

Business Incubator Analysis

Brunswick County, Virginia



PREPARED FOR

Brunswick County, Virginia, Industrial Development Authority (IDA)

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Section 1: Project Initiation – Incubator Overview – Local Market Information

Forward

BBPC has been engaged by the Brunswick County Industrial Authority to conduct a study to determine the required support and feasibility of a small business incubator. Incubator feasibility projects aim to determine how effective such a program can be in generating new jobs and businesses within a specific region as well as how much if any public subsidies should be allocated to fund facility operations both in incipient stages and thereafter.

1. Business Incubator Background Information

A. Purpose of this Feasibility Study

A well-conducted feasibility study prior to launching an incubator project will help prevent mistakes that could undermine such a project. This study will help pinpoint the best location for an incubator, the appropriate target industries that a business incubator should support, the key participants and other vital decisions that are better made once a study is completed. A feasibility study typically includes the following:

- The market for an incubator including the composition of the area or regional entrepreneurial pool;
- Stakeholder buy-in, which focuses on garnering program champions and community support;
- Financial feasibility of the project;
- Readily available real estate suitable for an incubator facility.

In assessing the market for an incubator, probable economic targets should be identified. In so doing, it should be determined what services target clients will

need, what types of staff will be needed and other services that may be important. There is doubtless a need for an entrepreneurial pool in assessing the feasibility for an incubator. However, it is also true that entrepreneurs can be discovered, even cultivated with an incubator program. In studying the market, it is also helpful to identify unmet market needs, perhaps localized ones that can be filled targeting solutions to those needs.

Stakeholder buy-in is also deemed critical. With no local champions with the necessary networking, business and marketing skills, a successful incubator will be difficult to sustain.

The financing factor is the final, yet unavoidable topic. How is an incubator to be funded in its start-up and initial phases? It must be assumed that an incubator will need funding in its first 24 months. Initial self-sustainability will not likely occur. A feasibility study should target funding sources including federal and state grant dollars as well as local funding sources and private sector resources. Additionally, a feasibility study should explore whether long-term public subsidy is politically viable within the identified geographical region. In many other incubator programs, the regions benefiting from the incubator are comfortable with the projects being considered public assets.

B. Business Incubator Background

Business incubators are developed in order to solve a critical economic problem in today's communities: Loss of jobs due to factory shutdowns and corporate restructurings.

The economic life of the U.S. following World War II involved the reliance on a significant number of manufacturing jobs in communities across the U.S. Often, factory jobs were the lifeblood of communities and were the economic anchor that allowed for support industries to take root as well as professional services for communities stabilized economically by factory jobs, which offered strong wages and benefits

for low-skilled workers, most of whom possessed no more than a high school education.

This stability began to be disrupted in the late 1970s and 1980s as competition from abroad started to erode America's industrial base. American companies increasingly sought cheaper labor sources for their production facilities and with transportation and communication links greatly improved, the economics of overseas production became viable. Communities across America felt this disruption. When a factory shutdown occurred or a re-location ensued, the economic base of an affected city or town was shaken.

Communities faced these problems not only from factory shutdowns, but also from over-reliance on specific economic sectors, such as from public sector entities or from key industrial sectors that were in structural decline. In the late 1980s and continuing into the 1990s, the Department of Defense began a process of scaling back its military base operations, which were scattered about the U.S. and abroad. This process, known as Base Reduction and Realignment (BRAC), delivered a severe economic blow to military base-dependent communities, which had long relied on a stable payroll to anchor the local economy. Such reliance that had made these communities recession resistant, had not insulated them from the policy makers in Washington, where BRAC decisions were made.

C. Business Incubators' Role in Local and Regional Economic Development

Economic development initiatives by public agencies traditionally involved chasing "smokestack" industries and large scale manufacturing operations that would deliver immediate and enormous economic benefits to a community or region of the country. As well, these successful efforts were a boon for officials involved in these recruitment successes. The idea of business incubation did not deliver the same "Wow" effect because the benefits were not immediate. Business incubation involved assistance to promising technology and intellectual capital, whose applications to the community and to society were not

obvious or even easily understood. If one considers the evolution of personal computers and the component parts of the technology industry, what today appears obvious and commonplace just three decades ago appeared obscure and fanciful.

Business incubation is an economic development tool whose immediate impact is not clearly evident. The implications or future benefits are often immeasurable because the technology and intellectual knowledge is so new and untested. The good news today is that the benefits of intellectual capital and entrepreneurship are not only highly visible to the larger public but are deemed essential to the future success of the American economy. Technology oriented products and services that are beyond the research stage and ready for commercialization are often brought to market in a short time frame as inventors and investors build relationships rather quickly. This is the role of business incubation and why the term accelerator has become a more attractive substitute word for this economic development tool.

The role played by business incubators is a key part of any local community's economic development efforts. Budding entrepreneurs working from their garages and dorm rooms, as well as researchers at universities and institutes, need assistance in transforming ideas and research into industries and jobs. If a community is prepared to help, the community benefits from the future success of the accelerated technology.

The following are key elements of assistance that business incubators offer:

- Increasing access to capital;
- The one-step approach of the incubator as a single source of information and referrals for entrepreneurs;
- Technical and business management training;
- Contract procurement assistance;

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- Access to business and social networks including venture capital, university researchers and other interested groups;
- Export assistance;
- Technology transfer assistance.

D. Searching For Clients

The greatest fear of those founding business incubators is not being able to find clients or users of the facilities and services offered. One might immediately think of the famously uttered phrase in the movie “Field of Dreams”: If you build it they will come. That phrase could easily be altered to suggest that if an incubator is founded, it might not immediately result in users of the facility. Many of those involved with incubator efforts suggest that there is no precise or reliable way to determine incubator success at the outset. Relying on secondary market information such as existing business mix in a community or type of business licenses issued over the immediate period might not serve as an indicator of future success. Other sources include industry cluster analysis that determines how the current scales are tilted: Is the community a manufacturing or a service economy?

Though secondary measures are useful for benchmarking and for starting points, these same measures can be limiting and damaging to the development of an incubator. It is widely assumed that there are entrepreneurs everywhere and that those having the assistance of a business incubator are more likely to succeed.

Other useful data sources come from local economic development agencies, and from locally based companies well established that have innovative technology that they may want to spin off into a separate company.

Relying on primary data sources can yield greater success in finding clients for an incubator. Small Business Development Centers (SBDCs) are a key data source. The U.S. SBA requires these SBDCs to

keep records on the businesses they serve, most of which are early-stage. Other sources include local lending institutions. Local commercial banks are often forced to turn down business loan applicants because of the lack of existing cash flows for such a business. However, redirecting applicants to a business incubator might prove valuable, and provide the start-up assistance that such loan applicants might otherwise not be aware of. Another source for leads involves ongoing business start-up workshops hosted by chambers of commerce and other economic development entities.

2. Market Region of Brunswick County, Virginia

A. Brunswick County Information

Brunswick County lies in the South-Central part of Virginia on the North Carolina border. The county seat, Lawrenceville, is 64 miles southwest of the state capital in Richmond and 75 miles northeast of Raleigh. The county has three incorporated towns: Lawrenceville, Alberta and Brodnax. Brunswick County consists of 579 square miles of generally flat or gently rolling land.

B. Locational Assets

In order to determine best industry targets, a review of locational assets is in order. Locational assets include natural resources, infrastructure and geographic proximities that provide regional competitive advantages for attracting and retaining industries to that region. For Brunswick County, this report will focus on the following: road, rail and aviation assets; natural resources as possible inputs to manufacturing; and geographical proximity to population centers.

1. Transportation Assets

Road - Interstate 85 bisects the county and Interstate 95 lies just to the east. The county is also served by U.S. Routes 1 and 58 and by state primary route 46.

Rail – Major freight rail services are offered by Norfolk-Southern Corporation, a Class I primary shipper of bulk commodity and finished products as well as major

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intermodal freight. The service area runs from Lawrenceville east to Norfolk.

Air – Nearby airports offering major regional, national and international flight connections include: the Richmond International Airport, approximately 65 miles away, and the Raleigh-Durham International Airport, approximately 80 miles away. Additionally, two airports lie within the Brunswick County boundaries: the Lawrenceville – Brunswick Airport with a 3,200 feet runway, and the Mecklenburg – Brunswick Regional Airport with a 5,000 feet runway.

2. Natural Resources

With 579 square miles of land within its borders, Brunswick County has more than 370,000 acres of land. Much of this land supports timber growth, the primary natural resource for the County. Timber types include both hardwood and softwood trees. Oak and hickory are primary hardwood trees, while southern shortleaf pine is the primary softwood timber type. Brunswick County is the leading county in Virginia for timber production. According to Virginia Department of Forestry data, from 1986 through 2001, average annual timber production totaled \$12.9 million, well above the next leading county by \$3 million.

Brunswick County is also a leading agricultural county. Agricultural production includes beef and dairy livestock, poultry and crop production. The primary row crop grown is soybeans, with more than 4,300 acres in production. The primary cash crop for Brunswick County is tobacco, with approximately 2,000 acres devoted to flue-cured and flat-cured tobacco types.

An additional natural resource for Brunswick County is clay deposits, which is a primary input for the production of bricks used in the construction industry. Brick and tile production is a primary employer in the county.

3. Geographical Proximity

Brunswick County is located near three population centers. Richmond Virginia lies 64 miles to the northeast. Raleigh, North Carolina lies 75 miles to the southwest. Additionally, the Norfolk, Virginia

Beach, and Hampton Roads region of Virginia is 90 miles due east from Brunswick County.

C. Demographic Data

The primary demographic data for this report is provided by the U.S. Census Bureau. As this data is from the 2000 Census, a limited update is provided by the Virginia Economic Development Partnership:

1. Demographic Data

Table 1 depicts population, household and other demographic and economic data for 2000 according to the US Census Bureau:

Table 1: Demographic Data

Brunswick County, Virginia -- Census Bureau 2000 Data			
Demographic Information	Number	Percentage	
Total Population	18,149	100%	
Male	9,776	53.10%	
Female	8,643	46.90%	
Median Age	38.1		
Under 5 years	914	5%	
18 Years and Older	14,652	79.50%	
65 Years and Older	2,679	14.50%	
Population by Race/Ethnicity	18,149	100%	
White	7,734	42%	
African American	10,472	56.90%	
Hispanic	231	1%	
Other	120	0.10%	
Household Population	15,518	84.20%	
Average Household Size	2.47		
Total Housing Units	7,541		
Owner	4,871	77.60%	
Renter	1,406	22.40%	
Education Status			
High School Graduates	8,069	63.20%	
Bachelor's Degree or Higher	1,384	10.80%	
Civilian Veterans	1,923	13.10%	
Economic Characteristics			
In Labor Force	6,987	46.40%	
Median Household Income	31,288		
Family Income	38,354		
Per Capita Income	14,890		
Families below Poverty Line	570	13.20%	
Individuals below Poverty Line	2,559	16.50%	
Source: U.S. Census Bureau			

2. Brunswick County Update to 2000 Census Data

The 2000 data has been updated by various agencies in Virginia. The following information is a brief update to the 2000 Census data. Population has actually decreased by approximately 220 persons since the 2000 Census. Population by gender and race/ethnicity is approximately the same as in 2000. Median age of the population in 2005 was 39 years, and the total Brunswick labor force numbered approximately 6,900 persons in 2006.

Brunswick County's labor force participation rate remains at approximately 46%, which is significantly lower than the national labor participation rate of 67%, according to the Bureau of Labor Statistics.

Unemployment for Brunswick County stood at 4.29% in April of 2007. This is lower than the area unemployment rate of 5.28%, but higher than the Virginia statewide rate of 2.85%.

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3. Area Employers and Primary Industries

Major manufacturing employers in Brunswick County include the following:

- Brick and Tile Corp. of Lawrenceville, Inc. – makers of building bricks.
- Brunswick Box Company – wood pallets, lumber and mulch.
- Hyponex Corporation – fertilizer products.
- Virginia Carolina Forest, Inc. – lumber products.
- Vulcan Materials – crushed stone products.

Non-manufacturing employers in Brunswick County include the following:

- Brunswick Correctional Center.
- Southside Virginia Correctional Center.
- St. Paul's College.

Brunswick County employment sectors are dominated by government, services and manufacturing and trade, according to the Virginia Economic Development Partnership. Employment by sector data shows the following percentage distributions by sectors:

Employment by Sector – 4th Qtr. 2006, Brunswick County	
Government	31.1%
Services	34.0%
Manufacturing	9.4%
Trade	8.1%
Natural Resources	5.9%
Construction	5.8%
Transport/Utilities	3.9%
Financial	1.8%

Source: Virginia Economic Development Partnership

Employment by Occupation – 4th Qtr. 2006, Brunswick County	
Managerial and Professional	26.5%
Production, Transport, Material Moving	19.3%
Sales & Office	20.1%
Service	18.9%
Construction, Extraction, Maintenance	11.5%
Farming, Fishing, Forestry	3.8%

Source: Virginia Economic Development Partnership

natural resource advantages, employment and income data reveal weak economic performance and labor force participation rates that are unusually low for a non-retirement area. Future analyses will include industry cluster analysis and financial and market feasibility analyses to determine whether a business incubator will provide benefits that would include boosting employment opportunities to the residents of the county that will result in higher incomes and greater quality of life as well.

D. Summary of Project Initiation

Initial analysis indicates that while Brunswick County enjoys locational asset advantages and contains

Section 2: Target Industry Cluster & Additional Analyses

Forward

To test the feasibility for a business incubator in Brunswick County, an industry cluster analysis has been performed. This analysis is based on North American Industry Classification Codes (NAICS) that are standardized throughout the U.S., Canada and Mexico. These codes allow for comparisons between chosen geographical entities to analyze where dominant industry clusters exist. Such dominance is an indicator that a geographical region maintains competitive advantages in a specific work sector and that resources and skills exist to further expand that cluster. The following information will further define the cluster analysis concept and examine Brunswick County employment data, comparing this data to larger workforce regions.

1. Cluster Analysis Theory

Industry clusters are geographic concentrations of competing, complementary, interdependent firms and industries that do business with each other and/or have common needs for talent, technology and infrastructure. The firms included in the cluster may be both competitive and cooperative. They may compete directly with some members of the cluster, purchase inputs from other cluster members, and rely on the services of other cluster firms in the operation of the business.

“Clusters arise because they increase the productivity with which companies can compete. The development and upgrading of clusters is an important agenda for governments, companies, and other institutions. Cluster development initiatives are an important new direction in economic policy, building on earlier efforts in macroeconomic stabilization, privatization, market opening, and reducing the costs of doing business” (Porter 1990).

Cluster analysis refers to the study of a group of industries that are linked by common product markets, labor pools,

knowledge base, similar technologies, supplier chains, specialized services, networks, and research and development and/or other economic ties. Cluster analysis begins with a review of existing studies, assessments, and labor market reports. This review considers local labor market information, statistical data, anecdotal information and employer feedback. Gathering and analyzing this data helps to determine its application for the local area and allows analysts to then identify potential driver industries.

The primary quantitative tool in this process focuses on location quotients. Employment location quotients are computed to measure an industry's employment concentration in a region relative to some reference. This measure is used to assess the strength of an industry. Employment location quotients are determined by calculating the percentage of employment within each industry represented within the city (or county) to total city employment in a given time period. The ratio is then compared to the percentage of total employment in that same industry divided by total state and/or national employment.

2. Application of This Theory to Brunswick County

This analysis facilitates the development of strategies for formal organization of industry clusters and recommendations on priority targets, particularly related to expansion and retention of existing industry. This can help an entity such as Brunswick County determine what its competitive advantages are, allowing local officials and policymakers to focus their efforts on further utilization of those advantages.

By aggregating industries into clusters, economic development professionals at the Brunswick County IDA can determine appropriate and cross-cutting training needs for multiple firms with similar skill needs and help derive a market-based approach to economic diversification. Clustering also establishes industry networks that lead to the dissemination of best practices, process innovations, and joint market or product initiatives.

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3. Brunswick County Employment Data

Employment data has been prepared for Brunswick County using *Environmental Systems Research Institute (ESRI)* data that is taken from U.S. Census Bureau Tracts. ESRI data is one of the leading database technology sources for firms and governmental organizations to research demographic, household and employment trends nationwide.

The data in Table 2 illustrates Brunswick County employment statistics for the final quarter of 2007. Included in this data are both the number of business establishments and the actual number of workers employed in primary NAICS job categories.

Table 2: Industry Employment

Brunswick County, Virginia -- Quarterly Employment Figures, 4th Qtr, 2007				
NAICS code	Industry	Establishments	Employment	Avg Wage
1011	Natural Resources and Mining	36	304	\$798
1012	Construction	47	303	\$511
1013	Manufacturing	19	447	\$618
1021	Trade, Transportation and Utilities	95	634	\$441
1022	Information	3	23	***
1023	Financial Activities	19	88	\$905
1024	Professional and Business Services	39	731	\$571
1025	Education and Health Services	24	1,204	\$534
1026	Leisure and Hospitality	23	359	\$243
1027	Other Services	33	101	\$295
1028	Public Administration	26	571	\$608
	Totals:	364	4,764	
101	Goods-Producing Domain	102	1,054	\$640
102	Service-Providing Domain	262	3,710	\$510

Source: ESRI

Total employment for this period was approximately 4,800 with 364 business establishments counted (Table 2). Average wage data for this same period was provided by the Virginia Employment Commission and was \$565 per week for this period. One interesting assessment of this data involves the number of employed persons for this period divided by

the number of eligible full time workers, those 18 years and older. The most recent Census Bureau report for Brunswick County places this number at approximately 14,850 persons (Table 3). The quotient of employed to eligible, known as the labor participation rate is shown in Table 4.

Table 3: County Employment Data

Brunswick County Employment Data	
Category	Number of Persons
Current Labor Force (Includes farm and self-employed)	6,898
Post-High-School Full Time Eligible Workers	14,845
Labor Participation Rate	46.47%

Sources: Virginia Economic Development Partnership, Census Bureau

The labor participation rate as calculated in Table 4 is significantly below that of averages for Virginia and the U.S. even considering that the labor force pool shown in Table 4 includes farm-based, self-employed and contract

employees in addition to hourly and weekly wage workers.

Table 4: Labor Participation

Virginia and U.S. Labor Participation	
Current Labor Force (Includes farm and self-employed)	3,814,793
Post-High-School Full Time Eligible Workers	5,110,000
Virginia Labor Participation Rate	74.65%
Current Labor Force (Includes farm and self-employed)	147,401,000
Post-High-School Full Time Eligible Workers	215,246,449
U.S. Labor Participation Rate	68.48%
Sources: Virginia Employment Commission, ESRI, Census Bureau	

As Table 4 illustrates, Brunswick County’s labor participation rate was approximately 22 percentage points below that of the U.S. rate, which is calculated at 68% using the same method. Such a low labor participation rate is an indicator of a poor job market. It is also an indicator of low worker skills. Additionally, the lower levels of participation in the labor force mean that higher concentrations of poverty exist and that those not working are forced to live in part off of public benefits programs.

4. Cluster Analysis – Comparing Brunswick County to Other Workforce Regions

The employment data shown above can be compared to other regions in Virginia as well as to national figures. This comparison, using location quotients as described above, allows for benchmarking and helps to identify possible cluster industries.

The data in Table 5 shows location quotients comparing Brunswick County to each entity chosen for comparison in the three columns, by taking each employment sector and dividing it by the total number of jobs for that entity. This percentage to total figure is then used to compare to other workforce regions, which allows a quotient to be derived based on the percentage of one category in Brunswick County divided by the percentage in the same job category of another region or entity.

The Brunswick County employment data serves as the baseline data that is used to derive location quotients by keeping the Brunswick data as the numerator and using the other regions’ data as the denominator. The key data point is identifying location quotients greater than one. Location quotients greater than one indicate that the region’s employees are concentrated within the particular industry.

Table 5 shows three benchmarks to use for Brunswick County. The first comparison is to the specific workforce investment region that includes Brunswick County. Brunswick County is included in Virginia Workforce Area Region VIII, which includes several neighboring counties in the south central area of Virginia. Employment data is collected for each region, which greatly aids in comparison from county to workforce region. The second comparison is Brunswick County to Virginia in the second column. The final column compares Brunswick County to the U.S.

Table 5: Comparative Location Quotients

Cluster Analysis: Brunswick County, VA.-- Locational Quotients Comparison to other Regions				
NAICS code	Industry	Workforce Region	Virginia	U.S.
101	Goods-Producing Domain	0.95	1.37	1.05
1011	Natural Resources and Mining	2.33	9.41	3.82
1012	Construction	0.80	0.87	0.92
1013	Manufacturing	0.75	1.15	0.75
102	Service-Providing Domain	1.02	0.93	0.99
1021	Trade, Transportation and Utilities	0.65	0.70	0.58
1022	Information	0.50	0.18	0.18
1023	Financial Activities	0.64	0.34	0.26
1024	Professional and Business Svcs.	2.66	0.86	0.99
1025	Education and Health Services	1.01	1.34	1.71
1026	Leisure and Hospitality	0.84	0.73	0.64
1027	Other Services	0.77	0.60	0.55
1028	Public Administration	1.23	1.98	46.26

Sources: ESRI, BBPC Associates

Table 5 shows that compared to all three regions-- Workforce Region, Virginia, the U.S.—Brunswick County has dominance in three specific work sectors. The green shaded rows show locations quotients that are one or greater compared to all three regions Brunswick County is compared to. The dominant clusters for Brunswick County include natural resources and mining, education and health services, and public administration. The two rows shaded in a lighter color indicate that these two rows highlight goods and services-based jobs rather than specific NAICS sectors. Brunswick County maintains dominance in goods-producing jobs compared to Virginia and the U.S. but not compared to its workforce region.

5. Conclusions – Applicability of Target Industry Cluster Analysis to Incubator Facility

The results of this cluster analysis do not produce outcomes that allow us to make definitive decisions as to which industries are legitimate clusters for future economic development planning or for a feasibility determination for an incubator facility. Natural resources employment is strong in Brunswick County because of the abundance of timber and certain clays that are then processed as inputs into other products such as bricks. However, it is not a sound development principle to base industry targeting on natural resources activities per se, as the demand for such

industries is strongly influenced by outside forces, namely commodity prices.

It is, however, beneficial to identify natural resources within an economic locality, because such resources are valuable locational assets that serve as inputs into production of value-added products. A prime example is the clay deposits in Brunswick County that are used in the brick and tile production facilities located in the county.

Educational and health services employment is dominated to some degree by public institutions such as schools and hospitals, as well as by higher education institutions. Unless specific private sector health care research facilities exist within a region under analysis, it is not an employment category that will respond to economic development initiatives.

Public administration employment is also a public sector category that is not an appropriate target industry for economic development initiatives such as incubator programs. Decisions on public employment are generally influenced by funding levels for cities and counties and also by specific public needs and perceived benefits.

Without a clearly identified industry cluster for further consideration, it is evident that a more qualitative approach

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may have to be taken that can identify likely industrial and employment categories that are good candidates for development within Brunswick County. A more qualitative approach can help to identify other locational assets and advantages that can be exploited for the benefit of economic development in general and for an incubator facility in particular.

6. Qualitative Approach – Supporting Framework for Small Business Incubator in Brunswick County

Given the lack of appropriate choices from the cluster analysis, an alternate method of examining qualitative assets and identifying other elements emerges that seeks to identify business classifications that are suited to the locational assets in place even if the classifications have no presence there currently.

As mentioned above, natural resources and mining extraction activities are strongly influenced by commodity prices set in national and international markets. Unless localized facilities exist to engage in further processing of these resources into value-added products, the existence of natural resources and mining activities do not define a cluster. These resources, though, can be the basis for targeting industrial activities that currently are nascent or limited in production. Brunswick County does have manufacturing and processing facilities that take advantage of local resources. Unfortunately, these industrial activities do not exist on such a scale that enables us to statistically define a cluster.

One qualitative approach measures highway and rail access to determine suitability for distribution and warehousing facilities. Such an approach is useful when applied to Brunswick County because roadways and rail access are two locational asset features that certain industries require in order to consider locating distribution facilities therein. Other locational assets include proximity to ports and aviation facilities, suitable land tracts with sewer, water and electric infrastructure in place and state-of-the-art telecommunications functionality including broadband internet services.

Brunswick County does have key locational advantages. The following is a bulleted list of such advantages that offer Brunswick County a way to target specific industries:

- Access to two interstate highway systems – I-85 and I-95, which allows for greater commercial possibilities including warehousing, distribution and manufacturing;
- Service by a Class 1 rail provider, allowing for easy shipment of bulk goods;
- Reasonable proximity to two passenger/freight airports – Raleigh/Durham and Richmond.
- Two developed airport runways with significant runway space;
- Abundant timber resources and clay deposits, which offer applications as inputs for higher level manufacturing;
- Access to Lake Gaston, a water resource touching the County's southern border.

The list of resources listed above, gives us a sketch of likely industry targets for future development potential as well as concept for an incubator program. Given that transportation resources are well cited in Brunswick County, transportation and warehousing/distribution companies would be logical candidates for consideration. Manufacturing is also a consideration given that transportation assets are available as well as land and proximity to population centers.

An additional consideration is the nature of an incubator facility for Brunswick County. Typically, an incubator serves as a place for fledgling businesses with promising technology to inhabit while improving and marketing their products prior to going to market. These facilities house expertise that includes marketing, business operations training, financing expertise and other beneficial services.

However, an alternate incubator concept is based on a concept that offers on-site services such as developing

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business plans and aiding in the loan request process. The businesses themselves may be located elsewhere, but the services helping such businesses are located in the incubator. This concept is sometimes referred to as an “incubator without walls”, which refers to a common-area facility serving the needs of a variety of businesses dispersed over a wide geographical area. It serves as a point for companies distributed over a wide geographical region to tap into and gain knowledge of marketing, finance selling opportunities, etc.

Given that no real group of start-up companies exist or are known to exist in Brunswick County, an incubator facility that houses the business services sans the actual firms makes better sense from a practical point of view and from a resource perspective as well.

7. “Incubator Without Walls” Concept in Brunswick County

Numerous programs exist both nationally and abroad to aid the growth of start-up and existing small businesses through an “incubator without walls” (IWW) approach. As with small business incubators housing small tenants, the IWW concept offers similar economic development benefits aimed at reducing the risk of small business failure. Many of these programs are promoted by many levels of government (federal, state, local), by universities and by private sector business alliances.

While many of these IWW programs do not operate out of a central office or physical location, it is possible to create a hybrid which can serve as a model for small business incubators in more rural areas, like Brunswick County. Aided by professionals remotely linked to a small central office operation, perhaps in Lawrenceville, a blend of on-site administrative services with more specialized off-site services may be feasible to aid local business in Brunswick County. The “internet age” has greatly expanded the likelihood of success of this type of hybrid approach.

These IWW services would be aimed at those already operating small businesses, thinking of starting a small business, needing access to resources, needing administrative support/conference room space and desiring opportunities for face-to-face exchanges and networking.

The benefits offered (Source: Entrepreneurial Resource Center, Gardner, MA) could also include:

- Use of computer, fax, copier, printer – set by appointment;
- Use of “board room” conference space – set by appointment;
- Use of a business resource library – set by appointment;
- ReferenceUSA for market and competitive research;
- Quicken Legal Business Pro 2005 – creates over 140 contracts and forms;
- QuickBooks – financial software for small business that includes accounting, inventory, payroll and time management;
- Adobe Acrobat Professional – Create, control, and deliver more secure, high-quality Adobe PDF documents;
- Business Insight – Analyze your business with intelligent software equivalent to an in-depth engagement with a consulting MBA trained in strategic planning;
- Quick Insight – Evaluate the potential of new markets or product ideas before making major investments;
- PlanWrite Expert Edition – Analysis and advice for your business plan;
- PlanWrite for Marketing – Develop a marketing plan for your business;
- PlanWrite for Sales Plan – Develop your sales strategy;
- PlanWrite for Pricing Plan – A rational basis for pricing;
- Insight for Sales Strategy – An expert coach to close high dollar sales involving multiple decision makes;
- PlanMagic Business – software para la planeación de negocios;
- Microsoft Word, Excel, Access, PowerPoint, Publisher, FrontPage, Outlook;
- Participation in structured network groups;
- Preferred rates on all non-credit seminars and speaker series;

- Access to consulting services.

Such generic important IWW services could also address such common questions as:

- How do I know if I'll be successful as an entrepreneur?
- How do I develop and test my concept to start my own business?
- What's in a business plan and how do I write one?
- How can I target customers/markets and do market research that matters?
- Can I prepare a market plan that spends my time and money in the right direction?
- What are the legal issues in running my own business?
- What do you need to know to be IRS compliant?
- Where can I find funding for my business?
- Do I have a good succession plan for my family-owned business?
- What hiring and employee practices do I need to know?
- What technology can improve my business?

Local businesses in Brunswick County perhaps could participate through membership fees, user fees, willingness to commit to a set number of meetings or workshops per year, have fewer than a set number of employees, and fit the profile of a "recommended candidate" identified in Section 8 below.

8. Recommended Types of Candidates to Receive Small Business Incubator Services

The identification of locational assets as well as the identification of the appropriate incubator model for Brunswick County now enables us to define which industries and business activities might be candidates for incubator services. The following industries and business activities were chosen based on the locational assets identified and, to a limited degree, employment data and cluster results.

BBPC believes the following are suitable candidates for incubator services:

- Distribution and warehousing facilities requiring large building space and access to interstate highways.
- Manufacturing facilities that take advantage of natural resources available in the region and rail service for bulk shipments.
- Small business activities such as commodity brokering, construction, small scale manufacturing and distribution activities, and financial and technical activities.
- Leisure-style businesses that engage in nature education and recreational use of Lake Gaston.
- University-sponsored research activities requiring local facilities, broadband networks and available land to engage in such research as agriculture, forestry, and biology.
- "Cutting edge" activities, such as energy research and application of the use of products which prosper in south-central Virginia, like switchgrass plots, now being touted as a possible substitute for corn production being diverted to the fast-growing ethanol/biofuel industry (pollutes less, more prevalent, substitute for heating oil).

9. Company Contacting Efforts

BBPC remains interested in working with the Brunswick County IDA to first identify and then contact specific companies to assess their interest in receiving "incubator without walls" small business assistance services.

Section 3: Facility Assessments; Incubator Operations and Financial Plan

Forward

This Section provides an overview of BBPC's project development and business incubator operations financial analyses. This includes our evaluation of a 3,000 square foot incubator as well as an 18,000 square foot facility. BBPC identified incubator services and products that will promote new business formation and growth. Our findings are based on a review of incubator services that are routinely offered elsewhere, as well as the possible future needs of Brunswick County.

BBPC has evaluated development costs for a 3,000 square foot facility and an 18,000 square foot facility. The financial analyses assumed County ownership of the facilities; this is reflected in the cost of capital and tax-exempt status. Our analyses were completed on Microsoft Excel and can be conveniently altered for a quick evaluation of alternative revenue and cost analyses as well as the sale or partial sale of the real property asset. BBPC also assumed County ownership of the non-profit business entity/tenant.

1. 3,000 SF Incubator

A. Incubator Services and Products

The incubator's services and products are aimed at supporting small business development and growth. An overview of some of the Incubator's potential income generating products and services include:

- **Software programs generating common legal, accounting and tax documents:** Software programs that create standard legal documents and provide tax and accounting services are a popular way for entrepreneurs to save on otherwise prohibitively expensive professional services.
- **Copy, mailing and marketing services:** The Incubator Copy Center should provide standard

copy, mailing, fax and related services for small and medium sized businesses.

- **"Virtual Office" options:** "Virtual Office" services enable entrepreneurs and small businesses to obtain a professional postal address, voicemail, email accounts and data storage services without the obligation of a traditional office lease.
- **Instructor taught courses focusing on starting and growing a business:** Course offerings at incubators are essential for educating interested community members, promoting the growth of small businesses and encouraging entrepreneurship.

B. Project Financial Parameters (see Appendix A)

The 3,000 square foot facility is planned as a one-story incubator office that consists of fifteen office suites, large and small conference rooms and a computer center. Development details include:

- Total land acquisition, development and tenant improvement costs of \$400,740.
- Tax-exempt cost of capital at 4.65%.
- Rent per gross leasable area of \$14.00.

As the sole tenant and owner of the facility, the pro forma assumes the payment of rent from the incubator non-profit business entity to a distinct entity holding the real property. BBPC's analysis demonstrates that with the current cost of capital, land acquisition, development costs, net operating income and incubator revenues that project development and incubator operations for this 3,000 square foot facility are *marginally* feasible.

- Total annual rent paid in year two is \$37,800.
- The year two debt coverage ratio is 1.02.
- The annual yield (cash on cash) is 0.44% in year two growing to 1.10% by year four.

Based on BBPC's estimates of usage, revenues and expenses in the first year of operations, the incubator generates:

Business Incubator Analysis

Brunswick County, Virginia



- Total revenues of \$447,270.
- Estimated income from operations of \$10,942.
- This equates to \$165.66 of revenues per square foot of gross leasable area.

2. 18,000 SF Incubator

A. Incubator Services and Products

The 18,000 square foot facility will offer the same business assistance services as available in the 3,000 square foot facility. These services will be provided in the 3,000 square foot area devoted to incubator activities. Allocating the additional 15,000 square feet to warehouse and flex space will enable persons using incubator services to rent storage space for their businesses. The availability of flex space would also assist small and growing businesses meet additional office space requirements during early periods of expansion.

B. Project Financial Parameters (see Appendix B)

The 18,000 square foot facility is planned as a three-story building consisting of mixed incubator office, warehouse and flex space. Again, 3,000 square feet of space is committed to incubator facilities offering fifteen office suites, large and small conference rooms and a computer center: Development details include:

- Total land acquisition, development and tenant improvement costs of \$2,401,740.
- Tax-exempt cost of capital at 4.65%.
- A weighted average rent per square foot of gross leasable area of \$7.32.

BBPC has concluded that **the 18,000 square foot facility is not financially feasible**. Applying a high range estimate for incubator revenues, as well as rental income, the development failed to generate sufficient funds to cover project development and operating costs. This determination is based on the following findings:

- Estimated rental rates for warehouse and flex space generated lower annual rental income per gross leasable area.

- The 18,000 square foot facility required increased incubator staffing and larger property management costs.
- The project had a year two gap in net operating income and debt service of (\$98,089.41).
- Taking advantage of the low cost of capital for tax-exempt government entities, the development still had an overall estimated capital investment gap of \$1,508,760.

3. Conclusion

Although the provision of warehouse and flex space offers greater amenities for the start-up business community, the development of an 18,000 square foot facility is not feasible due to higher development costs and lower per square foot rental income associated with the mix of uses. The 3,000 square foot incubator facility, which is estimated to be financially feasible, barely meets debt service requirements. As such, it is not plausible to allocate space to alternative uses that generate less rental income.

Section 4: Business & Implementation Plan

Forward

BBPC's "Business and Implementation Plan" provides guidance for the implementation of the Brunswick County Incubator including Incubator initiatives, services and growth strategies. BBPC evaluated "best practices" within the areas of incubator operations, financing and business services, assessing successful strategies employed by incubators located in the United States and abroad. Numerous programs providing funding and technical guidance for incubators were also reviewed. These findings have been distilled to those practices most applicable to Brunswick County, relying on BBPC's previous analyses of the Brunswick County market.

BBPC has focused on major issues in the areas of business services for entrepreneurs and small businesses, financing for the Incubator and business clients, developing and leveraging partnerships, and managing Incubator growth.

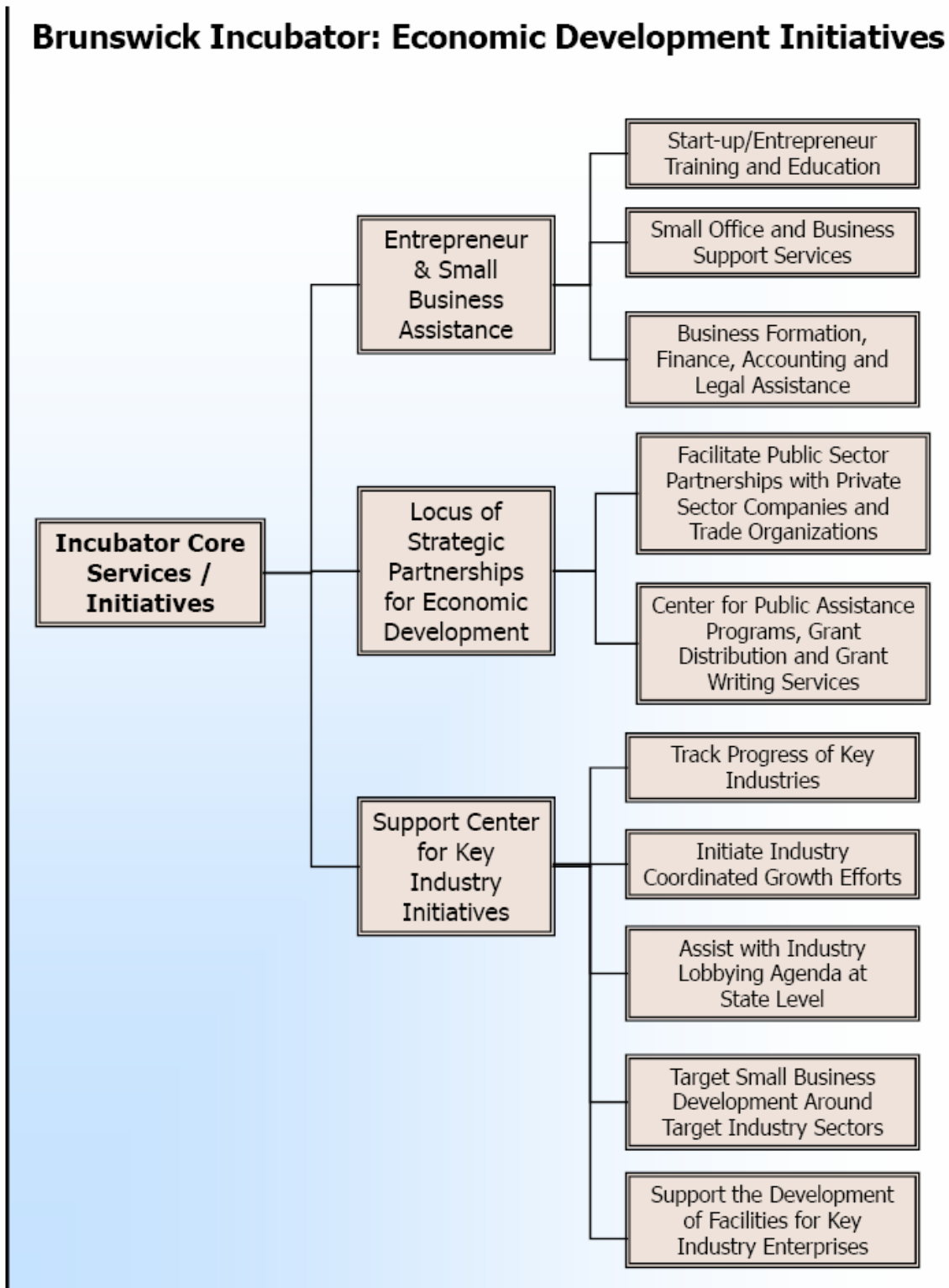
The three short hypothetical implementation strategies are provided as a means of illustrating the interconnectedness of the aforementioned issues for successful incubator operations. These hypothetical illustrations are not definitive suggestions but rather examples of strategic approaches.

coordinated economic development initiatives. This progression should occur in multiple stages. As such, one major challenge for the Brunswick Incubator will be successfully planning for and managing growth. Tactics for managing growth and expansion are addressed in both the Best Practices section as well as in the Hypothetical Implementation Strategies.

An "Economic Development Initiatives" flow-chart and a Brunswick County Incubator "Long Term Timeline" are included at the beginning of this Implementation Plan. They are placed at the beginning of the Plan to provide perspective in terms of the overall strategy and implementation horizon.

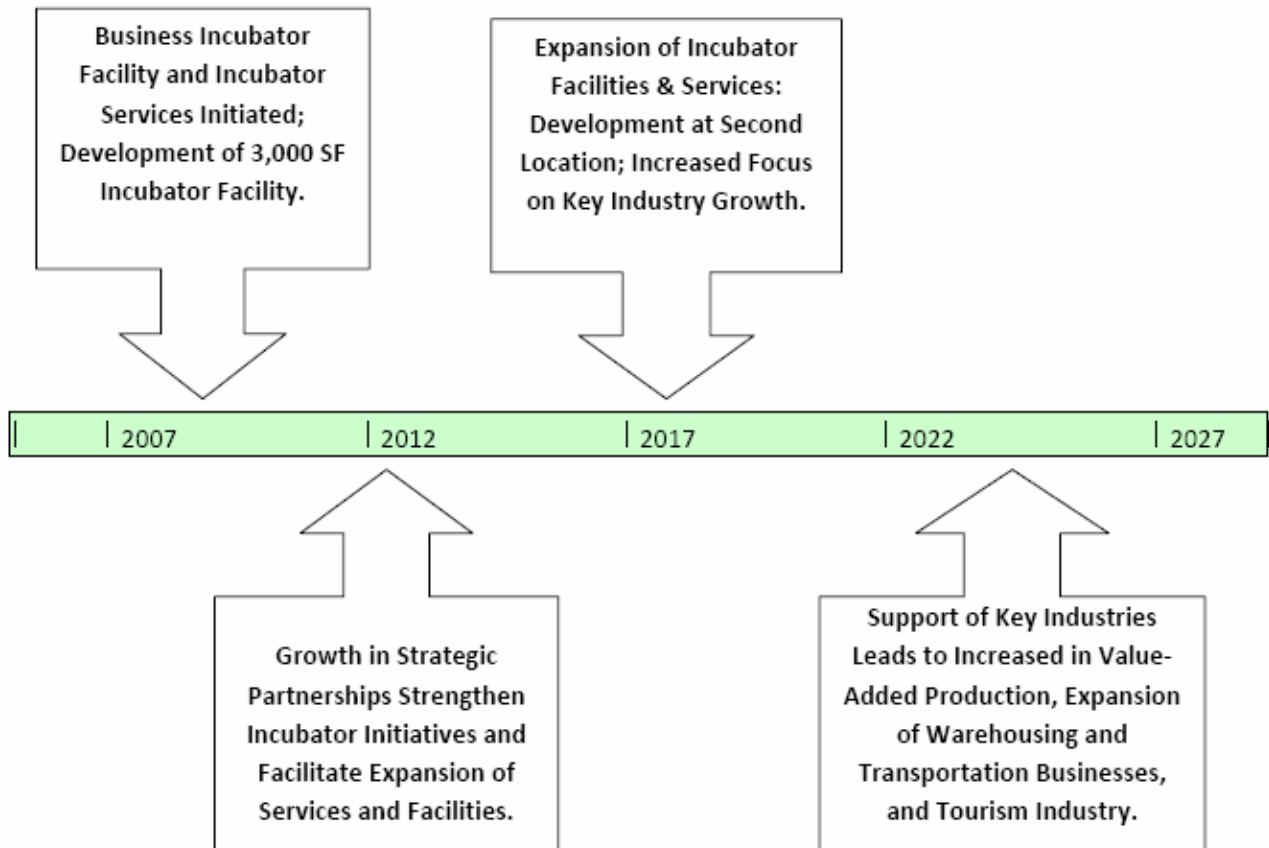
BBPC believes a business incubator located in Brunswick County can grow over time from a facility supporting entrepreneurs and small businesses into a center for

1. Business Implementation Plan Flow Chart



2. Long Term Timeline

Long Term Time-Line: Business Incubator and Economic Development



3. Incubator Best Practices

BBPC has evaluated practices for incubator services, development partnerships, funding and promoting economic development. BBPC's recommendations rely on the company's previous analyses of the Brunswick County market, including current economic development indicators and target industry growth opportunities.

A. Incubator Services and Strategies for Assisting Entrepreneurs and Small Businesses

The Brunswick Incubator is at the very first stage of implementation: project inception and development planning. The initial agenda for the incubator must be meeting debt service obligations incurred for the construction of the facility and gaining the financial stability required for the implementation of business services. One key measure of financial health is the "break-even point" when the Incubator begins generating sufficient revenue to meet operating expenses and debt service. Reaching the "break-even point" in the shortest time-frame should be a guiding objective at this point. The following practices are instrumental for proper allocation of resources during this initial stage of the Incubator's growth as well as planning for future growth.

Incubator as Landlord: The incubator's initial goal in leasing office space should be establishing a stream of revenue rather than strategically evaluating tenant businesses. This is a necessary aspect of project development. Although the initial lease-up may be pursued with the goal of securing revenue, as soon as the Incubator's operating income approaches the break-even point the Incubator should begin selectively choosing tenants. Continuing to approach leasing mainly for revenue generating purposes will hinder the incubator's strategic objectives.

Tenant Selection: Incubator management must have an intimate knowledge of client ventures and prospects within their area of pursuit prior to providing support. Subsequent to meeting initial leasing objectives Incubator staff, including course instructors and management, should begin acting as a resource for information, technical assistance and support. This approach to counseling

Incubator clients makes it necessary to begin selectively choosing tenants and business clients.

Duties of Staff-Advisors: It is important to transition into the role of advisor, communicator and facilitator as soon as financially feasible. At this stage there should be ongoing and in depth communication between incubator staff-advisors and the businesses the Incubator serves. Although the incubator may offer business courses that do not entail additional and ongoing guidance from staff members, the Incubator should seek to provide comprehensive guidance to tenants and select business clients. These relationships will provide the Incubator with the ability to strategically pursue its business development objectives.

Facilitate Networking: The Incubator should facilitate networking among business clients within the Brunswick market as well as utilizing partnerships to create networking opportunities within the Commonwealth and regional market. It is necessary for Incubator staff to be very familiar with client needs in order facilitate networking opportunities and the building of value creating relationships.

Courses Tailored to the Entrepreneur: Surveys of entrepreneurs have found this group to be particularly skeptical about the benefits of business education courses unless the instructors address specific problems the entrepreneurs are experiencing. Business education courses should be a core service offered by the incubator; however, these courses should be tailored to the needs and preferences of entrepreneurs, not simply offering general coursework in classes such as accounting, finance and management.

Performance Tracking: The Incubator should apply comprehensive methods for measuring and tracking the success of business clients using multiple comparison metrics and undertaking client reviews on at least an annual basis. Data collected on client performance should be used to refine Incubator services as well as analyze trends within client industries.

Client Dependency: Although Incubator staff should serve as a dependable resource for business clients, it is important that clients develop the skills required to compete

independently in the marketplace. The Incubator should provide business education and counseling services with the goal of helping clients develop problem solving skills rather than relying on Incubator staff.

B. Funding Strategies and Partnership Development

Incubator Financial Stability: Self-Sufficiency is key to the Incubator's short, mid, and long term success, especially with regard to the Incubator's ability to manage growth and enact new initiatives. It is important that the Incubator is not tied to a single source of funding. This applies to both revenue generated by incubator services as well as state, county and private grant funding. If the Incubator is unable to develop diverse revenue sources it will "live and die" by the politics and changing initiatives of funders.

Reliable Funding: Although it is important to maintain diverse sources of funding, it is equally important that the Incubator secure some funding sources that can be relied on for continued support. Surety of funding is essential for keeping the Incubator growth cycle on schedule. It is a delicate balance maintaining independence, diversifying funding and yet securing a measure of reliable support.

Public Funding and Politics: Business incubators are very often reliant on public subsidies and political support; however, there is an inverse relationship between the politicizing of the incubator agenda and an incubator's ability to attract an entrepreneurial clientele. It is a difficult and critical responsibility of Incubator management to separate political agendas from the Incubator's business plan and advisory services.

Incubator Networks: The Brunswick Incubator should attempt to build productive relationships with other incubators located within the Commonwealth and regional market. These "partnerships" may include relationships with private business incubators, publicly sponsored facilities and incubators associated with colleges and universities. These partners do not need to be labeled official "business incubators," the objective is to build relationships with organizations having similarly aligned goals.

Seed Capital Partners: The Brunswick Incubator's primary objective is offering services and facilities for small businesses and entrepreneurs rather than acting as a business financier. As such, the Incubator will find it useful to develop working relationships with "seed capital incubators." Seed capital incubators are organizations whose primary activity is investing in start-ups and small growing businesses.

C. The Incubator's Role in Economic Development

Managing Expectations: A new incubator should avoid making overly specific statements regarding economic growth, especially regarding workforce development. During initial growth stages the Incubator will not have sufficient data on client activities and business trends to make accurate economic development projections. Failing to meet excessively specific performance targets may lead to funding cuts while hampering the Incubator's ability to attract new funding sources.

Business Counseling v. Economic Development

Planning: The relationship between good business practices and promoting broader economic development goals are often at odds. This is particularly true in the area of job growth where it is often in a business's best interests to become more efficient while reducing its workforce. An emphasis on economic development planning during the initial stages of the Incubator's growth may interfere with the staff's ability to serve as unbiased advisors.

Publicize Entrepreneurial Success: The Incubator should not expect that an increase in entrepreneurial activity will noticeably translate into job growth during the initial years of operations. As such, it is important for the Incubator to emphasize the success of business clients to engage additional community members in entrepreneurial endeavors. The Incubator should avoid publicizing broad economic development goals until positive trends become quantifiable.

Focus on Competitive Sectors: Incubators that focus on target sector "enterprise development" add the most value to their communities. Focusing the Incubator's resources on clients within industry sectors having an identifiable competitive edge will increase the rate at which economic development, and job growth in particular, follows business

development. This strategy will allow the Incubator to pursue the dual objectives of counseling businesses as well as promoting broader economic development goals.

Data Collection and Targeting Resources: Economic development studies have demonstrated that although most job growth is created by small and medium business, the vast majority of jobs are created by a very small percentage of these businesses. This emphasizes the importance of collecting data on client performance and industry growth trends. This information will enable the Incubator to more accurately identify the limited number of small businesses with significant opportunities for growth and to allocate resources accordingly.

4. Hypothetical Implementation Strategies

A. Advisory Services Hypothetical

The Brunswick County Incubator sought to assist small businesses selling goods and services to State and municipal procurement offices. The Incubator maintained an active relationship with the Virginia Department of Business Assistance to provide clients with access to VDBA services and incentives. Incubator staff knowledgeable in the area of government contracts and the procurement process introduced these businesses to the VDBA's STAR\$ Program (State Technical Assistance Resource Support Program). The STAR\$ program offers a "prequalification system" for businesses seeking to sell goods and services to the Commonwealth.

Incubator staff provided the businesses with guidance throughout the application and prequalification approval process. Once the clients were selected through the VDBA's competitive process the Incubator provided training in the areas of pricing analysis and proposal writing. Those smaller businesses and startups unable to afford the purchase of computers and software to manage cash flow and analyze pricing and expenses had access to the Incubator's computers and software. The Incubator set up review sessions with these businesses on a quarterly basis to both track their performance and provide additional guidance.

Objectives:

- Maintain knowledge of supportive programs and client objectives; proactively direct clients to these resources.
- Provide guidance and training to assure clients effectively utilize small business incentive programs.
- Continue to track client performance as well as evaluate the effectiveness of Incubator services and facilities.

B. Leveraging Partner Resources

In addition to the classes and special events available at the Brunswick Incubator, clients are kept apprised of special networking and business education opportunities available at regional partners. Incubator staff in charge of communications and networking created a shared database available to other business development organizations, including fellow incubators, located throughout the Commonwealth. The database, along with the Incubator staffs' active partnership development activities, allowed the Incubator to leverage the resources of these "partners" while allocating resources to its core operations. When initially building these alliances, the Brunswick Incubator relied on assistance from the Virginia Small Business Association which maintains contact information for incubators throughout the Commonwealth.

Incubator staff with an expertise in business finance were in charge of developing relationships with "seed capital incubators"—organizations specializing in investing in startups and small businesses. It was especially important for the Incubator to become familiar with "seed capital" opportunities since the Incubator did not plan to offer financing for the operations of Incubator clients. Once these relationships were in place, the Incubator was able to serve as a conduit for seed capital investors as well as an advisor to clients requiring capital.

Business Incubator Analysis

Brunswick County, Virginia



Objectives:

- Leverage the resources of Incubator partners to expand opportunities for clients, allocating financial resources to core services.
- Utilize the VDBA as a means of building relationships prior to gaining familiarity with fellow organizations involved in business development.
- Focus on small business and entrepreneur training and facilities while facilitating access to capital for startup activities and business expansion.

C. Business Client Financing

The Incubator had been assisting a small business operating within a target growth industry. With the assistance of Incubator staff the business had grown quickly and required additional capital for expansion. The Incubator directed the client to a Community Development Financial Institution (CDFI), making the initial introduction and helping provide the lender with data on the client's activities. Because this relationship was in place the application and approval process proceeded in a streamlined manner.

Since beginning its operations, the Incubator had developed a working relationship with the CDFI in order to assist clients seeking small business loans. The benefit of working with a CDFI was the level of technical assistance that the lender was able to offer Incubator clients. The guidance provided by the CDFI had been particularly helpful during the early stages of the Incubator's growth when staff resources were particularly scarce.

Working with a CDFI had been a beneficial way for the Incubator to become more familiar with other Federal loan programs available to its clients. The Incubator became increasingly adept at advising and guiding clients through the process of applying for assistance from the Small Business Administration. Clients regularly utilized SBA loans and programs such as the SBA Micro-Loan Program to meet their financing requirements.

Objectives:

- Build relationships with community lenders to facilitate financing for Incubator clients.
- Provide clients with assistance evaluating financing requirements and options as well as offering guidance throughout the loan application process.
- Maintain a comprehensive knowledge of State and Federal programs for small business lending and proactively recommend the program best serving client needs.

Appendix A: Financial Parameters – 3,000 SF Facility

APPENDIX A

Standard Incubator Improvements: Technology Infrastructure and Furnishings

3k SF Incubator		18k SF Incubator	
Total SF	3000	Total SF	18000
Office Suites as %	70%	Office Suites as %	55%
SFT Office Suites	2100	SFT Office Suites	9900
Avg Suite SF	140	Avg Suite SF	140
Total Office Suites	15	Total Office Suites	15
Computers		Computers	
Computers per Suite	1	Computers per Suite	1
Total Computers	15	Total Computers	15
Cost per Computer	\$1,049.00	Cost per Computer	\$1,049.00
Financed Monthly	\$32.00	<i>Financed Monthly</i>	<i>\$32.00</i>
Financed Annual	\$384.00	<i>Financed Annual</i>	<i>\$384.00</i>
Computers, 15 Suites	\$15,735.00	Computers, 71 Suites	\$15,735.00
<i>Financed Monthly</i>	<i>\$480.00</i>	<i>Financed Monthly</i>	<i>\$480.00</i>
<i>Financed Annual</i>	<i>\$5,760.00</i>	<i>Financed Annual</i>	<i>\$5,760.00</i>
Printers		Printers	
Printers per Suite	0.33	Printers per Suite	0.33
Total Printers	5	Total Printers	5
Color Laser	2	Color Laser	2
B&W Laser	3	B&W Laser	3
Cost per Color Laser	\$449.00	Cost per Color Laser	\$449.00
Total Color Laser Cost	\$898.00	Total Color Laser Cost	\$898.00
<i>Financed Monthly</i>	<i>\$28.00</i>	<i>Financed Monthly</i>	<i>\$28.00</i>
<i>Financed Annual</i>	<i>\$336.00</i>	<i>Financed Annual</i>	<i>\$336.00</i>
Cost per B&W Laser	\$239.00	Cost per B&W Laser	\$239.00
Total B&W Printer Cost	\$717.00	Total B&W Printer Cost	\$717.00
<i>Financed Monthly</i>	<i>\$18.00</i>	<i>Financed Monthly</i>	<i>\$18.00</i>
<i>Financed Annual</i>	<i>\$216.00</i>	<i>Financed Annual</i>	<i>\$216.00</i>
Total Cost of Printers	\$1,615.00	Total Cost of Printers	\$1,615.00
<i>Financed Monthly</i>	<i>\$46.00</i>	<i>Financed Monthly</i>	<i>\$46.00</i>
<i>Financed Annual</i>	<i>\$552.00</i>	<i>Financed Annual</i>	<i>\$262.00</i>
Office Furnishings		Office Furnishings	
Cost per Office Suite	\$952.84	Cost per Office Suite	\$952.84
Total Cost	\$14,292.60	Total Cost	\$14,292.60
Incubator Software		Incubator Software	
Avg. Cost per License	\$287.52	Avg. Cost per License	\$287.52
Total Cost, 15 Terminals	\$4,312.80	Total Cost, 15 Terminals	\$4,312.80
Photocopiers		Photocopiers	
Photocopiers per Suite	0.20	Photocopiers per Suite	0.20
Total Photocopiers	3	Total Photocopiers	3
Cost per photocopier	\$2,000.00	Cost per photocopier	\$2,000.00
Total Photocopier Cost	\$6,000.00	Total Photocopier Cost	\$6,000.00
Fax/Ethernet/Additional		Fax/Ethernet/Additional	
Cost per Office Suite	\$175.00	Cost per Office Suite	\$175.00
Total Cost Additional	\$2,625.00	Total Cost Additional	\$2,625.00
Total Incubator Improvement:	\$38,580.40	Total Incubator Improvements	\$38,580.40

APPENDIX A Development Costs 3,000 SF Incubator

Building Square Feet	3,000
Site Square Feet	3,600
Land Acquisition Cost	\$45,000.00
Land Cost Per SF	\$12.50

Construction Costs	Cost / SF	Total Cost
<u>Hard Costs</u>		
Standard Foundation	\$2.23	\$6,690.00
Shell	\$27.00	\$81,000.00
Interior	\$16.00	\$48,000.00
Plumbing	\$3.25	\$9,750.00
HVAC	\$15.25	\$45,750.00
Fire	\$0.74	\$2,220.00
Electrical	\$15.25	\$45,750.00
Hard Cost Subtotal	\$79.72	\$239,160.00
<u>Soft Cost</u>		
Contractors Fees	\$14.00	\$42,000.00
Architect	\$7.00	\$21,000.00
Legal	\$3.00	\$9,000.00
Soft Cost Subtotal	\$24.00	\$72,000.00
Total Building Costs	\$103.72	\$311,160.00
<u>Other Costs</u>		
Parking (15 spots)	\$400.00 / Spot	\$6,000.00
Tenant Improvements	\$12.86	\$38,580.00
Other Costs Subtotal	\$14.86	\$44,580.00
Total Building Costs w/ Other Costs		\$355,740.00
Acquisition Cost	\$12.50	\$45,000.00
Total Building Costs w/ Other Costs & Acquisition		\$400,740.00

Source: RSMeans 2006

APPENDIX A Estimated Operating Expenses: Incubator 3,000 SF Lawrenceville, VA

Operating Expenses	Cost / SF	% of Total Operating Expenses
Electricity	\$0.42	11.20%
Water & Sewer	\$0.05	1.33%
HVAC Fuel		
Gas	\$0.02	0.53%
Fuel Oil	\$0.01	0.27%
Electricity	\$1.41	37.60%
Subtotal Utilities	\$1.91	50.93%

Operating Expenses	Cost / SF	% of Total Operating Expenses
Heating/AC Repairs	\$0.10	2.67%
Electric Repairs	\$0.04	1.07%
Plumbing Repairs	\$0.03	0.80%
General Building Exterior Repairs	\$0.11	2.93%
Roof Repairs	\$0.02	0.53%
Parking Lot Repairs	\$0.01	0.27%
General Building Interior Repairs	\$0.05	1.33%
Miscellaneous Repairs	\$0.29	7.73%
Subtotal Maintenance/Repairs	\$0.65	17.33%

Operating Expenses	Cost / SF	% of Total Operating Expenses
Janitorial	\$0.78	20.80%
Landscape	\$0.19	5.07%
Trash Removal	\$0.04	1.07%
Window Washing	\$0.06	1.60%
Snow Removal	\$0.07	1.87%
Miscellaneous	\$0.05	1.33%
Subtotal Services	\$1.19	31.73%

<u>Total Net Operating Expenses</u>	<u>\$3.75</u>	<u>100.00%</u>
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Operating Expenses	Cost / SF	% of Total Operating Expenses
Subtotal Utilities	\$1.91	50.93%
Subtotal Maintenance/Repairs	\$0.65	17.33%
Subtotal Services	\$1.19	31.73%
<u>Total</u>	<u>\$3.75</u>	<u>100.00%</u>

Square Feet	Total Costs	Total Costs Per GLA
3,000	\$11,250.00	\$4.17

Source: IREM Institute of Real Estate Management. Income/Expense Analysis. Office Buildings. 2007 Edition.

APPENDIX A Revenue Sources: 3,000 SF Incubator Lawrenceville, VA

Copy Center Services	Cost	Price	Pages/Year	Annual Revenue	Annual Expense	Annual Net Income
Copy Machine	\$0.10	\$0.15	240000	\$36,000.00	\$24,000.00	\$12,000.00
Fax - send	\$0.05	\$1.50	1500	\$2,250.00	\$75.00	\$2,175.00
Fax - receive	\$0.10	\$1.00	900	\$900.00	\$90.00	\$810.00
Typing services rendered	\$2.00	\$3.00	1200	\$3,600.00	\$2,400.00	\$1,200.00
Total	\$2.25	\$5.65	\$243,600.00	\$42,750.00	\$26,565.00	\$16,185.00

NOTE: "Annual Expense" equals cost basis of all copy center expenditures excluding labor; labor costs are included in the incubator income statement.

Conference & Graphic Design Room Rental	Rental Hours/Mn	Rate/Hr	Month Gross Rev	Annual Revenue	Annual Expense	Annual Net Income
Small Conference Room	25	\$35.00	\$875.00	\$10,500.00	\$7,500.00	\$3,000.00
Large Conference Room	20	\$125.00	\$2,500.00	\$30,000.00	\$24,000.00	\$6,000.00
Graphic Design Room	15	\$150.00	\$2,250.00	\$27,000.00	\$22,500.00	\$4,500.00
Total	60	\$310.00	\$5,625.00	\$67,500.00	\$54,000.00	\$13,500.00

Note: "Annual Expense" is based on an estimated 28% margin on room rentals.

Virtual Office & Office Leasing/Timeshare	Users	Price	Month Gross Rev	Annual Revenue	Annual Expense	Annual Net Income
Level 1 (vmail, email, address)	3	\$120.00	\$360.00	\$4,320.00	\$1,728.00	\$2,592.00
Level 2 (plus live phone answering)	5	\$160.00	\$800.00	\$9,600.00	\$3,840.00	\$5,760.00
Level 3 (plus mail forwarding, 16hrs office use; 4 conference)	9	\$220.00	\$1,980.00	\$23,760.00	\$9,504.00	\$14,256.00
Level 4 (plus 30hrs office, 8 conference, 24 hour access)	13	\$350.00	\$4,550.00	\$54,600.00	\$21,840.00	\$32,760.00
Level 5 (plus data storage, 100hrs office, 16 conference)	17	\$650.00	\$11,050.00	\$132,600.00	\$53,040.00	\$79,560.00
Total	47	\$1,500.00	\$18,740.00	\$224,880.00	\$89,952.00	\$134,928.00

Note: "Annual Expense" is based on an estimated 40% margin on Virtual Office revenues.

Other Services From Software	Price/Service	Users Annual	Annual Revenue	Annual Expense	Annual Net Income
Entity Organization Services	\$70.00	40.00	\$2,800.00	\$560.00	\$2,240.00
Wills/Trusts	\$60.00	75.00	\$4,500.00	\$900.00	\$3,600.00
General Legal / Contracts	\$50.00	65.00	\$3,250.00	\$650.00	\$2,600.00
Accounting & Financing	\$60.00	68.00	\$4,080.00	\$816.00	\$3,264.00
Tax	\$75.00	72.00	\$5,400.00	\$1,080.00	\$4,320.00
Real Estate / Leasing Docs	\$50.00	72.00	\$3,600.00	\$720.00	\$2,880.00
Human Resources	\$25.00	70.00	\$1,750.00	\$350.00	\$1,400.00
Business Plan Writing / Documents	\$65.00	67.00	\$4,335.00	\$871.00	\$3,484.00
Marketing Program	\$55.00	63.00	\$3,465.00	\$693.00	\$2,772.00
Graphic Design Programs & Publishing	\$65.00	63.00	\$4,095.00	\$819.00	\$3,276.00
Total	\$575.00	655.00	\$37,295.00	\$7,459.00	\$29,836.00

Note: "Annual Expense" is based on an estimated 80% margin, excluding associated labor; labor costs are included in the incubator income statement.

APPENDIX A
Cash Flow Projection: 3,000 SF Incubator
Lawrenceville, VA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Estimated Operating Revenue										
Copy Center										
Copy Machine	\$12,000.00	\$12,000.00	\$12,180.00	\$12,484.50	\$12,765.40	\$13,122.83	\$13,542.76	\$13,949.05	\$14,472.14	\$14,978.66
Fax - send	\$2,175.00	\$2,175.00	\$2,207.63	\$2,313.73	\$2,454.63	\$2,528.26	\$2,628.07	\$2,714.88	\$2,823.07	\$2,914.88
Fax - receive	\$810.00	\$810.00	\$822.15	\$842.70	\$861.66	\$885.79	\$914.14	\$941.56	\$976.87	\$1,011.06
Typing services rendered	\$1,200.00	\$1,200.00	\$1,216.00	\$1,248.45	\$1,276.54	\$1,312.28	\$1,354.28	\$1,394.90	\$1,447.21	\$1,497.87
Total Copy Center Revenue	\$16,185.00	\$16,185.00	\$16,427.78	\$16,838.47	\$17,217.33	\$17,699.42	\$18,266.80	\$18,813.78	\$19,519.29	\$20,202.47
Conference and Design Room Rental										
Small Conference Room	\$3,000.00	\$3,000.00	\$3,045.00	\$3,121.13	\$3,191.35	\$3,280.71	\$3,385.69	\$3,487.26	\$3,618.03	\$3,744.66
Large Conference Room	\$6,000.00	\$6,000.00	\$6,090.00	\$6,242.25	\$6,382.70	\$6,561.42	\$6,771.38	\$6,974.52	\$7,236.07	\$7,489.33
Graphic Design Room	\$4,500.00	\$4,500.00	\$4,567.50	\$4,681.69	\$4,787.03	\$4,921.06	\$5,078.54	\$5,230.89	\$5,427.05	\$5,617.00
Total Conference and Graphic Design Room Revenue	\$13,500.00	\$13,500.00	\$13,702.50	\$14,045.06	\$14,361.08	\$14,763.19	\$15,235.61	\$15,692.68	\$16,281.15	\$16,850.99
Virtual Office										
Level 1 (Vmail, email, address)	\$4,320.00	\$4,320.00	\$4,384.80	\$4,494.42	\$4,595.54	\$4,724.22	\$4,875.39	\$5,021.66	\$5,205.97	\$5,392.32
Level 2 (plus live phone answering)	\$9,600.00	\$9,600.00	\$9,744.00	\$9,987.60	\$10,212.32	\$10,498.27	\$10,834.21	\$11,159.24	\$11,577.71	\$11,982.93
Level 3 (plus mail forwarding, 16hrs office use, 4 conference)	\$23,760.00	\$23,760.00	\$24,116.40	\$24,719.31	\$25,275.49	\$25,983.21	\$26,814.67	\$27,619.11	\$28,654.83	\$29,657.75
Level 4 (plus 30hrs office, 8 conference, 24 hour access)	\$54,600.00	\$54,600.00	\$55,419.00	\$56,804.48	\$58,082.58	\$59,708.89	\$61,619.57	\$63,468.16	\$65,848.22	\$68,152.90
Level 5 (plus data storage, 100hrs office, 16 conference)	\$132,600.00	\$132,600.00	\$134,589.00	\$137,953.73	\$141,057.68	\$145,007.30	\$149,647.53	\$154,136.96	\$159,917.09	\$165,514.19
Total Virtual Office Revenue	\$224,880.00	\$224,880.00	\$228,253.20	\$233,959.53	\$239,223.62	\$245,921.88	\$253,791.38	\$261,405.12	\$271,207.81	\$280,700.09
Business Document Services										
Entity Organization Services	\$2,800.00	\$2,800.00	\$2,842.00	\$2,913.05	\$2,978.59	\$3,061.99	\$3,159.98	\$3,254.78	\$3,376.83	\$3,495.02
Wills/Trusts	\$4,500.00	\$4,500.00	\$4,567.50	\$4,681.69	\$4,787.03	\$4,921.06	\$5,078.54	\$5,230.89	\$5,427.05	\$5,617.00
General Legal / Contracts	\$3,250.00	\$3,250.00	\$3,298.75	\$3,381.22	\$3,457.30	\$3,554.10	\$3,667.83	\$3,777.87	\$3,919.54	\$4,056.72
Accounting & Financing	\$4,080.00	\$4,080.00	\$4,141.20	\$4,244.73	\$4,340.24	\$4,461.76	\$4,604.54	\$4,742.68	\$4,920.53	\$5,092.74
Tax	\$5,400.00	\$5,400.00	\$5,481.00	\$5,618.03	\$5,744.43	\$5,905.27	\$6,094.24	\$6,277.07	\$6,512.46	\$6,740.40
Real Estate / Leasing Docs	\$3,600.00	\$3,600.00	\$3,654.00	\$3,745.35	\$3,829.62	\$3,936.85	\$4,062.83	\$4,184.71	\$4,341.64	\$4,493.60
Human Resources	\$1,750.00	\$1,750.00	\$1,776.25	\$1,820.66	\$1,861.62	\$1,913.75	\$1,974.99	\$2,034.24	\$2,110.52	\$2,184.39
Business Plan Writing / Documents	\$4,355.00	\$4,355.00	\$4,420.33	\$4,530.83	\$4,632.78	\$4,762.49	\$4,914.89	\$5,062.34	\$5,232.18	\$5,436.01
Marketing Program	\$3,465.00	\$3,465.00	\$3,516.98	\$3,604.90	\$3,686.01	\$3,789.22	\$3,910.47	\$4,027.79	\$4,178.83	\$4,325.09
Graphic Design Programs & Publishing	\$4,095.00	\$4,095.00	\$4,156.43	\$4,260.34	\$4,356.19	\$4,478.17	\$4,621.47	\$4,760.11	\$4,938.62	\$5,111.47
Total Business Document Services Revenue	\$37,295.00	\$37,295.00	\$37,854.43	\$38,900.79	\$39,673.80	\$40,784.67	\$42,089.78	\$43,352.47	\$44,978.19	\$46,552.43
Courses										
How to start a business	\$1,000.00	\$1,000.00	\$1,015.00	\$1,040.38	\$1,063.78	\$1,093.57	\$1,128.56	\$1,162.42	\$1,206.01	\$1,248.22
How to start a food related business	\$800.00	\$800.00	\$812.00	\$832.30	\$851.03	\$874.86	\$902.65	\$929.94	\$964.81	\$998.56
Understanding bookkeeping & financials I	\$1,500.00	\$1,500.00	\$1,522.50	\$1,560.56	\$1,595.68	\$1,640.35	\$1,692.85	\$1,743.63	\$1,809.02	\$1,872.33
Understanding bookkeeping & financials II	\$2,000.00	\$2,000.00	\$2,030.00	\$2,070.75	\$2,127.57	\$2,187.14	\$2,257.13	\$2,324.84	\$2,412.02	\$2,496.44
Taxes and the small business owner	\$3,900.00	\$3,900.00	\$3,958.50	\$4,057.46	\$4,148.76	\$4,264.92	\$4,401.40	\$4,533.44	\$4,703.44	\$4,868.06
Leading edge (marketing, finance, cash flow, legal)	\$300.00	\$300.00	\$304.50	\$312.11	\$319.14	\$328.07	\$338.57	\$348.73	\$361.80	\$374.47
How to protect your intellectual property	\$28,470.00	\$28,470.00	\$28,897.05	\$29,619.48	\$30,285.91	\$31,133.92	\$32,130.21	\$33,094.11	\$34,335.14	\$35,536.87
Entrepreneur Package	\$39,970.00	\$39,970.00	\$40,569.55	\$41,583.79	\$42,519.42	\$43,709.97	\$45,108.69	\$46,461.95	\$48,204.27	\$49,891.42
Rainmaker Package	\$75,970.00	\$75,970.00	\$77,109.55	\$79,037.29	\$80,815.63	\$83,078.47	\$85,736.98	\$88,309.09	\$91,620.68	\$94,827.40
Visionare Package	\$155,410.00	\$155,410.00	\$157,741.15	\$161,684.68	\$165,322.58	\$169,951.62	\$175,390.07	\$180,651.77	\$187,426.21	\$193,966.13

Total Estimated Operating Revenue	\$447,270.00	\$453,979.05	\$475,798.42	\$489,120.77	\$504,772.64	\$519,915.82	\$539,412.66	\$558,292.10
Estimated Operating Expenses								
Copy Center	\$26,565.00	\$27,639.23	\$28,754.81	\$29,329.91	\$29,916.50	\$30,514.83	\$31,125.13	\$31,747.63
Conference & Design Room Rental	\$54,000.00	\$56,181.60	\$58,451.34	\$59,620.36	\$60,812.77	\$62,029.03	\$63,269.61	\$64,535.00
Virtual Office	\$134,928.00	\$140,379.09	\$146,050.41	\$149,971.41	\$151,950.84	\$154,969.86	\$158,089.66	\$161,251.46
Legal Document	\$7,459.00	\$7,760.34	\$8,073.86	\$8,235.34	\$8,400.05	\$8,568.05	\$8,739.41	\$8,914.20
Courses	\$54,475.00	\$56,676.83	\$58,966.57	\$60,145.91	\$61,348.82	\$62,575.80	\$63,827.32	\$65,103.86
Advertising	\$2,500.00	\$2,601.00	\$2,706.08	\$2,760.20	\$2,815.41	\$2,871.71	\$2,929.15	\$2,987.73
Accounting & Legal	\$7,000.00	\$7,282.80	\$7,428.46	\$7,728.57	\$7,883.14	\$8,040.80	\$8,201.62	\$8,365.65
Telephone/Cable/Internet	\$6,600.00	\$6,732.00	\$7,003.97	\$7,286.93	\$7,432.67	\$7,581.33	\$7,732.95	\$7,887.61
Miscellaneous	\$15,000.00	\$15,606.00	\$16,236.48	\$16,561.21	\$16,892.44	\$17,230.29	\$17,574.89	\$17,926.39
Salary	\$90,000.00	\$93,636.00	\$97,418.89	\$99,367.27	\$101,354.62	\$103,381.71	\$105,449.34	\$107,558.33
Rent	\$37,800.00	\$39,327.12	\$40,113.66	\$41,734.25	\$42,568.94	\$43,420.32	\$44,288.72	\$45,617.39
Total Estimated Operating Expenses	\$436,328.00	\$453,955.65	\$472,295.46	\$481,741.37	\$491,376.20	\$501,203.72	\$511,227.79	\$521,895.24
Total Estimated Operating Expenses	\$436,328.00	\$453,955.65	\$472,295.46	\$481,741.37	\$491,376.20	\$501,203.72	\$511,227.79	\$521,895.24
Estimated Income from Operations	\$10,942.00	\$23.40	\$3,502.96	\$7,379.41	\$13,396.44	\$18,712.10	\$28,184.87	\$36,396.87
Revenue Per Gross Leasable Area	\$165.66	\$168.14	\$176.22	\$181.16	\$186.95	\$192.56	\$199.78	\$206.77
Revenue Growth Rate	0.00%	2.50%	2.80%	3.20%	3.00%	3.75%	3.50%	
Business Expense Growth Rate	2.00%							

APPENDIX A

Lawrenceville, VA Incubator: 3,000 SF 15 Office Suites, Large and Small Conference Room, Computer Center

Property Appreciation	3.00% per year	Holding Pd.	10 years
Selling Costs	0.00% n/a	Permanent Financing	
Gross Building Area	3,000	Loan Fee	1.00% of loan
Gross Leasable Area	2,700	Loan Fee Amort	10 years
Land Acq. & Closing	\$45,000	Loan Amortization	15 years
Incubator Improvements	44,580	Loan Term	15 years
Hard Costs	\$239,160	Interest Rate	4.65%
Soft Costs	\$72,000	Payments per Year	12
Leasing Commissions	-	Construction Loan	70% project costs
Rent	\$14.00 per GLA	Loan Amount	\$280,518.00
Rent Growth	2.00% per year	Term	12 months
Overage Percentage	0.00% on gross sales	% drawn first 4 mos.	75.00%
Overage on Excess over	na per GLA	% drawn last months	25.00%
Average Sales	na per GLA	Interest Rate	4.65%
Sales Growth Yr 2 - Yr 3	na	Loan Fee	1.00%
Sales Growth	na per year	Tax Considerations	tax-exempt
Tenant Reimbursement	na per GLA, yr 2	Marginal Tax Rate	0.00%
Tenant Reinb. Growth	na per year	Capital Gains Rate	0.00%
Expenses	\$4.17 per GLA	Depreciation	
Exp. Growth Yr 2 - Yr 3	2.00%	Capital Improvements	31.5 years - S/L
Expenses Growth	3.25% per year	Capital Improvements	90.00% of total
Vacancy Yr 2	na	Tenant Improvements	7 years - DDB
Vacancy beginning Yr 3	na	Tenant Improvements	10.00% of total

TOTAL COST BREAKDOWN

Site Acq. & Close	\$45,000
On/Off-Site Costs	\$44,580
Hard Costs	\$239,160
Soft Costs	<u>\$72,000</u>

Total Project Costs	\$400,740
Loan Amount	<u>\$280,586</u>
Equity Needed	\$120,154

Total Project Costs \$400,740

Perm Loan Fee Amount \$2,805.86

CONSTRUCTION LOAN DRAWS & REPAYMENT:

End of Month	Project Costs	Interest	Ending Balance	Payoff	Lender's Cash Flow
0					\$2,806
1	\$52,597	\$0	\$52,597	\$0	-\$52,597
2	\$52,597	\$204	\$105,398	\$0	-\$52,597
3	\$52,597	\$408	\$158,404	\$0	-\$52,597
4	\$52,597	\$614	\$211,615	\$0	-\$52,597
5	\$8,766	\$820	\$221,201	\$0	-\$8,766
6	\$8,766	\$857	\$230,824	\$0	-\$8,766
7	\$8,766	\$894	\$240,485	\$0	-\$8,766
8	\$8,766	\$932	\$250,183	\$0	-\$8,766
9	\$8,766	\$969	\$259,918	\$0	-\$8,766
10	\$8,766	\$1,007	\$269,692	\$0	-\$8,766
11	\$8,766	\$1,045	\$279,503	\$0	-\$8,766
12	\$8,766	\$1,083	\$289,352	\$280,586	\$280,586
Total	<u>\$280,518.00</u>	<u>\$8,834.30</u>			

Yield to Lender

6.19%

SUMMARY OF PERMANENT LOAN									
Year of Loan	2	3	4	5	6	7	8	9	10
Payment	\$26,016	\$26,016	\$26,016	\$26,016	\$26,016	\$26,016	\$26,016	\$26,016	\$26,016
Mortgage Balance	\$267,337	\$253,458	\$238,920	\$223,692	\$207,740	\$191,030	\$173,527	\$155,192	\$135,986
Interest	\$12,767	\$12,138	\$11,479	\$10,788	\$10,065	\$9,307	\$8,513	\$7,682	\$6,811
Principal	\$13,249	\$13,879	\$14,538	\$15,228	\$15,952	\$16,710	\$17,503	\$18,335	\$19,206

SUMMARY OF DEPRECIABLE COSTS	
On/Off Site Improvements	\$44,580
Hard Costs	\$239,160
Soft Costs	\$66,388
Total Depreciable Costs	\$350,128

CONSTRUCTION PERIOD CASH FLOWS		
Year	1	2
Site Acq. and Closing		\$45,000.00
Site Improvements		\$44,580.00
Hard Costs		\$239,160.00
Soft Costs*		\$57,553.98
*less interest & loan fees		
Permanent Loan Fee	\$2,805.86	
Construction Loan Fee	\$2,805.86	
Construction Interest		\$8,834.30
Total Constr. Outflow	\$50,611.72	\$350,128.28
Less: Total Draws	\$0.00	\$280,586.11
Total Equity Needed	\$50,611.72	\$69,542.17

TOTAL OPERATING PERIOD CASH FLOWS										
Year	1	2	3	4	5	6	7	8	9	10
Rent		\$37,800.00	\$38,556.00	\$39,327.12	\$40,113.66	\$40,915.94	\$41,734.25	\$42,568.94	\$43,420.32	\$44,288.72
PGI		\$37,800.00	\$38,556.00	\$39,327.12	\$40,113.66	\$40,915.94	\$41,734.25	\$42,568.94	\$43,420.32	\$44,288.72
Less: Vacancy		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EGI		\$37,800.00	\$38,556.00	\$39,327.12	\$40,113.66	\$40,915.94	\$41,734.25	\$42,568.94	\$43,420.32	\$44,288.72
Total Expenses		\$11,250.00	\$11,615.63	\$11,993.13	\$12,382.91	\$12,785.35	\$13,200.88	\$13,629.91	\$14,072.88	\$14,530.25
Net Operating Income		\$26,550.00	\$26,940.38	\$27,333.99	\$27,730.75	\$28,130.58	\$28,533.38	\$28,939.03	\$29,347.44	\$29,758.48
Less: Debt Service		\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45	\$26,016.45
Before-Tax Cash Flow		\$533.55	\$923.93	\$1,317.54	\$1,714.30	\$2,114.13	\$2,516.93	\$2,922.58	\$3,330.99	\$3,742.03

CASH FLOW, DEBT COVERAGE, AND YIELD											
Year	0	1	2	3	4	5	6	7	8	9	10
Free Cash Flow		-\$50,611.72	\$533.55	\$923.93	\$1,317.54	\$1,714.30	\$2,114.13	\$2,516.93	\$2,922.58	\$3,330.99	\$3,742.03
Year		2	3	4	5	6	7	8	9	10	
Debt Coverage Ratio		2.05%	3.55%	5.06%	6.59%	8.13%	9.67%	11.23%	12.80%	14.38%	
Annual Yield (Cash on Cash)		0.44%	0.77%	1.10%	1.43%	1.76%	2.09%	2.43%	2.77%	3.11%	

CAPITAL GAP FINANCING	
Capital Investment Gap	\$0.00
No Capital Investment Gap:	
Tax-Exempt Cash Flow Exceeds Debt Service in First Year of Operations (Year Two)	

Appendix B: Financial Parameters – 18,000 SF Facility

APPENDIX B Development Costs 18,000 SF Incubator

Building Square Feet	18,000
Site Square Feet	21,600
Land Acquisition Cost	\$120,000.00
Land Cost Per SF	\$5.56

Construction Costs	Cost / SF	Total Cost
<u>Hard Costs</u>		
Standard Foundation	\$2.23	\$40,140.00
Shell	\$27.00	\$486,000.00
Interior	\$18.00	\$324,000.00
Plumbing	\$3.25	\$58,500.00
HVAC	\$16.85	\$303,300.00
Fire	\$0.74	\$13,320.00
Electrical	\$18.25	\$328,500.00
Hard Cost Subtotal	\$86.32	\$1,553,760.00
<u>Soft Cost</u>		
Contractors Fees	\$17.25	\$310,500.00
Architect	\$7.00	\$126,000.00
Legal	\$3.00	\$54,000.00
Soft Cost Subtotal	\$27.25	\$490,500.00
<u>Total Building Costs</u>	<u>\$113.57</u>	<u>\$2,044,260.00</u>
<u>Other Costs</u>		
Parking (15 spots)	\$400.00 / Spot	\$6,000.00
Tenant Improvements	\$12.86	\$231,480.00
Other Costs Subtotal	\$13.19	\$237,480.00
<u>Total Building Costs w/ Other Costs</u>		<u>\$2,281,740.00</u>
Acquisition Cost	\$5.56	\$120,000.00
<u>Total Building Costs w/ Other Costs & Acquisition</u>		<u>\$2,401,740.00</u>

Source: RSMeans, 2006.

APPENDIX B
Estimated Operating Expenses: Incubator 18,000 SF
 Lawrenceville, VA

Operating Expenses	Cost / SF	% of Total Operating Expenses
Electricity	\$0.42	11.20%
Water & Sewer	\$0.05	1.33%
HVAC Fuel		
Gas	\$0.02	0.53%
Fuel Oil	\$0.01	0.27%
Electricity	\$1.41	37.60%
Subtotal Utilities	\$1.91	50.93%

Operating Expenses	Cost / SF	% of Total Operating Expenses
Heating/AC Repairs	\$0.10	2.67%
Electric Repairs	\$0.04	1.07%
Plumbing Repairs	\$0.03	0.80%
General Building Exterior Repairs	\$0.11	2.93%
Roof Repairs	\$0.02	0.53%
Parking Lot Repairs	\$0.01	0.27%
General Building Interior Repairs	\$0.05	1.33%
Miscellaneous Repairs	\$0.29	7.73%
Subtotal Maintenance/Repairs	\$0.65	17.33%

Operating Expenses	Cost / SF	% of Total Operating Expenses
Janitorial	\$0.78	20.80%
Landscape	\$0.19	5.07%
Trash Removal	\$0.04	1.07%
Window Washing	\$0.06	1.60%
Snow Removal	\$0.07	1.87%
Miscellaneous	\$0.05	1.33%
Subtotal Services	\$1.19	31.73%

Total Net Operating Expenses	\$3.75	100.00%
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Operating Expenses	Cost / SF	% of Total Operating Expenses
Subtotal Utilities	\$1.91	50.93%
Subtotal Maintenance/Repairs	\$0.65	17.33%
Subtotal Services	\$1.19	31.73%
Total	\$3.75	100.00%

Square Feet	Total Costs	Total Costs Per GLA
18,000	\$67,500.00	\$3.75

Source: IREM Institute of Real Estate Management. Income/Expense Analysis. Office Buildings. 2007 Edition

APPENDIX B
Revenue Sources: 18,000 SF Incubator
Lawrenceville, VA

Copy Center Services	Cost	Price	Pages/Year	Annual Revenue	Annual Expense	Annual Net Income
Copy Machine	\$0.10	\$0.15	240000	\$36,000.00	\$24,000.00	\$12,000.00
Fax - send	\$0.05	\$1.50	1500	\$2,250.00	\$75.00	\$2,175.00
Fax - receive	\$0.10	\$1.00	900	\$900.00	\$90.00	\$810.00
Typing services rendered	\$2.00	\$3.00	1200	\$3,600.00	\$2,400.00	\$1,200.00
Total	\$2.25	\$5.65	\$243,600.00	\$42,750.00	\$26,565.00	\$16,185.00

NOTE: "Annual Expense" equals cost basis of all copy center expenditures excluding labor; labor costs are included in the incubator income statement.

Conference & Graphic Design Room Rental	Rental Hours/Mn	Rate/Hr	Month Gross Rev	Annual Revenue	Annual Expense	Annual Net Income
Small Conference Room	25	\$35.00	\$875.00	\$10,500.00	\$7,500.00	\$3,000.00
Large Conference Room	20	\$125.00	\$2,500.00	\$30,000.00	\$24,000.00	\$6,000.00
Graphic Design Room	15	\$150.00	\$2,250.00	\$27,000.00	\$22,500.00	\$4,500.00
Total	60	\$310.00	\$5,625.00	\$67,500.00	\$54,000.00	\$13,500.00

Note: "Annual Expense" is based on an estimated 28% margin on room rentals.

Virtual Office & Office Leasing/Timeshare	Users	Price	Month Gross Rev	Annual Revenue	Annual Expense	Annual Net Income
Level 1 (vmail, email, address)	3	\$120.00	\$360.00	\$4,320.00	\$1,728.00	\$2,592.00
Level 2 (plus live phone answering)	5	\$160.00	\$800.00	\$9,600.00	\$3,840.00	\$5,760.00
Level 3 (plus mail forwarding, 16hrs office use; 4 conference)	9	\$220.00	\$1,980.00	\$23,760.00	\$9,504.00	\$14,256.00
Level 4 (plus 30hrs office, 8 conference, 24 hour access)	13	\$350.00	\$4,550.00	\$54,600.00	\$21,840.00	\$32,760.00
Level 5 (plus data storage, 100hrs office, 16 conference)	17	\$650.00	\$11,050.00	\$132,600.00	\$53,040.00	\$79,560.00
Total	47	\$1,500.00	\$18,740.00	\$224,880.00	\$89,952.00	\$134,928.00

Note: "Annual Expense" is based on an estimated 40% margin on Virtual Office revenues.

Other Services From Software	Price/Service	Users Annual	Annual Revenue	Annual Expense	Annual Net Income
Entity Organization Services	\$70.00	40.00	\$2,800.00	\$560.00	\$2,240.00
Wills/Trusts	\$60.00	75.00	\$4,500.00	\$900.00	\$3,600.00
General Legal / Contracts	\$50.00	65.00	\$3,250.00	\$650.00	\$2,600.00
Accounting & Financing	\$60.00	68.00	\$4,080.00	\$816.00	\$3,264.00
Tax	\$75.00	72.00	\$5,400.00	\$1,080.00	\$4,320.00
Real Estate / Leasing Docs	\$50.00	72.00	\$3,600.00	\$720.00	\$2,880.00
Human Resources	\$25.00	70.00	\$1,750.00	\$350.00	\$1,400.00
Business Plan Writing / Documents	\$65.00	67.00	\$4,355.00	\$871.00	\$3,484.00
Marketing Program	\$55.00	63.00	\$3,465.00	\$693.00	\$2,772.00
Graphic Design Programs & Publishing	\$65.00	63.00	\$4,095.00	\$819.00	\$3,276.00
Total	\$575.00	655.00	\$37,295.00	\$7,459.00	\$29,836.00

Note: "Annual Expense" is based on an estimated 80% margin, excluding associated labor; labor costs are included in the incubator income statement.

Courses	Price	Students	Annual Revenue	Annual Expense	Annual Net Income
How to start a business	\$100.00	10	\$1,000.00	\$2,000.00	-\$1,000.00
How to start a food related business	\$100.00	8	\$800.00	\$2,000.00	-\$1,200.00
Understanding bookkeeping & financials I	\$100.00	15	\$1,500.00	\$2,000.00	-\$500.00
Understanding bookkeeping & financials II	\$100.00	20	\$2,000.00	\$2,000.00	\$0.00
Taxes and the small business owner	\$300.00	13	\$3,900.00	\$2,000.00	\$1,900.00
Leading edge (marketing, finance, cash flow, legal)	\$100.00	3	\$300.00	\$2,000.00	-\$1,700.00
Total	\$900.00	84.00	\$11,000.00	\$14,000.00	-\$3,000.00

Note: "Annual Expense" is based on estimated costs of instructor salaries and student instruction materials.

Course Packages (includes services above)	Price	Students	Annual Revenue	Annual Expenses	Annual Net Income
Entrepreneur Package	\$2,847.00	10	\$28,470.00	\$5,694.00	\$22,776.00
Business Builder Package	\$3,997.00	10	\$39,970.00	\$11,991.00	\$27,979.00
Growing Your Business Package	\$7,597.00	10	\$75,970.00	\$22,791.00	\$53,179.00
Total	\$14,441.00	\$30.00	\$144,410.00	\$40,476.00	\$103,934.00

Note: "Annual Expense" is based on estimated costs of instructor salaries and student instruction materials.

Total Gross Annual Revenue	\$527,835.00
Total Annual Expenses	\$232,452.00
Total Annual Net Income	\$295,383.00

Source: <http://rbi.tazewellcounty.org/services.htm>
 Source: <http://www.gjincubator.org/info/classes.htm>

APPENDIX B
Cash Flow Projection: 18,000 SF Incubator
Lawrenceville, VA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Estimated Operating Revenue										
Copy Center										
Copy Machine	\$12,000.00	\$12,000.00	\$12,180.00	\$12,484.50	\$12,765.40	\$13,122.83	\$13,542.76	\$13,949.05	\$14,472.14	\$14,978.66
Fax - send	\$2,175.00	\$2,207.63	\$2,262.82	\$2,313.73	\$2,375.51	\$2,437.26	\$2,498.97	\$2,560.64	\$2,622.27	\$2,714.88
Fax - receive	\$810.00	\$810.00	\$822.15	\$842.70	\$861.66	\$885.79	\$914.14	\$941.56	\$976.87	\$1,011.06
Typing services rendered	\$1,200.00	\$1,200.00	\$1,218.00	\$1,248.45	\$1,276.54	\$1,312.28	\$1,354.28	\$1,394.90	\$1,447.21	\$1,497.87
Total Copy Center Revenue	\$16,185.00	\$16,185.00	\$16,427.78	\$16,838.47	\$17,217.33	\$17,659.42	\$18,265.80	\$18,813.78	\$19,519.29	\$20,202.47
Conference and Design Room Rental										
Small Conference Room	\$3,000.00	\$3,000.00	\$3,045.00	\$3,121.13	\$3,191.35	\$3,280.71	\$3,385.69	\$3,487.26	\$3,618.03	\$3,744.66
Large Conference Room	\$6,000.00	\$6,000.00	\$6,090.00	\$6,242.25	\$6,382.70	\$6,561.42	\$6,771.38	\$6,974.52	\$7,236.07	\$7,489.33
Graphic Design Room	\$4,500.00	\$4,500.00	\$4,587.50	\$4,681.69	\$4,787.03	\$4,921.06	\$5,078.54	\$5,230.89	\$5,427.05	\$5,617.00
Total Conference and Graphic Design Room Revenue	\$13,500.00	\$13,500.00	\$13,722.50	\$14,045.06	\$14,361.08	\$14,763.19	\$15,235.61	\$15,692.68	\$16,281.15	\$16,850.99
Virtual Office										
Level 1 (email, address)	\$4,320.00	\$4,320.00	\$4,394.80	\$4,494.42	\$4,595.54	\$4,724.22	\$4,875.39	\$5,021.66	\$5,209.97	\$5,395.32
Level 2 (plus live phone answering)	\$9,600.00	\$9,600.00	\$9,744.00	\$9,987.60	\$10,212.32	\$10,496.27	\$10,834.21	\$11,159.24	\$11,577.71	\$11,982.93
Level 3 (plus mail forwarding, 16hrs office use, 4 conference)	\$23,760.00	\$23,760.00	\$24,116.40	\$24,719.31	\$25,275.49	\$25,983.21	\$26,814.67	\$27,619.11	\$28,654.83	\$29,657.75
Level 4 (plus 30hrs office, 8 conference, 24 hour access)	\$54,600.00	\$54,600.00	\$55,419.00	\$56,804.48	\$58,082.58	\$59,708.89	\$61,619.57	\$63,468.16	\$65,848.22	\$68,152.90
Level 5 (plus data storage, 100hrs office, 16 conference)	\$132,600.00	\$132,600.00	\$134,589.00	\$137,953.73	\$141,057.68	\$145,007.30	\$149,647.53	\$154,136.96	\$159,917.09	\$165,514.19
Total Virtual Office Revenue	\$224,880.00	\$224,880.00	\$228,253.20	\$233,959.53	\$239,223.62	\$245,921.88	\$253,791.38	\$261,405.12	\$271,207.81	\$280,700.09
Business Document Services										
Entity Organization Services	\$2,800.00	\$2,800.00	\$2,842.00	\$2,913.05	\$2,978.59	\$3,061.99	\$3,159.98	\$3,254.78	\$3,376.83	\$3,495.02
Wills/Trusts	\$4,500.00	\$4,500.00	\$4,567.50	\$4,681.69	\$4,787.03	\$4,921.06	\$5,078.54	\$5,230.89	\$5,427.05	\$5,617.00
General Legal / Contracts	\$3,250.00	\$3,250.00	\$3,298.75	\$3,381.22	\$3,457.30	\$3,554.10	\$3,667.83	\$3,777.87	\$3,919.54	\$4,056.72
Accounting & Financing	\$4,080.00	\$4,080.00	\$4,141.20	\$4,244.73	\$4,340.24	\$4,461.76	\$4,604.54	\$4,742.68	\$4,920.53	\$5,092.74
Tax	\$5,400.00	\$5,400.00	\$5,481.00	\$5,618.03	\$5,744.43	\$5,905.27	\$6,094.24	\$6,277.07	\$6,512.40	\$6,740.40
Real Estate / Leasing Docs	\$3,600.00	\$3,600.00	\$3,654.00	\$3,745.35	\$3,829.62	\$3,936.85	\$4,062.63	\$4,184.71	\$4,341.64	\$4,493.60
Human Resources	\$1,750.00	\$1,750.00	\$1,776.25	\$1,820.66	\$1,861.62	\$1,913.75	\$1,974.89	\$2,034.24	\$2,110.52	\$2,184.39
Business Plan Writing / Documents	\$4,355.00	\$4,355.00	\$4,420.33	\$4,530.83	\$4,632.78	\$4,762.49	\$4,914.89	\$5,062.94	\$5,252.16	\$5,436.01
Marketing Program	\$3,465.00	\$3,465.00	\$3,516.96	\$3,604.90	\$3,686.01	\$3,789.22	\$3,910.47	\$4,027.79	\$4,176.83	\$4,325.09
Graphic Design Programs & Publishing	\$4,095.00	\$4,095.00	\$4,156.43	\$4,260.34	\$4,396.19	\$4,478.17	\$4,621.47	\$4,760.11	\$4,938.62	\$5,111.47
Total Business Document Services Revenue	\$37,295.00	\$37,295.00	\$37,854.43	\$39,800.79	\$39,673.80	\$40,784.67	\$42,089.78	\$43,352.47	\$44,976.19	\$46,552.43
Courses										
How to start a business	\$1,000.00	\$1,000.00	\$1,015.00	\$1,040.38	\$1,063.78	\$1,089.57	\$1,128.56	\$1,162.42	\$1,206.01	\$1,248.22
How to start a food related business	\$800.00	\$800.00	\$812.00	\$832.30	\$851.03	\$874.86	\$902.85	\$929.94	\$964.81	\$998.58
Understanding bookkeeping & financials I	\$1,500.00	\$1,500.00	\$1,522.50	\$1,560.56	\$1,595.68	\$1,640.35	\$1,692.85	\$1,743.63	\$1,809.02	\$1,872.33
Understanding bookkeeping & financials II	\$1,500.00	\$1,500.00	\$1,522.50	\$1,560.56	\$1,595.68	\$1,640.35	\$1,692.85	\$1,743.63	\$1,809.02	\$1,872.33
Taxes and the small business owner	\$2,000.00	\$2,000.00	\$2,030.00	\$2,080.75	\$2,127.57	\$2,187.14	\$2,257.13	\$2,324.84	\$2,412.02	\$2,496.44
Leading edge (marketing, finance, cash flow, legal)	\$3,900.00	\$3,900.00	\$3,958.50	\$4,057.46	\$4,148.76	\$4,203.44	\$4,401.40	\$4,533.44	\$4,703.44	\$4,868.06
How to protect your intellectual property	\$300.00	\$300.00	\$304.50	\$312.11	\$319.14	\$328.07	\$338.57	\$348.73	\$361.80	\$374.47
Entrepreneur Package	\$28,470.00	\$28,470.00	\$28,897.05	\$29,619.48	\$30,265.91	\$31,133.92	\$32,130.21	\$33,094.11	\$34,335.14	\$35,636.87
Rainmaker Package	\$39,970.00	\$39,970.00	\$40,589.55	\$41,583.79	\$42,519.42	\$43,708.97	\$45,108.69	\$46,461.95	\$48,204.27	\$49,891.42
Visitation Package	\$75,970.00	\$75,970.00	\$77,109.55	\$79,037.29	\$80,815.65	\$83,078.47	\$85,736.96	\$88,309.09	\$91,620.66	\$94,827.40
Total Courses Revenue	\$155,410.00	\$155,410.00	\$157,741.15	\$161,884.68	\$165,322.58	\$169,951.62	\$175,350.07	\$180,651.77	\$187,426.21	\$193,966.13

Total Estimated Operating Revenue	\$447,270.00	\$447,270.00	\$463,979.05	\$475,798.42	\$489,120.77	\$504,772.64	\$519,916.82	\$539,412.66	\$558,292.10
Estimated Operating Expenses									
Copy Center	\$26,565.00	\$27,096.30	\$28,190.99	\$28,754.81	\$29,329.91	\$29,916.50	\$30,514.83	\$31,125.13	\$31,747.63
Conference & Graphic Design Room Rental	\$54,000.00	\$55,080.00	\$57,305.23	\$58,451.34	\$59,620.36	\$60,812.77	\$62,029.03	\$63,269.61	\$64,535.00
Virtual Office	\$134,928.00	\$137,626.56	\$143,186.67	\$146,050.41	\$148,971.41	\$151,950.84	\$154,989.66	\$158,089.66	\$161,251.45
Legal Document	\$7,459.00	\$7,608.18	\$7,760.34	\$8,073.96	\$8,235.34	\$8,400.05	\$8,568.05	\$8,739.41	\$8,914.20
Courses	\$54,476.00	\$55,565.52	\$57,810.37	\$58,966.57	\$60,145.91	\$61,348.82	\$62,575.80	\$63,827.32	\$65,103.86
Advertising	\$2,500.00	\$2,550.00	\$2,653.02	\$2,706.08	\$2,760.20	\$2,815.41	\$2,871.71	\$2,929.15	\$2,987.73
Accounting & Legal	\$7,000.00	\$7,140.00	\$7,282.80	\$7,428.45	\$7,576.93	\$7,728.14	\$7,881.14	\$8,036.89	\$8,195.65
Telephone/Cable/Internet	\$6,600.00	\$6,732.00	\$6,866.64	\$7,003.97	\$7,144.05	\$7,286.93	\$7,431.39	\$7,577.35	\$7,723.61
Miscellaneous	\$15,000.00	\$15,300.00	\$15,918.12	\$16,286.46	\$16,661.21	\$16,982.44	\$17,230.29	\$17,574.69	\$17,923.39
Salary	\$150,000.00	\$153,000.00	\$159,161.20	\$162,364.82	\$165,612.12	\$168,924.36	\$172,302.85	\$175,748.91	\$179,263.89
Rent	\$118,584.00	\$120,935.68	\$123,374.79	\$125,842.29	\$128,356.32	\$130,914.84	\$133,521.74	\$136,180.06	\$138,890.26
Total Estimated Operating Expenses	\$577,112.00	\$588,654.24	\$600,427.32	\$612,435.87	\$624,684.59	\$637,178.28	\$650,921.85	\$665,178.69	\$679,091.66
Total Estimated Operating Expenses	\$577,112.00	\$588,654.24	\$600,427.32	\$612,435.87	\$624,684.59	\$637,178.28	\$650,921.85	\$665,178.69	\$679,091.66
Estimated Income from Operations	-\$129,842.00	-\$141,384.24	-\$146,448.27	-\$147,107.35	-\$148,886.17	-\$145,149.21	-\$143,004.47	-\$136,766.03	-\$132,799.56
Revenue Per Gross Leasable Area	\$27.61	\$27.61	\$28.02	\$29.37	\$30.19	\$31.16	\$32.09	\$33.30	\$34.46
Revenue Growth Rate	0.00%	1.50%	2.50%	2.80%	3.20%	3.00%	3.75%	3.50%	3.50%

APPENDIX B

Lawrenceville, VA Incubator: 18,000 SF 15 Office Suites, Large and Small Conference Room, Computer Center Mixed Office, Warehouse, Flex Space

Incubator GLA	2,700.00	Incubator Rent	\$14.00 per GLA
Warehouse / Flex GLA	13,500.00	Warehouse / Flex Rent	\$6.00 per GLA
Property Appreciation	3.00% per year	Holding Pd.	10 years
Selling Costs	0.00% n/a	Permanent Financing	
Gross Building Area	18,000	Loan Fee	1.00% of loan
Gross Leasable Area	16,200	Loan Fee Amort	10 years
Land Acq. & Closing	\$120,000	Loan Amortization	15 years
Incubator Improvements	237,480	Loan Term	15 years
Hard Costs	\$1,553,760	Interest Rate	4.65%
Soft Costs	\$490,500	Payments per Year	12
Leasing Commissions	-	Construction Loan	70% project costs
Total Weighted Avg Rent	\$7.32 per GLA	Loan Amount	\$1,681,218.00
Rent Growth	2.00% per year	Term	12 months
Overage Percentage	0.00% on gross sales	% drawn first 4 mos.	75.00%
Overage on Excess over	na per GLA	% drawn last months	25.00%
Average Sales	na per GLA	Interest Rate	4.65%
Sales Growth Yr 2 - Yr 3	na	Loan Fee	1.00%
Sales Growth	na per year	Tax Considerations	tax-exempt
Tenant Reimbursement	na per GLA, yr 2	Marginal Tax Rate	0.00%
Tenant Reimb. Growth	na per year	Capital Gains Rate	0.00%
Expenses	\$3.75 per GLA	Depreciation	
Exp. Growth Yr 2 - Yr 3	2.00%	Capital Improvements	31.5 years - S/L
Expenses Growth	3.25% per year	Capital Improvements	90.00% of total
Vacancy Yr 2	na	Tenant Improvements	7 years - DDB
Vacancy beginning Yr 3	na	Tenant Improvements	10.00% of total

TOTAL COST BREAKDOWN

Site Acq. & Close	\$120,000
Incubator Improvements	\$237,480
Hard Costs	\$1,553,760
Soft Costs	\$490,500

Total Project Costs	\$2,401,740
Loan Amount	\$1,681,626
Equity Needed	\$720,114

Total Project Costs	\$2,401,740
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Perm Loan Fee Amount	\$16,816.26
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CONSTRUCTION LOAN DRAWS & REPAYMENT:

End of Month	Project Costs	Interest	Ending Balance	Payoff	Lender's Cash Flow
0					\$16,816
1	\$315,228	\$0	\$315,228	\$0	-\$315,228
2	\$315,228	\$1,222	\$631,678	\$0	-\$315,228
3	\$315,228	\$2,448	\$949,354	\$0	-\$315,228
4	\$315,228	\$3,679	\$1,268,262	\$0	-\$315,228
5	\$52,538	\$4,915	\$1,325,714	\$0	-\$52,538
6	\$52,538	\$5,137	\$1,383,389	\$0	-\$52,538
7	\$52,538	\$5,361	\$1,441,288	\$0	-\$52,538
8	\$52,538	\$5,585	\$1,499,411	\$0	-\$52,538
9	\$52,538	\$5,810	\$1,557,759	\$0	-\$52,538
10	\$52,538	\$6,036	\$1,616,334	\$0	-\$52,538
11	\$52,538	\$6,263	\$1,675,135	\$0	-\$52,538
12	\$52,538	\$6,491	\$1,734,164	\$1,681,626	\$1,681,626
Total	\$1,681,218.00	\$52,946.27			

Yield to Lender

6.19%

SUMMARY OF PERMANENT LOAN											
Year of Loan	2	3	4	5	6	7	8	9	10		
Payment	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	\$155,923	
Mortgage Balance	\$1,602,220	\$1,519,042	\$1,431,913	\$1,340,645	\$1,245,041	\$1,144,895	\$1,039,992	\$930,106	\$815,000	\$690,000	
Interest	\$76,517	\$72,745	\$68,794	\$64,655	\$60,319	\$55,778	\$51,021	\$46,037	\$40,817	\$35,400	
Principal	\$79,406	\$83,178	\$87,129	\$91,268	\$95,604	\$100,145	\$104,903	\$109,886	\$115,106	\$120,600	
SUMMARY OF DEPRECIABLE COSTS											
On/Off Site Improvements	\$237,480										
Hard Costs	\$1,553,760										
Soft Costs	\$456,867										
Total Depreciable Costs	\$2,248,107										
CONSTRUCTION PERIOD CASH FLOWS											
Year	0	1	2	3	4	5	6	7	8	9	10
Site Acq. and Closing	\$120,000.00										
Site Improvements		\$237,480.00									
Hard Costs		\$1,553,760.00									
Soft Costs*		\$403,921.21									
*(less interest & loan fees)											
Permanent Loan Fee											
Construction Loan Fee	\$16,816.26										
Construction Interest		\$52,946.27									
Total Constr. Outflow	\$153,632.52	\$2,248,107.48									
Less: Total Draws	\$0.00	\$1,681,628.21									
Total Equity Needed	\$153,632.52	\$566,481.27									
TOTAL OPERATING PERIOD CASH FLOWS											
Year	1	2	3	4	5	6	7	8	9	10	
Rent	\$118,584.00	\$120,955.68	\$120,955.68	\$123,374.79	\$125,842.29	\$128,359.14	\$130,926.32	\$133,544.84	\$136,215.74	\$138,940.06	
PGI	\$118,584.00	\$120,955.68	\$120,955.68	\$123,374.79	\$125,842.29	\$128,359.14	\$130,926.32	\$133,544.84	\$136,215.74	\$138,940.06	
Less: Vacancy	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
EGI	\$118,584.00	\$120,955.68	\$120,955.68	\$123,374.79	\$125,842.29	\$128,359.14	\$130,926.32	\$133,544.84	\$136,215.74	\$138,940.06	
Total Expenses	\$60,750.00	\$62,724.38	\$64,769.92	\$66,887.71	\$69,040.91	\$71,284.74	\$73,601.50	\$75,993.55	\$78,463.24	\$80,976.72	
Net Operating Income	\$57,834.00	\$58,231.31	\$56,185.76	\$56,487.08	\$56,801.38	\$57,074.40	\$57,241.60	\$57,551.34	\$57,752.50	\$58,063.34	
Less: Debt Service	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	\$153,923.41	
Before-Tax Cash Flow	-\$566,481.27	-\$98,089.41	-\$97,692.10	-\$97,311.53	-\$96,948.83	-\$96,605.18	-\$96,281.83	-\$95,980.06	-\$95,701.21	-\$95,446.69	
CASH FLOW, DEBT COVERAGE, AND YIELD											
Year	0	1	2	3	4	5	6	7	8	9	10
Free Cash Flow		\$153,632.52	\$98,089.41	\$97,692.10	\$97,311.53	\$96,948.83	\$96,605.18	\$96,281.83	\$95,980.06	\$95,701.21	\$95,446.69
Debt Coverage Ratio		-37.09%	-37.59%	-37.82%	-38.04%	-38.25%	-38.44%	-38.62%	-38.79%	-38.95%	-39.11%
Annual Yield (Cash on Cash)		-13.62%	-13.57%	-13.46%	-13.42%	-13.37%	-13.33%	-13.29%	-13.25%	-13.21%	-13.17%
CAPITAL GAP FINANCING											
Capital Investment Gap		\$1,508,760.00									

Appendix C: Incubator Resources

Incubator Resources: Funding, Partnerships, Networking & Guidance		
Organization	Description	Website
Virginia Department of Business Assistance	The VDBA is the economic development agency devoted to the growth and success of the Commonwealth's business community. VDBA programs provide: access to capital, small business counseling, workforce training, and proactive business problem-solving.	http://www.dba.state.va.us/
Virginia Business Incubator Association	VBIA members get free and discounted educational opportunities. Members gain access to incubator networking opportunities and access resources on issues ranging from employment law to work-flow management.	http://www.vbia.org/html/links.html
Association for Enterprise Opportunity	AEO supports the development of strong and effective U.S. microenterprise initiatives to assist underserved entrepreneurs in starting, stabilizing, and expanding businesses.	www.microenterpriseworks.org
CDFI Fund, U.S. Department of Treasury	The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.	www.cdfifund.gov
Community Development Venture Capital Alliance	CDVC funds provide equity capital to businesses in underinvested markets, seeking market-rate financial returns, as well as the creation of good jobs, wealth, and entrepreneurial capacity.	www.cdvca.org
Consortium for Entrepreneurship Education	The Consortium Champions Entrepreneurship Education and Provides Advocacy, Leadership, Networking, Technical Assistance, and Resources nationally across all levels and disciplines of education, promoting Quality Practices and Programs.	www.entre-ed.org

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<p>Corporation for Enterprise Development</p>	<p>CFED expands economic opportunities by helping Americans start and grow businesses, go to college, own a home, and save for their children’s and own economic futures.</p>	<p>www.cfed.org</p>
<p>Education, Training and Enterprise Center</p>	<p>EDTEC's mission is to provide the best management, training, education and information technology consulting services.</p>	<p>www.edtecinc.com</p>
<p>Kauffman Foundation</p>	<p>Works with partners to encourage entrepreneurship across America and improve the education of children and youth.</p>	<p>www.entreworld.org</p>
<p>FastTrac, a Kauffmann Foundation Program</p>	<p>FastTrac is a comprehensive entrepreneurship-educational program that provides entrepreneurs with business insights, leadership skills and professional networking connections so they are prepared to create a new business or expand an existing enterprise.</p>	<p>www.fasttrac.org</p>
<p>National Association for Small Business Investment Companies</p>	<p>SBICs are privately organized and managed venture capital firms licensed by the U.S. Small Business Administration (SBA) to make equity capital or long-term loans available to small companies.</p>	<p>www.nasbic.org</p>
<p>National Association of Seed and Venture Funds</p>	<p>The National Association of Seed and Venture Funds is an organization of innovation capital leaders: private, public and non-profit organizations committed to building their local economies by investing in local entrepreneurs.</p>	<p>www.nasvf.org</p>
<p>National Business Incubation Association</p>	<p>Provides thousands of professionals with the information, education, advocacy and networking resources to bring excellence to the process of assisting early-stage companies worldwide.</p>	<p>www.nbia.org</p>

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<p>National Council on Economic Education</p>	<p>The program helps schools and school districts to set standards, train teachers, develop curriculum, and evaluate results, so that every student leaves twelfth grade with at least a basic level of economic literacy.</p>	<p>www.ncee.net/ea/</p>
<p>National Venture Capital Association</p>	<p>NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy and support entrepreneurial activity and innovation.</p>	<p>www.nvca.org</p>
<p>NxLevel Training Network</p>	<p>The NxLevel Entrepreneurial Training Programs are practical, hands-on business development courses designed to help entrepreneurs advance their skills in starting growing and managing their business.</p>	<p>www.nxlevel.org</p>
<p>State Science of Technology Institute</p>	<p>SSTI is a national non-profit organization that leads, supports, and strengthens efforts to state and regional economies through science, technology and innovation.</p>	<p>www.ssti.org</p>
<p>U.S. Small Business Administration</p>	<p>Provides aid, counsels, assists and protects the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.</p>	<p>www.sba.gov</p>
<p>Community Development Financial Institutions (CDFI) Fund</p>	<p>CDFI promotes access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations' lending, investment, and services in underserved markets.</p>	<p>www.cdfifund.gov</p>
<p>Economic Development Administration</p>	<p>EDA provides direct grants on a cost-share basis for projects that will create and retain private-sector jobs and leverage public and private investment in distressed areas.</p>	<p>www.eda.gov</p>

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<p>SBA Certified Development Company (504) Loan Program</p>	<p>The SBA Certified Development Company Loan Program is a long-term financing tool for economic development within a community. The 504 program provides financing to non-profit Certified Development Companies (CDCs) who assist growing businesses with long-term, fixed-rate financing for major fixed assets, such as long and buildings.</p>	<p>www.sba.gov</p>
<p>SBA Micro-Loan Program</p>	<p>The SBA Micro-Loan Program provides very small loans to start-up, newly established, or growing small business concerns. SBA makes funds available to non-profit community based lenders (intermediaries), which, in turn, make loans to eligible borrowers in amounts up to \$35,000.</p>	<p>www.sba.gov</p>
<p>The Economic Development Finance Service</p>	<p>A membership organization affiliated with the National Association of Development Organizations (NADO), offers general background information and an annual training institute for fund managers and staff.</p>	<p>www.nado.org/edfs</p>
<p>The National Development Council</p>	<p>Offers a wide range of certificate and professional training programs for community development professionals.</p>	<p>www.nationaldevelopmentcouncil.org</p>
<p>The International Economic Development Council</p>	<p>Offers a professional development training series for community economic development leaders and professionals.</p>	<p>www.iedonline.com</p>