the level of patenting activity
---Innovation Index		# of new products/services launched since inception of the BAC	A measurement of innovative capacity (excellent PR and media opportunities to celebrate client product/services accomplishments.)
---Investment Match		$ value of capital investment in clients and client research funding grants (Federal & State)	Consider in the US average, it takes a University **$80-100 Million** of Federal research expenditures to create 1 start-up company
---Leverage Ratio		Investment Leverage Ratio (X:X)	($ investment attracted from other sources including the Founders funds, family & friends) divided by Investment provided by Carson Careers or Related Entities

Appendix E — Need Assessment Process

Needs Assessment Face to Face Interview: "The selection process identifies a potential client's needs and indicates how the firm could benefit from the incubator's services"

—Best Practices in Rural Business Incubation

The BCA Incubator Staff would ask the prospective client to ***share information about ….***

1) Their growth projections and employment changes expected over the next three years;
2) Their need for specialized equipment or value-added services (e.g., are they submitting an SBIR grant and need grant writing support?);
3) Their financial projections and ability to operate at or above a net-zero cash flow (self-funding capability to fulfill rent/program fees obligation for at least 6 consecutive months);
4) Their need for specialized leasehold improvements and cost required to occupy the space (and the BAC's willingness or unwillingness to make the improvement) Caveat: The BAC's is advised to carefully consider whether there is sufficient economic incentive and payback to make changes if it only benefits a narrow segment of the client base;
5) How they intend to create an adjunct team to accelerate the growth and development of the venture including: mentors, advisors, and professional service provider support infrastructure (venture needs a marketer, product developer, a rent-a-CFO etc.);
6) Think throughout the interview on what you are discovering about the entrepreneur's "blind spots" (gaps);
7) The type and amount of space required for conducting their business;
8) Description/assessment of what services or assistance the prospect would like to receive from the incubator; and
9) Examination of any potential conflict with existing incubator clients (right of first refusal)

Caveat:

Initial targeting efforts may yield many ventures that look quite similar and on the surface potentially competitive with each other; however, in most instances, their target markets, vertical market orientations tend to make them be much different from each other.

Typically, prospective residential clients would submit an executive summary of their business idea/concept and not necessarily have to have a completed business plan prior to admissions. In fact, according to some studies, less than 26% of entrepreneurs can complete a business plan, and in fact 53% of INC. 500 companies *never started their successful businesses with one*!

The prospective client's "expanded" executive summary –

Either the following five page expanded executive summary should be completed prior to entry or within the first thirty days of entry. Typically, a business plan is no longer required for entry into programs because the business plan does not survive first contact with customers.

- Description of the product/service (what are the unique features or benefits and your venture's competitive advantage)
- Description of the Intellectual Property (trade secrets, trademarks, copyrights, patents), the business model and how the venture will make money.
- An assessment of the target customer, industry (market dynamics: size, growth, sub-segmentation)
- A description of the key commercialization/launch or product milestones to be accomplished over 1-3 year period
- A discussion of how the venture will be sustainable or funded for a minimum of 6-12 months and longer if the venture is seeking early stage capital
- At inception, a commitment to have at least one person full time committed to the venture actively engaged in coaching and business development services.
- A discussion of the first three milestones required during first 3-6 months to successfully de-risk major commercialization hurdles.

Appendix F — Entrepreneurial Event Best Practices

- Be inclusive. Involve community organization.
- Be mission intentional. Be sure the competitions and programming align with the goals and strategies of the BAC.
- Be substantive and not focused on creating "entrepreneurial noise" (There are a lot of smoke and mirror events that create a lot of buzz but no real results.)
- Know what success looks like (are you doing the event to raise money, to find quality deal flow, or to brand (create an unique identity or niche for your program)?
- Be judicious in your resource choices and allocations. Remember, running events is resource-intensive, and the financial results don't always yield immediate results.
- Identify a few events and/or programs that might be signature programs (used for branding, identity and positioning – source of differentiation) for your BAC.
- Unless the event is a fundraiser, the typical cost for participants and attendees if free to a nominal cost.

Types of Business Competitions

There is no real good litmus test on what entrepreneurship events a community should do to celebrate and highlight the importance of entrepreneurship in their community. Some programs choose to orchestrate some significant events around Global Entrepreneurship Week and National Entrepreneurship Week. Typical community-entrepreneurship events and programs center on the following types of activities: competitions, educational workshops, peer to peer learning opportunities and workshops and training.

Competitions/Challenges

- Shark Tank
- Business Idea competitions
- Investor pitch competitions
- Business plan competitions
- Next best idea competitions
- Vertical market competitions around problem solving (bench to bed, gaming, health care problems, financial services etc.)
- Innovation tournaments
- Entrepreneurial Challenges
- 1 minute pitch on a video competition (could be elevator pitch on a video)

Skill-building:

- Start-up Weekend* (share ideas, form teams, and launch startups in 54 hours.)
- Lunch N Learns
- Experts in Residence (angel investors, successful entrepreneurs)

- Boot Camps (patents, management, innovation/creativity)
- Pitch practice sessions
- Elevator Pitch practice and competition
- Award recognitions

Networking:

- Meet ups
- Speed Dating for Entrepreneurs
- Mentoring Connections/Entrepreneurial Mentoring Program
- Networking Fairs
- Entrepreneur Connect, UP Global, PartnerUp

Educational/Training:

- Kauffman Foundation programs: One million Cups and Icehouse
- Student programs (Entrepreneurial Clubs, Destination Imagination, Lego Leagues, and Lemonade Day)
- Entrepreneur speaker series
- Start-up school
- Conferences
- Summits
- Symposiums
- Award recognitions
- Roundtables

*There was a study done by the University of Washington in 2010 which concluded that about 11% of Startup Weekend teams are "successful" - success being defined as either generating revenue or raising capital from investors. Other studies show the percentage to be 7% and yet others state the Start-up Weekend alumni success rate is closer to 30%. There does not appear to any research updates to the UW study conducted in 2010.