



Tupelo/Lee County, Mississippi

Small Business Incubator Feasibility Study

Conducted for:

Community Development Foundation



November 2001

Table of Contents

Executive Summary	-1-
Recommendations	-2-
Incubator Concept	-3-
Section 1: Critical Mass Analysis and Current Economic Situation	-7-
Critical Mass Analysis	-8-
Current Economic Situation	-13-
Section 2: Demand Analysis	-20-
Section 3: Property Assessment	-26-
Section 4: Program Design	-29-
Section 5: Organizational Structure and Governance	-34-
Section 6: Financial Analysis	-37-
Section 7: Implementation Track and Marketing Plan	-45-
Implementation Track	-46-
Pre-Opening Marketing Plan	-47-
Appendix A: Job Cost Benefit Analysis	-49-
Appendix B: Trend Analysis	-52-
Appendix C: Sample Organizational Documents	-58-

Executive Summary

- Tupelo/Lee County has an exceptional critical mass base to support an incubator program. Lee County's critical mass score of 31 is one of the highest we have seen in Mississippi. A vital part of the critical mass assessment is the local leadership's attitude toward the incubator concept. Based on our leadership briefings conducted in the area, we deem the leadership attitude in Tupelo/Lee county to be Very Positive at the present time.
- We judge the amount of demand for incubator space and services in the Tupelo/Lee County area to be adequate at the present time. There is a potential pool of entrepreneurs in the area that fit the profile of incubator tenants. A good referral network, an attractive training adjunct, and a creative marketing plan can capture this pool of entrepreneurs. We believe the majority of tenant prospects in the Tupelo/ Lee County area will demand professional/service type space.
- During our survey of the available properties in the Tupelo/Lee area, we were unable to locate any existing buildings that we thought could be converted to incubator space. For this reason, we recommend that a suitable piece of land be acquired upon which a "built-to-suit" incubator facility can be constructed.
- Initially, the C.D.F. should accept the responsibility for creating and launching this project. A task force should be appointed to oversee implementation and to report back to the C.D.F. board. Prior to facility opening, this task force may evolve to a board of advisors to provide policy guidance and operating oversight or give way to a new board of advisors appointed by the investing partners.
- Estimated start-up costs for the incubator program are approximately \$1,450,103, with a first year operational budget of about \$138,401.

Recommendations

- < Tupelo/Lee County has sufficient critical mass and demand to support a full service business incubator and we recommend that steps be taken to launch such a program.
- < We recommend that first consideration be given to building a new facility to house the program.
- < Tupelo/Lee County should consider future expansion into an incubator network, linking satellite facilities in surrounding counties.
- < Initially, the C.D.F. should assume responsibility for overseeing the creation and launch of the program. We suggest C.D.F. appoint a task force to handle this assignment and report progress back to the foundation board.
- < Prior to program launch, a board of advisors should be appointed to provide policy guidance and operating oversight for the program.
- < As funding needs are clarified, it may be necessary to seek investing partners. If so, each investing partner should receive appointing authority to an operating board of advisors.
- < As to the specific site/location for the facility, first consideration should be given to any properties that can be donated to the program or other sites owned or controlled by the city or C.D.F. (keeping in mind the need for good visibility and marketability of the facility.)
- < The S.B.D.C. and I.C.C. should be strongly linked to the program to assure training and counseling support.

Incubator Concept

The following information and figures were taken directly from the National Business Incubation Association's (NBIA) website <http://www.nbia.org/>.

“Business incubation is a dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the startup period when they are most vulnerable. Incubators provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space — all under one roof.

An incubation program's main goal is to produce successful graduates — businesses that are financially viable and freestanding when they leave the incubator usually in two to three years. Thirty percent of incubator clients typically graduate each year. According to the Impact of Incubator Investments Study (1997), *87% of incubator graduates are still in business.*”

“Business Incubation is an economic development best value.

- For every \$1 of estimated annual public operating subsidy provided the incubator, clients and graduates of NBIA member incubators generate approximately \$45 in local tax revenue alone.
- NBIA members report that 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors.
- Publicly supported incubators create jobs at a cost of about \$1,100 each, whereas other publicly supported job creation mechanisms commonly cost more than \$10,000 per job created.
- NBIA estimates that North American incubator clients and graduates have created approximately half a million jobs since 1980. That is enough jobs to employ every person living in Denver, Colorado.
- Every 50 jobs created by an incubator client generate another 25 jobs in the community.”

The data illustrated in the next four figures are based on information from the NBIA's 10th Anniversary Survey of Business Incubators, 1985-1995: a Decade of Success and the 1998 State of the Business Incubation Industry report.

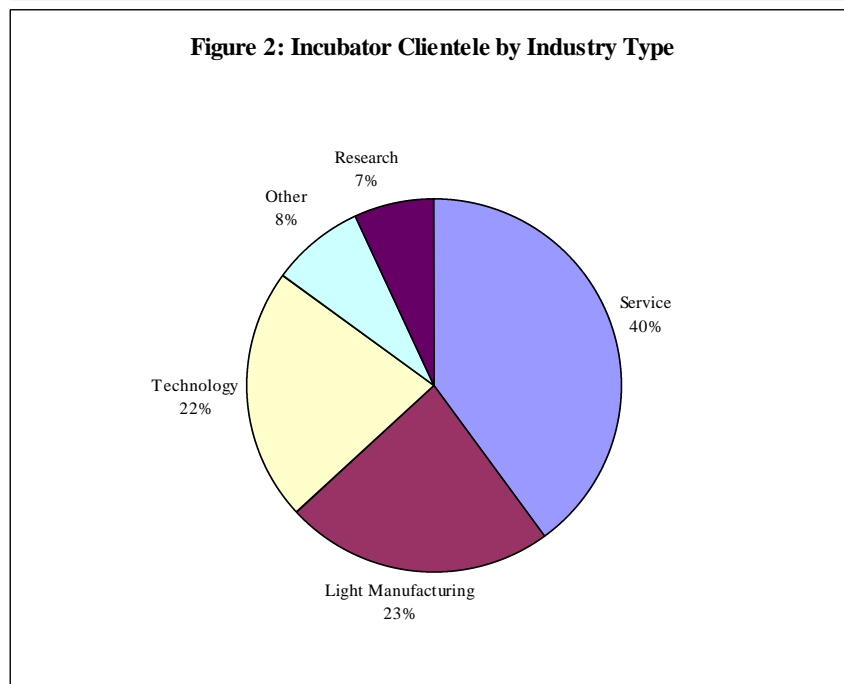
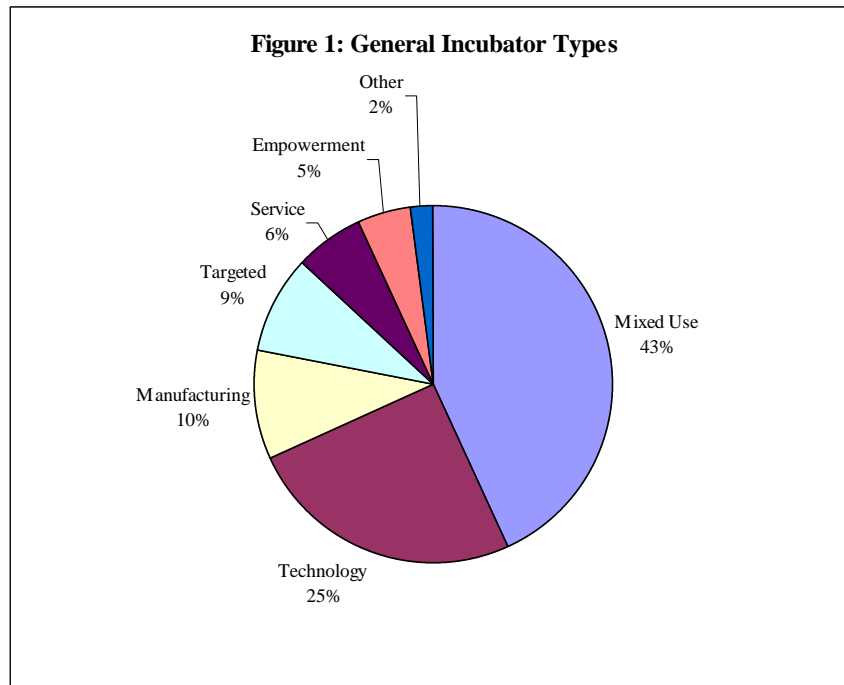


Figure 3: Average Space Rented to Tenants

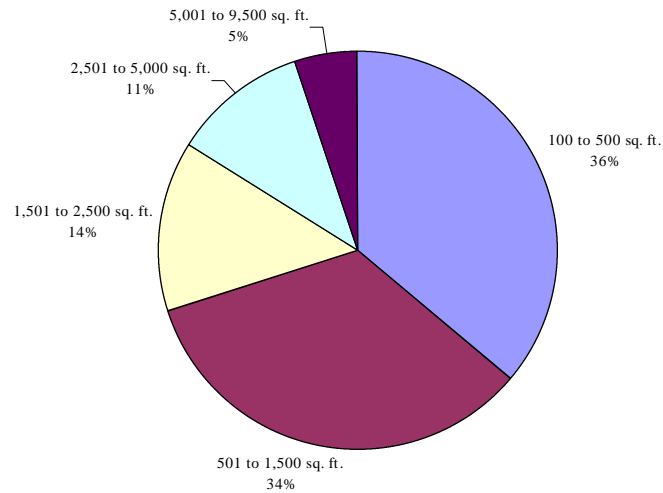
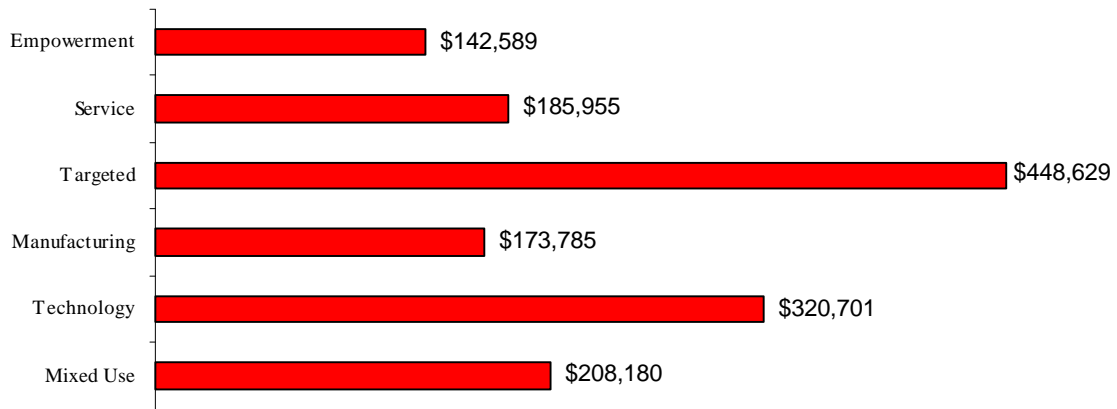


Figure 4: Annual Operating Expenses by Incubator Type



The following table lists the “typical” incubator services and the percent of NBIA affiliated incubators that offer them to their tenants. These figures were taken from the 1998 State of the Business Incubation Industry report.

Types of Services Offered to Incubator Tenants

Help with Business Basics	96%
Conference Rooms	92%
Marketing Assistance	89%
Shared Administrative Services	88%
Networking Activities	86%
Accounting/Financial Management	77%
Loan Access/Guarantee Programs	77%
Links to Higher Education Institute	76%
Telephone System/Answering	65%
Affiliate Programs	63%
Internet Access	62%
Investor/Strategic Partner Linkages	58%
Comprehensive Business Training Program	49%
General Legal Services	47%
Custom Equipment/Custom Leasing	45%
Management Team Development	44%
Federal Contract Procurement Assistance	43%
International Trade Assistance	42%
Shadow Boards/Mentoring	42%
New Product Assessment	41%
Technology Commercialization	40%
Computer Labs	40%
Intellectual Property Management	37%
Manufacturing Practices Assistance	37%
Help with Regulatory Compliance	31%
Management Information Systems	25%
Product Design Assistance	23%
Video Conferencing	19%

Section 1: Critical Mass Analysis and Current Economic Situation

Critical Mass Analysis

To launch and sustain a successful business incubator, the facility (or facilities) must be located in a region that enjoys a critical mass of support factors and possesses a degree of economic activity that provides a solid foundation for growth. Also important is are attitudes and the degree of commitment from local community leaders.

The primary objective of this section is to assess the critical mass in the Tupelo/Lee County area of Mississippi to determine if it has the potential to support a small business incubator facility.

Critical Mass Data Evaluated

Population Trends

Economic Activity	Non-Farm Proprietors
	Business Start-up Activity
	Retail Sales Trend
	Bank Deposits
	Private Employment Growth
	Number of Manufacturing Units
	Industrial Activity
Technical Core	Attorneys
	Certified Public Accountants
	Engineers
	Computer System Designers/Programmers
	Management, scientific & technical consultants
Educational Institutions	Four Year Colleges
	Two Year Schools
	Tech Schools
Industrial Development Organization	
Small Business Support	Chamber of Commerce
	Incubator Activity
	Small Business Development Center
Leadership Consensus	

After assembling and analyzing the data on the preceding critical mass factors, a numerical rating system is applied (see next page). The numerical totals from the critical mass data establishes the county's or region's potential to support an incubator facility.

CRITICAL MASS RATING AND NUMERICAL VALUE **FOR INDIVIDUAL COUNTIES**			
1.	Population Trends	Annual growth rate above state	2
		Annual growth rate below state but positive	1
		Annual growth rate negative	0
2A.	New Non-Farm Proprietors	Average more than 3 per month	3
		Average more than 2 but less than 3	2
		Average more than 1 but less than 2	1
		Average less than 1 per month	0
2B.	Start-up Activity	Average more than 4 per month	3
		Average more than 2 but less than 4	2
		Average more than 1 but less than 2	1
		Average less than 1 per month	0
2C.	Retail Trade Trend	Positive Trend	1
		Flat Trend or Negative Trend	0
2D.	Bank Deposits	Positive Trend	1
		Negative Trend	0
2E.	Private Employment	2 year Positive Trend	2
		Stable	1
		Negative	0
2F.	Manufacturing Units	100 or more units	3
		99 to 51 units	2
		50 to 26 units	1
		25 to 0 units	0
2G.	Industrial Activity	1+ new location/expansions per year	1
3.	Technical Core	Ratio of technical units to business units 1:10	3
		1:11 - 1:15	2
		1:16 - 1:20	1
		1:20 +	0
4.	Educational	4-Year College	3
		2-Year College	2
		Technical School	1

5.	Industrial Development Organization		1
6A.	Chamber of Commerce		1
6B.	Incubator Activity	Operating Incubator Under Development	3 2
6C.	S.B.D.C.	Access to nearby S.B.D.C.	1
7.	Leadership Attitude	Very Positive Positive Receptive Non-Receptive	3 2 1 0

CRITICAL MASS RATING SUMMARY

After applying the Critical Mass Rating and Numerical Value to the study area, each county is placed into one of four categories based on their cumulative score.

26 Points and above

Areas possessing a critical mass rating of 26 and above are deemed to have all the necessary elements to sustain a "Full Service" incubator without the addition of any support programs.

25 to 19 points

Areas possessing critical mass within this range would likely be more effective as incubator satellites linked to a primary facility or as a hub linking several smaller satellites. If the missing critical mass elements in these areas are added, such as establishment of training curriculums and access to venture capital, then their rating would most likely support an incubator project.

18 to 14 points

Critical mass ratings within this category indicate that some of the critical mass structures are in place but an incubator would need the support of a primary facility. Thus, this category is suitable for a "satellite facility" only.

13 points and below

Areas falling within this category do not possess critical mass structures to support a business incubator. It would be extremely cost ineffective to develop the necessary structures to boost these ratings.

TOTAL CRITICAL MASS TUPELO/LEE COUNTY		
		Lee County
1	Population Trends	3
2A	New Non-Farm Proprietors	3
2B	Start-up Activity	3
2C	Retail Trade Trend	1
2D	Bank Deposits	1
2E	Private Employment	1
2F	Manufacturing Units	3
2G	Industrial Activity	1
3	Technical Core	3
4	Educational	6
5	Industrial Dev. Org.	1
6A	Chamber of Commerce	1
6B	Incubator Activity	0
6C	S.B.D.C.	1
7	Leadership Attitude	3
Total Critical Mass		31

Current Economic Situation

Introduction

In order for a small business incubator to operate effectively, it is necessary for the local area to demonstrate a reasonable rate of new business start-ups in a wide range of products and services. This activity is a measure of the risk-taking nature of new business owners and managers. An area with a poor environment for entrepreneurs will make the task of developing a successful incubator much more difficult. A strong, regional economy increases the probability of success for any business venture. Since a business incubator depends primarily on new businesses, the economic strength of the surrounding area is critically important. Key indicators of overall economic strength include: population growth, income growth, new business starts, retail sales, and bank deposits, to name a few. This section presents data utilized to determine the economic health of the Tupelo/Lee County area.

Population Trends

Trends in population growth or decline are important factors in assessing economic expansion potential for an area or community. A strong growth trend normally indicates a healthy economic base for providing jobs and capital. New housing starts, government infrastructure expenditures, and bank assets are all tied to population trends.

The population in Lee County is growing at a very nice pace. Because their growth rate outpaces that of the State of Mississippi, Lee County received three critical mass points in this category.

Table CM1: Population Trends

County	1990	2000	+/-	% Change	CMR
Lee County	65,581	75,755	10,174	15.5%	3
State of Mississippi	2,573,218	2,844,658	271,442	10.5%	

Source: U.S. Census Bureau

Economic Activity

Non-Farm Proprietors – Non-farm proprietors are sole owners of non-agricultural businesses or partners in unincorporated non-agricultural business partnerships. Tracking the growth trend of these types of proprietors provides a good indication of the entrepreneurial activity in a region. The growth in the number of non-farm proprietors in an area reflects how conducive that locality is toward small business. It will reflect the regional attitude of entrepreneurs, as well as local capabilities to make such ventures successful. Areas that possess a high mortality rate for proprietors need to be examined as to why this occurrence is prevalent.

The Tupelo/Lee County area produced over 296 new non-farm proprietors between 1996 and 1999. This equates to over 8 new proprietorships formed each month. This impressive activity warrants a critical mass score of three points in this category.

Table CM 2: Non-Farm Proprietors

County	1996	1997	1998	1999	+/-	Per Month	CMR
Lee County	5,833	5,870	5,998	6,129	296	8.2	3

Source: Regional Economic Information System, Bureau of Economic Analysis, Table CA25, June 2000

Start-up Activity – An important statistic reflecting the economic activity and potential within an area is the number of start-up companies being launched there. Newly established businesses indicate that entrepreneurial effort is present and that new ideas for products and services are moving from concept to launch. The creation of new companies also suggests that risk capital is available to fuel these launches.

In order to estimate the number of new businesses being created in a county each year, we performed a search of Dun & Bradstreet's *Marketing Files*. We limited the search to new businesses (created between 1998 and 2001) whose business structure was categorized as either a "headquarters" or a "single location."

According to Dun & Bradstreet, the Tupelo/Lee County area created over 352 new businesses between 1998 and 2001 – an average of 9.8 per month. A critical mass rating of three was awarded to Lee County.

Table CM3: Business Start-ups

County	1998/99	2000/01	+/-	Per Month	CMR
Lee County	271	81	352	9.8	3

Source: Dun and Bradstreet Corporation, Marketing Files

Retail Sales – Retailers are not normally considered very important to an evaluation of economic development, since retailing basically circulates dollars rather than importing new dollars for net economic gain. However, in light of the region's retail complex and its ability to attract consumers and visitors from outlying counties (and states), this may not be the case.

Lee County has experienced strong growth in total retail sales over the past three years. They were awarded the highest critical mass score for this category.

Table CM4: Retail Sales (\$000)

County Name	1998	1999	2000	+/-	CMR
Lee County	\$1,021,339	\$1,082,005	\$1,336,924	\$315,585	1

Source: Market Statistics, Demographics USA - County Edition

Bank Deposits – As with the above categories, the economic health of the region is reflected in the amount of bank deposits present in the counties. Bank deposits impact the feasibility of an incubator program as it would any other business venture. It indicates the capital pool that is available for entrepreneurs who are launching small businesses. For critical mass purposes, any area that experiences a growth in bank deposits receives one point.

Table CM5: Bank Deposits (\$000)

County	1998	1999	2000	+/-	CMR
Lee County	\$1,117,823	\$953,936	\$1,121,843	\$4,020	1

Source: FDIC Data Book, Summary of Deposits

Private Employment – The ability of a local economy to create and replace jobs is an important component in critical mass analysis. There are numerous factors that affect employment trends, including aging of the population, industrial expansion and contraction, governmental influences, and general population growth and decline. Positive private employment trends normally indicate a healthy economy.

Table CM6: Private Employment

County	1998	1999	2000	+/-	CMR
Lee County	51,277	53,114	51,458	181	1

Source: Mississippi Employment Security Commission

As indicated in Table CM6, the Tupelo/Lee County area's private employment numbers have remained stable over the past three years.

Manufacturing Units – In deciding whether an area's economic critical mass is a sufficient foundation for new businesses, it is important to review the area's manufacturing base. A region that attracts a large and diverse group of manufacturers greatly multiplies enterprise opportunities

that can stimulate new ventures. Manufacturing firms usually have well-trained labor and management personnel who often move on to launch their own firms. Nationally, business incubators are more successful in areas that have a solid manufacturing base. A critical mass score is given in proportion to the total number of manufacturing units within a county.

Table CM7: Manufacturing Units

County	1999	CMR
Lee County	176	3

Source: County Business Patterns

Industrial Activity – As part of the evaluation of critical mass structure, industrial expansions and new location announcements were tracked. New location announcements indicate aggressive marketing efforts and inter-agency cooperation, while expansions indicate healthy industries and firms' satisfaction with the local business climate and conditions. An average of at least one new announcement or at least one expansion per year, for the past three years, earns a county one critical mass point.

Table CM8: Industrial Activity (1998-2001)

County	New Locations	Expansions	Jobs	Investment	CMR
Lee County	16	61	3,338	33,549,000	1

Source: Community Development Foundation

Technical Core

The availability of professional technical assistance is vital to entrepreneurial development. Attorneys, accountants, engineers, computer system designers/programmers, and management consultants provide technical support to many start-up enterprises, helping to prevent early mistakes that can doom an enterprise before it can get established. Legal organization, state security regulations, financial analysis, protection of intellectual property, design proto-typing, information technology infrastructure design and many similar activities call for professional support. If local development authorities are to implement an entrepreneurial strategy, these services must be available in the area.

Table CM9: Technical Core

County	Total Core	Businesses	Ratio	CMR
Lee County	604	2,308	3.82	3

Source: County Business Patterns and various local sources

Educational Institutions

The presence of institutions of higher learning is very important to entrepreneurial development programs. Colleges and universities provide a critical mass of credit and non-credit courses and continuing education. Libraries provide facilities for study and research, and serve as repositories of important government information. Vo-Tech and Community Colleges play an increasing role in job and skills training. In addition, a great deal of reasonably priced consulting assistance is available from faculty members. Easy access to higher education is absolutely vital to an area's critical mass and economic potential. Critical mass points were awarded to the county according to the rating system outlined earlier in this section of the report.

The Tupelo/Lee County area is blessed with the presence of several institutions of higher learning. The University of Mississippi's Advanced Education Center located in Tupelo offers students in the area unlimited resources. Located in the Advanced Education Center is the University of Mississippi - Tupelo, Itawamba Community College, and Mississippi University for Women. Area students have access to degree programs in business administration and advanced technology training, including network administration and programming.

Table CM10: Higher Education

County	4-Year Colleges	2-Year Colleges	Tech Schools	CMR
Lee County	1	1	1	6

Small Business Support

In order for a small business economy and a small business incubator to thrive, it is important that a community possess a sufficient support network to counsel, advise, and train business owners on a wide range of technical skills and disciplines. This network of support providers is crucial to the success of entrepreneurial programs and incubator facilities established in a region. If such a mechanism is not in place, or is found to be incomplete, the community must be willing and able to enact those types of programs needed to provide a well-rounded support system.

Our research in this area shows there are several agencies active in the region who act as service providers to support small businesses.

Small Business Development Center – The S.B.D.C. is an agency that is sponsored by the Small Business Administration (S.B.A.) and the state in which it is located. Their mission is to serve small firms by providing free consultation and conducting workshops that develop management skills. The existence of a nearby S.B.D.C. should be considered an asset for all small businesses.

The S.B.D.C. that serves the Tupelo/Lee County area is managed by Mike Vanderlip, who is located in Oxford. According to Mr. Vanderlip, plans are in the works to locate a full-time S.B.D.C. counselor in Tupelo at the Advanced Education Center. Having worked with Mr.

Vanderlip in the past, we are confident that the program in Tupelo is in very good hands and we are encouraged to learn of his involvement in the area. Mr. Vanderlip is very familiar with the incubator concept and will be a strong referral mechanism for any entrepreneurial program in Tupelo.

Community Development Organizations – Community organizations (such as chambers of commerce, industrial/economic development organizations and existing business incubator programs) can provide critical assistance to the small business community. Individual counseling, promotion of local goods and services, sponsorship of training programs, local industry retention, and in some cases, small business loan assistance are just a few of the many services that these organizations can perform in a community. As for an incubator program, these organizations can become a strong marketing adjunct through referrals of potential tenants.

The following is a brief list of community development organizations that could be leveraged to support any entrepreneurial programs initiated in the Tupelo/Lee County region:

- Chamber of Commerce
- CREATE Foundation
- Community Development Foundation
- Three Rivers Planning & Development District

Table CM11: Small Business Support

County	IDA	Chamber of Commerce	Incubator	S.B.D.C.	CMR
Lee County	Yes	Yes	No	Yes	3

Other Training Resources - In addition to the S.B.D.C. located in the region, several other training resources exist. Entrepreneurs and small business managers have access to various courses in office/business management, accounting/bookkeeping and computer technology (applications and programming) offered through the University of Mississippi - Tupelo and Itawamba Community College.

Leadership Consensus

A small business incubator will not be successful in a community without a strong degree of support for the program. Without support from all leadership sectors, an incubator program is put at risk from the outset. The first step in determining the feasibility of establishing a successful incubator program in a community is to measure the degree of community consensus that exists.

In order to measure consensus in a community, it is necessary to hold briefings to discuss all aspects of the incubator concept and to answer the questions raised by the community leaders. At the conclusion of these briefings it is necessary to survey the attendees to determine their degree of commitment to the project.

Based on our leadership briefings conducted in the area, ***we deem the leadership attitude in Tupelo/Lee county to be Very Positive at the present time.***

Section 2: Demand Analysis

Demand Analysis

When assessing demand for incubator space and services, we employ multiple approaches of study. By combining perspectives we gain validity for our recommendations.

Total Demand

Drawing Area - In order for a small business incubator to be successful, it must draw its tenants from the pool of entrepreneurs that exists in the general area. The marketability of the incubator will be determined by many factors, not the least of which are; the distance tenants must travel to the incubator and the existence of other incubators in the area. We believe that an incubator in Tupelo/Lee County has a good chance of drawing tenants from multiple counties in the region. However, in an effort to take a conservative approach to the matter, we will limit our study area to Lee County only.

Secondary Data - We began our research by studying historical data from secondary sources such as the Bureau of Economic Analysis - Regional Economic Information System (BEA-REIS) and Dun and Bradstreet's Marketing Files (D&B). According to BEA-REIS, the number of *non-farm proprietors* in the study area increased by 296 between the years 1996 and 1999. This is an average of 8.2 new non-farm proprietors per month. According to D&B, the area produced 352 *new start-up companies* between 1998 and 2000. This equates to 9.8 new start-ups per month.

Table D1: New Non-Farm Proprietors and Start-Ups

	New Non-Farm Proprietors Per Month	New Business Start-Ups Per Month
Lee County	8.2	9.8

Source: Bureau of Economic Analysis, Dun & Bradstreet

S.B.D.C. Activity - Lee County is currently served by the Ole Miss – Small Business Development Center. We studied the S.B.D.C. consulting and training activity in Lee County for fiscal years 2000 and 2001.

During this two year period, the S.B.D.C. worked with a total of 260 clients in Lee County, 10.8 per month. According to S.B.D.C. estimates, approximately 70% of these consults (182 total) were with potential start-up companies. This equates to 7.6 start-up consults per month.

Over the same two year period, the S.B.D.C. performed a workshop entitled “How To Start Your Own Business” a total of 10 times in Lee County. The combined workshop attendance for these workshops was 94 participants.

Table D2: S.B.D.C. “How To Start Your Own Business” Workshop

County	FY 2000 Attendees	FY 2001 Attendees	Total Attendance
Lee	49	45	94

Source: SBDC

Start-Up Bank Loan Demand - A sample of the banks that serve the demand area was polled as to the number of small business start-up loan inquiries they receive each month. The total number of loan inquiries for the area was divided by the total number of banks that provided us with information. This average helps eliminate over-estimated activity that results from a start-up company that may visit several banks in the area looking for a loan.

The banks in the demand area receive approximately eight (8) inquiries per month for start-up loans. This does not mean that these loans were made nor does it imply that the business ideas behind these inquiries were sound and bankable. This number simply documents the number of people who enter area banks each month and inquire about start-up loans. The top two communities from which most of these inquiries originate are Tupelo and Fulton.

Table D3: Start-Up Bank Loan Demand

Number of Inquiries Per Month (area average)
8

Source: Survey of area banks

Total Demand - Approximately 15% of all business start-ups can be categorized as “entrepreneurial launches” that would fit the general profile of candidacy for incubator entry. This percentage is a conservative estimate based on our experience as incubator managers and David Birch’s work with Cognetics, Inc. at M.I.T.

From the preceding combination of sources, we estimate that each month there is the potential for approximately 3.81 new entrepreneurial launches in the Tupelo/Lee County area.

Table D5: Tupelo/Lee County - Total Demand

	Current Demand
New Start-Up Businesses per month	9.8
S.B.D.C. start up consults per month	7.6
Start-Up Loan Inquiries per month	8
Average Start-Up Pool	25.4
Entrepreneurial Launches (15%)	3.81

We judge the amount of demand for incubator space and services in the Tupelo/Lee County area to be adequate at the present time. There is a potential pool of entrepreneurs in the area that fit the profile of incubator tenants, but reaching them may be hard. We cannot stress enough the importance of a strong marketing plan. A good referral network, an attractive training adjunct, and a creative marketing plan can capture this pool of entrepreneurs.

Demand - Type of Space

In order to properly design the incubator “property layout”, it is important to anticipate what type of space prospective tenants will require. A close look at the type of businesses currently being launched or planning to launch in the demand area should serve as a good example of the type of space tenants will most likely demand.

Dun and Bradstreet - Stacey and Associates acquired, from Dun and Bradstreet, a list of the new businesses recently launched in Lee County (2000/01). From that list it was possible to determine the types of businesses (by SIC code) that were launched in the area over the past two years. A breakdown by type of business can be seen in the table below.

The vast majority of businesses that have launched in the area over the past two years have been service (39%) and retail (26%) related.

Table D6: Type of Space - Recent Start-Ups

SIC Category	Start-Ups	Percent
Agriculture/Mining	1	1%
Construction	6	7%
F.I.R.E	6	7%
Manufacturing	3	4%
Public Service/Administration	0	0.0%
Retail Trade	21	26%
Services	31	39%
Transportation/Communications	6	7%
Wholesale Trade	7	9%

Source: Dun and Bradstreet, Marketing Files

Banker Survey - According to data obtained during the banker survey, the people inquiring about start-up loans most often are planning on starting retail trade (64%) or service based (30%) businesses.

Table D7: Type of Space - Bank Survey

SIC Category	Percent
Agriculture	0%
Manufacturing	6%
Retail Trade	64%
Services	30%

Retail businesses do not work well in incubator space for several reasons. Our recommendation for this program will be to prohibit the entry of retail businesses in the incubator itself. Retail start-ups can certainly take advantage of the consulting/training offered at the incubator, but there location in the incubator building should not be allowed.

Based on the above data, we believe the majority of tenant prospects in the Tupelo/ Lee County area will demand professional/service type space. For our recommended property layout, please see the following section of this report, entitle “Property Assessment”.

Demand - Tenant Needs Analysis

In order to properly design the incubator “program”, it is important to anticipate what type of services prospective tenants will require. In order to effectively market an incubator program, the right mix of training/counseling and services/equipment must be offered. Most start-up companies that are attracted to incubators are attracted by the services they offer, not the low price rent.

Training/Consulting - In order to determine the type of training/consulting services that will be demanded in Tupelo/Lee County, we looked at two different sources.

First, we studied the past activity of the local S.B.D.C. to determine their most frequently requested types of counseling. According to S.B.D.C. records, clients in Tupelo/Lee County most often seek counseling in the area of business start-up assistance.

Next, we conducted a survey of a select group of recently started businesses in the Tupelo/Lee County area. The businesses we chose to survey were local start-ups that closely resembled “typical” incubator type businesses. One of the questions we asked was, “Please indicate the types of training/consulting that would have been most beneficial to you when you started your business?” The top three areas of training/counseling were 1.) Business Plan Writing, 2.) Legal/Organizational Structure and 3.) Management/Business Basics.

Services/Equipment - In order to determine the type of services/equipment that will be demanded in Tupelo/Lee County, we looked at two different sources.

First, we conducted a survey of a select group of recently started businesses in the Tupelo/Lee County area. The businesses we chose to survey were local start-ups that closely resembled “typical” incubator type businesses. We asked these businesses to indicate which services and equipment would have most benefitted them when they started their business. The top three services listed were 1.) Clerical/Typing, 2.) Receptionist/Phone Answering and 3.) Group Purchasing. The top four pieces of shared equipment were 1.) Fax Machines, 2.) Copiers, 3.) Scanners and 4.) Color Printers.

Next, we studied the top needs of all incubator tenants, as reported by the National Business Incubator Association (N.B.I.A.)

Table D10: Tenants Needs - N.B.I.A.

Help with Business Basics	96%
Conference Rooms	92%
Marketing Assistance	89%
Shared Administrative Services	88%
Networking Activities	86%
Accounting/Financial Management	77%
Loan Access/Guarantee Programs	77%
Links to Higher Education Institute	76%
Telephone System/Answering	65%
Affiliate Programs	63%
Internet Access	62%
Investor/Strategic Partner Linkages	58%
Comprehensive Business Training Program	49%

Section 3:

Property Assessment

Property Assessment

An incubator is a multi-tenanted physical facility that houses a variety of young start-up companies in a controlled overhead environment. Until a physical facility has been identified, an incubator cannot exist. The incubator facility will either be a renovated existing building or a built-to-suit incubator.

We believe that the first approach should always be to look for an available building that can be cost effectively converted to incubator use. By cost effective, we mean that it can be converted for a price lower than a new building can be built. If no building is available, then a specifically designed incubator facility should be built.

An incubator property, whether a conversion or a new building, must meet the following guidelines. (1) It must contain the type of space needed by local tenants – as determined by the demand analysis. (2) It must contain enough leasable space to allow the generation of sufficient cash flow capable of covering program operating cost. If these two criteria are not met, the property is not a feasible option.

The following is a list of some of the features an incubator facility should possess. If an existing building cannot be found that meets (or can be converted to meet) the majority of these needs, a specifically designed incubator build-to-suit should be considered.

The proposed incubator property should:

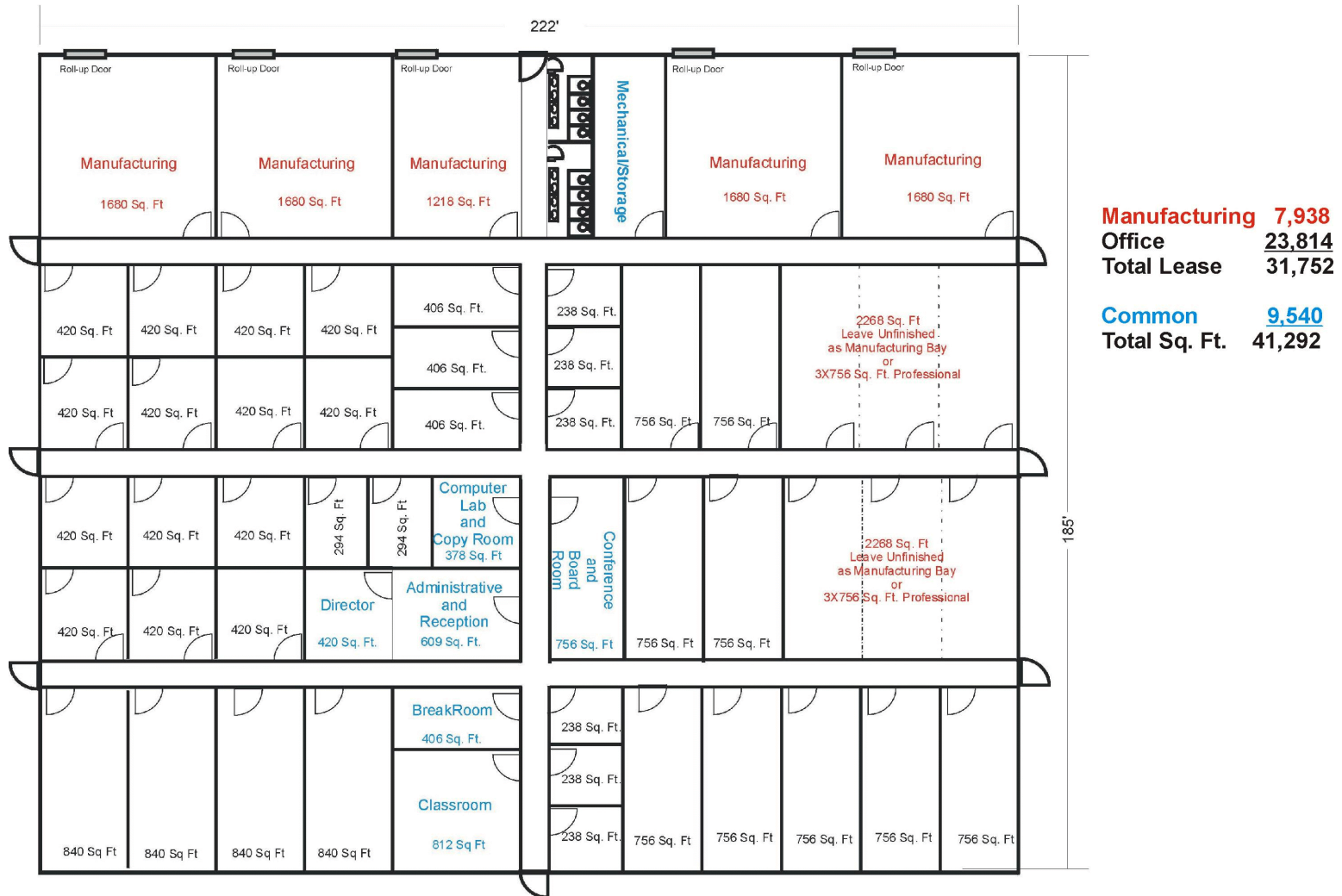
- Be in a marketable location
- Be expandable
- Have adequate parking
- Have a flexible space configuration
- Be compatible with the surrounding area
- Have all space on ground level
- Be available fee-simple
- Have an adequate number of restrooms
- Have good visibility
- Be air conditioned/heated
- Be in a secure area (for around the clock access)
- Be zoned commercial
- Possess good shipping/receiving capabilities
- Have a well lit exterior
- Be A.D.A. compliant

Survey of Properties

During our survey of the available properties in the Tupelo/Lee County area, we were unable to locate any existing buildings that we thought could be converted to incubator space. For this reason, we recommend that a suitable piece of land be acquired upon which a “built-to-suit” incubator facility can be constructed.

A building modeled after the floor plan on the following page should meet the needs of Tupelo/Lee County’s incubator program.

Incubator Floor Plan



Section 4: Program Design

Program Design

The primary benefit of a business incubator is the bundle of services offered to the entrepreneur. An incubator provides *administrative/business services*, such as phone answering, clerical assistance, desk-top publishing, etc. Also, incubators offer *technical services* such as: legal advice, accounting, marketing and research. Possibly the most important service offering is the daily access to *consulting/training* (problem solving) provided by the incubator staff and volunteer committees.

Service Package

The service package mix varies from one incubator to another and evolves over time as specific needs arise. The tenant mix will determine, to a large degree, the make-up of the service package. Based on the information we gathered during the demand analysis phase, we suggest the Tupelo/Lee incubator offer the following service package as a minimal starting point:

Administrative / Business Services

- Secretarial/Clerical
- Telephone answering
- Mail & package handling (US Mail, UPS, Fed Ex)
- Desk-top publishing
- Bookkeeping (as an added charge if needed)
- Access to equipment, such as:
 - Computer workstation
 - Color laser printer
 - Software library
 - Postage meter/scale
 - Furniture rental
 - Hand truck
 - Copier
 - Fax machine
 - Internet Access (at least T1 service)
 - Scanner
 - Overhead projector/screen
 - Paper Shredder

Technical Services

- Legal assistance:
 - Organizational structure
 - Contracts
 - Patent protection
 - Copy write protection
- Accounting:
 - Bookkeeping
 - Financial planning
 - Taxes
 - Payroll
- Research
 - Market research
 - Database research

Consulting/Training (Problem Solving)

- Consulting/Training:
 - Business Plan Writing
 - Financial Analysis/Cost control
 - Marketing/Sales
 - Management Skills
 - Finding/Securing Capital
 - Cash Flow Management
 - Computer/Software Applications
 - Personnel/HR

We suggest that the program task force work closely with I.C.C. and the S.B.D.C. for a commitment to provide these training services. Such responsibility may be shared or rotated so that the work load is equitably handled. We stress the importance of these training modules to the success of the program.

We also suggest that all training be available to any entrepreneur in the region, not just incubator tenants. Such training provides an excellent means of marketing the program.

Whenever possible, training should be presented at the incubator facility.

Note: It is suggested that a pro-bono committee be established to provide supplemental training and consulting services. Our experience indicates that this is a good way to increase community involvement and greatly expand the service capacity of the incubator, as well as leverage the marketing strategy.

As mentioned earlier, it is difficult to predict every service an incubator must offer its tenants. The services outlined above fit the needs of those entrepreneurs identified during the demand analysis and also track closely with the basic services suggested by the National Business Incubation Association (N.B.I.A.). We suggest, as the tenant load increases, regular surveys be conducted to uncover other service needs and that the program remain flexible enough to accommodate these needs.

We cannot stress too strongly that the need for constant and consistent training be made available to your tenants. Upgrading managers' skills assures a higher rate of business success. Most incubators offer training during evening hours and weekends, so as to not disrupt day-to-day business operations. Topics should be rotated on a regular basis in order to accommodate new entrants. Many business issues will be dealt with as they arise, through interaction of tenant and incubator staff, but exposure to training and skills improvement is essential to long term success.

Service Providers

In the day-to-day operations of a business incubator, a wide variety of questions and problems arise. Often these problems will be beyond the capability of the on-site management team. For this reason, we suggest a diverse approach be taken for service provision and problem solving.

This will assure maximum flexibility and tenant satisfaction.

- As mentioned earlier, a *pro-bono team of community volunteers* (lawyers, accountants and technicians) should be recruited to supplement the service package.

- *Small Business Development Center (S.B.D.C.)* - This center should be utilized to provide a wide variety of consulting and training services. In addition, this center can access a wide range of university resources such as: libraries, on-line information and professional assistance.

- *Community Development Foundation* - This agency has the talent and capability to facilitate training and pro-bono services. Most community business people and professionals are involved in chamber and foundation activities, therefore, it provides a natural link point for programs that can subsidize the incubator.

Accessing Capital

While capital formation and sources of venture capital are not part of the mandate of this study, we would be remiss not to note that access to local capital is very important to a well rounded incubator program. Linking entrepreneurs to potential investors is one way to accelerate enterprise growth and community wealth creation. The most common methods are:

1. Angel Networks
2. Venture Capital Forums

Many communities create revolving loan funds or micro loan pools to assist start-up companies. If it is determined that the incubator leadership deem capital access as critical, we will gladly supply information as to the process and organization of such programs.

Generic Job Descriptions

In the early months of operation a two person staff will shoulder the daily work load of the incubator. As the tenant load increases and as facilities are added, it will be necessary to add staff, especially in the clerical area.

Executive Director:

- | | |
|--------------------------------------------|------------------------------------------|
| – Manage day-to-day operations | – Market the program |
| – Train and counsel tenants | – Forge strategic alliances |
| – Communicate with board of directors | – Recruit pro-bono/non-staff consultants |
| – Manage the budget | – Grant acquisition |
| – Public relations | – Governmental liaison |
| – Work with “incubator satellite” programs | |

Administrative Manager:

- Clerical/secretarial services for tenants
- Oversee tenant space modification
- Financial report generation
- Recording secretary for board meetings
- Incubator facility use scheduling
- Mail and package handling
- Internal bookkeeping
- Supply inventory control and purchasing
- Oversee supplemental clerical personnel
- Lease negotiation with tenants

Section 5:

Organizational Structure and Governance

Organizational Structure and Governance

We recommend that all incubator programs be organized as not-for-profit 501(c)3 corporations or that they operate under such an existing program. If a 501(c)3 shelter exists that can be expanded to cover the program, there is no need for the redundancy.

Board of Advisors

A key element of a successful incubator program is an independent board of advisors. Such a board establishes entry/exit criteria for the program and develops and guides the day-to-day operating policy. We urge that this board develop a written policy manual and define the measurable objectives upon which the program will be judged. A sample copy of a policy manual is included in the Appendix. It is for guidance only.

The make-up of this board and the authority to appoint members to this board is a matter for local consideration. It should be evident that those investing sponsors receive appointing authority. Those organizations that assume operating responsibilities should also be granted such authority.

Initially, the C.D.F. should accept the responsibility for creating and launching this project. A task force should be appointed to oversee implementation and to report back to the C.D.F. board.

The generic responsibilities of this task force will be to:

- < Gather data on specific sites for the facility and, following site selection, oversee acquisition of the site.
- < Work with architects, engineers and contractors to develop site plans and blueprints for the facility.
- < Identify and negotiate with investing partners to secure funds and matching commitments and handle related paperwork.
- < Oversee construction and related budgets.
- < Make regular progress and financial reports to the C.D.F. board and to investing partners.

Prior to facility opening, this task force may evolve to a board of advisors to provide policy guidance and operating oversight or give way to a new board of advisors appointed by the investing partners. Such a scenario is offered below.

We stress that program governance is a local responsibility and our suggestions are for guidance only.

Investing sponsors who may be called upon to make matching fund contributions should also be granted appointing authority, such as:

- City of Tupelo (2 appointees)
- Lee County (2 appointees)
- Tennessee Valley Authority (1 appointee)
- CREATE Foundation (2 appointees)
- C.D.F. (2 appointees)

If each of these entities appoint board members as suggested, the result will be a nine member board which will be diverse in nature and represent all sectors of the county.

Any county in the region that is interested in creating a satellite facility should appoint their economic development director to sit ex-officio on the Tupelo/Lee County incubator board.

As stated earlier, board formation is a matter of local concern. We suggest that efforts be made to assure that the board represents the whole community and takes into consideration the need to maintain political support.

Finally, we suggest that no elected official assume a voting position on the board, thus assuring no appearance of conflict of interest. Elected entities with appointing authority should use the opportunity to name successful local business owners.

Section 6:

Financial Analysis

Financial Analysis

When conducting an incubator feasibility study, there are two budgets that must be considered, the (1.) *Start-Up Budget* which includes the funds needed to acquire, renovate or build a physical facility, as well as the funds needed to furnish, equip and cover the “pre-opening” expenses and the (2.) *Operational Budget* which includes all normal operating expenses.

Start-Up Budget

Tupelo/Lee County Incubator Estimated Start-Up Budget	
Land Acquisition	\$0
Construction Costs @ \$34 sq/ft.*	\$1,403,928
Incubator Furniture and Equipment	\$29,625
Incubator Pre-Opening Budget	<u>\$16,550</u>
Total Start-Up Costs:	\$1,450,103

* estimate only—this figure is based on the construction costs of the Oxford incubator, supplied to us by the Three Rivers Planning and Development District, Inc.

Land Acquisition - For this project we are assuming that the property on which the facility is to be built will be donated by the appropriate authorities.

Construction Costs - The facility that will have to be constructed to house the incubator program is approximately 41,292 sq/ft. For a construction estimate, we applied a figure of \$34/sq/ft. This would equate to a total construction cost of \$1,403,928. Please note, this is just an estimate. Stacey and Associates is not a contractor or engineering firm. A professional service provider will have to supply the actual construction estimates, which may be higher or lower than our estimate. These estimates should serve as guidelines only.

Furniture/Equipment - The following lists contain an estimated budget for essential furniture and equipment for the incubator.

Furniture/Equipment Budget - Incubator Program

Item	Unit Cost	Total
Computers	2 @ \$2,500	\$5,000
Color Laser Printer	1 @ \$4,000	\$4,000
Software	---	\$5,000
Fax Machine	1 @ \$350	\$350
Typewriter	1 @ \$200	\$200
Copier	lease	lease
Television/VCR	1 @ \$800	\$800
Overhead Projector/Cart/Screen	1 @ \$500	\$500
Telephone Switchboard	1 @ \$2,000	\$2,000
Desks	2 @ \$500	\$1,000
Office Chairs	2 @ \$250	\$500
File Cabinets	4 @ \$200	\$800
Conference Table	1 @ \$1,000	\$1,000
Conference Chairs	15 @ \$125	\$1,875
Bookshelf	4 @ \$175	\$700
Handtruck	1 @ \$150	\$150
Coffee Pot	1 @ \$180	\$180
Microwave	1 @ \$250	\$250
Refrigerator	1 @ \$500	\$500
Mailbox Unit	1 @ \$100	\$100
Shipping Scale	1 @ \$200	\$200
Mail Scale	1 @ \$100	\$100
3 Hole Punch	1 @ \$100	\$100
Folding Tables	8 @ \$40	\$320
Program Chairs	32 @ \$50	\$1,600
White Boards	4 @ \$100	\$400
Miscellaneous	---	\$2,000
Total Cost		\$29,625

Incubator Pre-Opening Budget - This budget includes the up-front marketing costs and expenses. When the executive director is brought on-board will affect this budget.

Incubator Pre-Opening Budget

Executive Director Salary (2 months)	\$6,600
Basic Brochure 2,000 @ .10 each	200
Stationary	250
Office Supplies	150
Postage	300
Workshop promotion	1,500
Refreshments - Media tour	100
Refreshments - Service providers tour	100
Newspaper - 200 inches @ \$30/inch average	6,000
Open House	200
Luncheons - 30 @ \$5 each	150
Grand Opening	500
Misc.	<u>500</u>
Estimated Pre-Opening Expenses:	\$16,550

Combined Operational Budget

The operational budget is somewhat more difficult to construct than the start-up budget because many variable factors come into play, such as:

- | | |
|----------------------------|----------------------------------|
| - Absorption rates | - Scholarship space, if provided |
| - Rent Rates | - Private contributions |
| - Turnover of tenants | - Space flexibility |
| - Unbundled income streams | - Program income |

An incubator's success and self-sufficiency is based upon how much space is put under lease and at what rate it is rented. The director must be aware of these basic factors as well as being constantly aware of how to contain all operating costs. Minor adjustments in rent schedules can provide major cumulative effects on your revenue streams. The board of advisors and executive director must monitor these variables closely in the early years of your project. A well managed budget will guide your program along sound financial lines, maximizing the use of your resources and pushing the program to self-sufficiency in a timely manner.

Budget Assumptions - The following is a list of assumptions that we used when producing the operational budget.

Assumptions	
Incubator space	41,292 sq/ft. total; 31,752 sq/ft. leasable
Absorption Rate of Leasable	4.00% per month
Incubator Rental Price	\$10.00 sq/ft. (Professional); \$5.50 sq/ft. (Open)
Maximum Occupancy Rate	75.00% (of leasable space)

The basic assumptions are that a 75% occupancy will not be exceeded. This would equate to a maximum of 23,815 sq/ft. leased. This space will lease up at about 4% per month until the maximum occupancy is obtained. Rental income will be generated from charges to the incubator tenants. A modest copy center income stream can be expected as well as a small amount of income from fax usage and furniture rental. In addition to these “typical” fees, we also estimated some income from monthly payments received from non-tenant associates.

Incubator Annual Operating Estimates	
First Year	\$138,401
Second Year	\$151,470
Third Year	\$170,665

**Tupelo/Lee County, Mississippi
Small Business Incubator**

Scenario 1

11/12/01

ABSORPTION FACTOR:	4.00%	OCCUPANCY FACTOR:	75%										
PROF. AVG ANNUAL RENT	\$0.83	PROF MAX. OCCUPANCY	17,861 sq/ft.										
OPEN AVG. ANNUAL RENT	\$0.46	OPEN MAX. OCCUPANCY	5,954 sq/ft.										
	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	TOTAL
	1	2	3	4	5	6	7	8	9	10	11	12	
REVENUES													
PROFESSIONAL SQ/FT. LEASED	714	1,429	2,143	2,858	3,572	4,287	5,001	5,716	6,430	7,144	7,859	8,573	8,573
OPEN/MFG. SQ/FT. LEASED	0	0	0	0	0	1,680	1,680	1,680	1,680	1,680	1,680	1,680	1,680
TOTAL SQ/FT. LEASED	714	1,429	2,143	2,858	3,572	5,967	6,681	7,396	8,110	8,824	9,539	10,253	10,253
Rent Income	\$595	\$1,191	\$1,786	\$2,381	\$2,977	\$4,342	\$4,938	\$5,533	\$6,128	\$6,724	\$7,319	\$7,914	\$51,829
Copy Center	\$17	\$33	\$50	\$67	\$83	\$139	\$156	\$173	\$189	\$206	\$223	\$239	\$1,575
Fax Center	\$9	\$18	\$27	\$36	\$45	\$75	\$84	\$92	\$101	\$110	\$119	\$128	\$844
Furniture Rental	\$10	\$19	\$29	\$38	\$48	\$80	\$89	\$99	\$108	\$118	\$127	\$137	\$900
Associates Program	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL INCOME:	\$730	\$1,361	\$1,991	\$2,622	\$3,252	\$4,736	\$5,366	\$5,997	\$6,627	\$7,258	\$7,888	\$8,519	\$56,347
OPERATING EXPENSES													
SALARIES:													
Executive Director	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$40,000
Administrative Manager	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$18,000
Clerical Assistant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Employment Tax	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$370	\$4,437
Unemploy Ins & Work Comp	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$58	\$696
UTILITIES:													
Electric/Gas	\$855	\$914	\$974	\$1,033	\$1,093	\$1,292	\$1,352	\$1,411	\$1,471	\$1,530	\$1,590	\$1,649	\$15,164
Telephone + Long Distance	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Internet	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
MAINTENANCE:													
Janitorial (common space only)	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
General Supplies	\$500	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$1,200
Repair	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
ADMINISTRATION:													
Office Supplies	\$500	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,600
Copier Supplies	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Copier Lease	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Library	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Postage/Shipping	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Travel/Conferences	\$0	\$0		\$2,000	\$0		\$0	\$1,000	\$0	\$0	\$1,000	\$0	\$4,000
Petty Cash	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Furniture	\$500	\$0	\$0	\$0	\$0	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$1,000
Breakroom Supplies	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$804
Marketing	\$3,000	\$3,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$16,000
Insurance	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Miscellaneous	\$2,000	\$2,000	\$2,000	\$1,000	\$1,000	\$1,000	\$500	\$500	\$500	\$500	\$500	\$500	\$12,000
TOTAL COSTS	\$16,933	\$13,142	\$11,202	\$12,311	\$10,321	\$10,520	\$10,630	\$11,139	\$10,199	\$10,308	\$11,318	\$10,378	\$138,401
NET:	(\$16,202)	(\$11,781)	(\$9,210)	(\$9,689)	(\$7,068)	(\$5,785)	(\$5,264)	(\$5,143)	(\$3,572)	(\$3,051)	(\$3,430)	(\$1,859)	(\$82,054)
CUMM NET:	(\$16,202)	(\$27,983)	(\$37,193)	(\$46,883)	(\$53,951)	(\$59,736)	(\$65,000)	(\$70,142)	(\$73,714)	(\$76,765)	(\$80,195)	(\$82,054)	

**Tupelo/Lee County, Mississippi
Small Business Incubator**

Scenario 1

11/12/01

ABSORPTION FACTOR:	4.00%	OCCUPANCY FACTOR:	75%										
PROF. AVG ANNUAL RENT	\$0.83	PROF MAX. OCCUPANCY	17,861 sq/ft.										
OPEN AVG. ANNUAL RENT	\$0.46	OPEN MAX. OCCUPANCY	5,954 sq/ft.										
	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	TOTAL
	13	14	15	16	17	18	19	20	21	22	23	24	
REVENUES													
PROFESSIONAL SQ/FT. LEASED	9,287	10,002	10,716	11,431	12,145	12,860	13,574	14,289	15,003	15,717	16,432	12,978	12,978
OPEN/MFG. SQ/FT. LEASED	3,360	3,360	3,360	3,360	3,360	4,578	4,578	4,578	4,578	4,578	4,578	4,578	4,578
TOTAL SQ/FT. LEASED	12,647	13,362	14,076	14,791	15,505	17,438	18,152	18,867	19,581	20,295	21,010	17,556	17,556
Rent Income	\$9,280	\$9,875	\$10,470	\$11,066	\$11,661	\$12,815	\$13,410	\$14,005	\$14,601	\$15,196	\$15,791	\$12,913	\$151,083
Copy Center	\$295	\$312	\$328	\$345	\$362	\$407	\$424	\$440	\$457	\$474	\$490	\$410	\$4,743
Fax Center	\$158	\$167	\$176	\$185	\$194	\$218	\$227	\$236	\$245	\$254	\$263	\$219	\$2,541
Furniture Rental	\$169	\$178	\$188	\$197	\$207	\$233	\$242	\$252	\$261	\$271	\$280	\$234	\$2,710
Associates Program	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL INCOME:	\$10,001	\$10,632	\$11,262	\$11,893	\$12,523	\$13,772	\$14,402	\$15,033	\$15,663	\$16,294	\$16,924	\$13,876	\$162,277
OPERATING EXPENSES													
SALARIES:													
Executive Director	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$42,000
Administrative Manager	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$18,900
Clerical Assistant	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$9,000
Employment Tax	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$446	\$5,347
Unemploy Ins & Work Comp	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$839
UTILITIES:													
Electric/Gas	\$1,849	\$1,908	\$1,968	\$2,028	\$2,087	\$2,248	\$2,308	\$2,367	\$2,427	\$2,486	\$2,546	\$2,258	\$26,480
Telephone + Long Distance	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Internet	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
MAINTENANCE:													
Janitorial (common space only)	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
General Supplies	\$100	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$800
Repair	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
ADMINISTRATION:													
Office Supplies	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Copier Supplies	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Copier Lease	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Library	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Postage/Shipping	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Travel/Conferences	\$0	\$0		\$2,000	\$0		\$0	\$1,000	\$0	\$0	\$1,000	\$0	\$4,000
Petty Cash	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Furniture	\$500	\$0	\$0	\$0	\$0	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$1,000
Breakroom Supplies	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$804
Marketing	\$1,500	\$1,500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$8,000
Insurance	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Miscellaneous	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
TOTAL COSTS	\$15,506	\$12,516	\$11,576	\$13,685	\$11,695	\$11,856	\$12,465	\$12,975	\$12,034	\$12,144	\$13,153	\$11,866	\$151,470
NET:	(\$5,505)	(\$1,884)	(\$313)	(\$1,792)	\$829	\$1,916	\$1,937	\$2,058	\$3,629	\$4,150	\$3,771	\$2,011	\$10,807
CUMM NET:	(\$87,559)	(\$89,443)	(\$89,757)	(\$91,549)	(\$90,720)	(\$88,804)	(\$86,866)	(\$84,808)	(\$81,179)	(\$77,029)	(\$73,258)	(\$71,247)	

**Tupelo/Lee County, Mississippi
Small Business Incubator**

Scenario 1

11/12/01

ABSORPTION FACTOR:	4.00%	OCCUPANCY FACTOR:	75%										
PROF. AVG ANNUAL RENT	\$0.83	PROF MAX. OCCUPANCY	17,861 sq/ft.										
OPEN AVG. ANNUAL RENT	\$0.46	OPEN MAX. OCCUPANCY	5,954 sq/ft.										
	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	TOTAL
	25	26	27	28	29	30	31	32	33	34	35	36	
REVENUES													
PROFESSIONAL SQ/FT. LEASE	13,692	14,407	15,121	15,836	16,550	17,265	17,861	17,861	17,861	17,861	17,861	17,861	17,861
OPEN/MFG. SQ/FT. LEASED	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954	5,954
TOTAL SQ/FT. LEASED	19,646	20,361	21,075	21,790	22,504	23,219	23,815	23,815	23,815	23,815	23,815	23,815	23,815
Rent Income	\$14,139	\$14,735	\$15,330	\$15,925	\$16,521	\$17,116	\$17,613	\$17,613	\$17,613	\$17,613	\$17,613	\$17,613	\$199,445
Copy Center	\$458	\$475	\$492	\$508	\$525	\$542	\$556	\$556	\$556	\$556	\$556	\$556	\$6,335
Fax Center	\$246	\$255	\$263	\$272	\$281	\$290	\$298	\$298	\$298	\$298	\$298	\$298	\$3,394
Furniture Rental	\$262	\$271	\$281	\$291	\$300	\$310	\$318	\$318	\$318	\$318	\$318	\$318	\$3,620
Associates Program	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL INCOME:	\$15,205	\$15,836	\$16,466	\$17,097	\$17,727	\$18,358	\$18,884	\$18,884	\$18,884	\$18,884	\$18,884	\$18,884	\$213,993
OPERATING EXPENSES													
SALARIES:													
Executive Director	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$3,675	\$44,100
Administrative Manager	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$1,654	\$19,845
Clerical Assistant	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$18,000
Employment Tax	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$522	\$6,269
Unemploy Ins & Work Comp	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$82	\$983
UTILITIES:													
Electric/Gas	\$2,432	\$2,492	\$2,551	\$2,611	\$2,670	\$2,730	\$2,780	\$2,780	\$2,780	\$2,780	\$2,780	\$2,780	\$32,164
Telephone + Long Distance	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Internet	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
MAINTENANCE:													
Janitorial (common space only)	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
General Supplies	\$100	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$100	\$50	\$50	\$800
Repair	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$7,200
ADMINISTRATION:													
Office Supplies	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Copier Supplies	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Copier Lease	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Library	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Postage/Shipping	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Travel/Conferences	\$0	\$0		\$2,000	\$0	\$0	\$0	\$1,000	\$0	\$0	\$1,000	\$0	\$4,000
Petty Cash	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
Furniture	\$500	\$0	\$0	\$0	\$0	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$1,000
Breakroom Supplies	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$804
Marketing	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Insurance	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Miscellaneous	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
TOTAL COSTS	\$16,382	\$13,392	\$13,451	\$15,561	\$13,570	\$13,630	\$14,230	\$14,680	\$13,680	\$13,730	\$14,680	\$13,680	\$170,665
NET:	(\$1,177)	\$2,444	\$3,015	\$1,536	\$4,157	\$4,728	\$4,654	\$4,204	\$5,204	\$5,154	\$4,204	\$5,204	\$43,328
CUMM NET:	(\$72,424)	(\$69,980)	(\$66,965)	(\$65,429)	(\$61,273)	(\$56,545)	(\$51,891)	(\$47,686)	(\$42,482)	(\$37,328)	(\$33,123)	(\$27,919)	

Section 7:

Implementation Track and Marketing Plan

Implementation Track

- < C.D.F. accepts responsibility to oversee the “roll-out” of the incubator project and appoints a task force to handle the day-to-day specifics.
- < Make a determination as to whether the incubator should be organized as a separate 501(c)3 not-for-profit corporation or be operated under shelter of the C.D.F. or other not-for-profit organization.
- < Select a site for the facility. Approximately 3 to 4 acres will be needed. Lock in acquisition. Be sure site is served by fiber optics.
- < Select an architect/engineering firm to begin drawing plans and generating construction estimates.
- < Line up investing partners and complete all paperwork (proposals/grant applications) required by these agencies. Be sure to make allowance for operating short fall during lease up period.
- < Review and update all budgets (pre-opening and operating).
- < Let construction contracts.
- < Six months prior to opening, make determination on how to appoint board of advisors and begin recruiting these volunteers. Four months out, identify and interview an executive director.
- < Ninety days prior to opening, finalize plans for pre-opening marketing. Hire director.
- < Sixty days out begin pre-opening activities.

Pre-Opening Marketing Plan

60 Days Prior to Opening:

- < Stage press conference on-site to introduce program, policy, objectives and introduce the board of directors.
- < Layout and print basic brochure.
- < Personal meetings with area service providers to discuss entry criteria and support services and to solicit referrals.
- < Make speeches to local civic clubs to inform them about the program and solicit assistance, specifically:
 - Ask for tenant referrals
 - Seek donations of furniture, equipment and supplies
 - Recruit pro-bono volunteers
- < Advertise workshops to be held on-site at new facility
- < Distribute brochure to loan officers, service providers and C.P.A.'s.
- < Stage at least 2 workshops (How to Start a Business, Securing Capital...)
- < Conduct tour of facility for loan officers, C.P.A.'s and other service providers.
- < Insert brochure in local chambers of commerce mailings.
- < Continue civic club speeches. Be sure to seek speaking opportunities in surrounding counties.
- < Advertise (newspaper) open house public reception.
- < Send an e-mail to university/community college/tech school faculty/staff about program
- < Negotiate leases with initial tenants and put out press release about those tenants.

30 Days Prior to Opening:

- < Attend workshops/classes at universities/colleges/tech schools to introduce program.
- < Advertise and stage at least 4 workshops at the new facility.
- < Continue to seek out speaking opportunities.
- < Conduct an informational mail-out to all of their current S.B.D.C. clients.
- < Distribute brochures at all S.B.D.C. workshops performed throughout the region.
- < Use P.S.A.'s to invite community to visit the facility.
- < Use press releases to announce new tenants, use all media.
- < Stage Grand Opening ceremony

Month 1:

- < Run weekly newspaper ads to promote the program. Feature the services and training available at incubator.
- < Write press releases on new tenants. Use all media.
- < Advertise and stage at least four workshops.
- < Place brochure in libraries and post them on bulletin boards at colleges and university.
- < Continue to seek speaking opportunities

Beyond this point, marketing will become less formal, but must remain pro-active. Stay in contact with your referral network, stage workshops, and issue press releases. These types of activities must be constant until the incubator is filled.

The following list contains some marketing tactics that have been successfully employed in other incubator programs.

- < Compile list of new incorporations in area. Mail information and invite for tour.
- < Place flyers at check out points of office supply stores, libraries and any business license offices throughout the region.
- < Supply all loan officers, accountants, business consultants with brochures.
- < Host a business after hours tour. Co-sponsor with chambers of commerce.
- < Set up employee out placement counseling program.
- < Offer training space to non-incubator functions.
- < Seek corporate sponsorship for entrepreneurs (cover one year rent).
- < Host reception or luncheon for bank loan officers and other service providers.

Appendix A: Job Cost Benefit Analysis

A business incubator is an economic development program targeted to creating new jobs by creating new companies. This type of program can provide meaningful economic impact in a community in a highly cost effective manner.

It should be cautioned, however, that it takes time for an incubator program to mature and to begin graduating young companies. It is through the graduation and replacement process that the cost/benefit begins to gain momentum. In the early years, the emphasis must be placed upon identifying good entrepreneurs with good business plans and growth potential.

Start-up businesses produce few jobs initially, but after achieving stability and market maturity they can grow quite fast. Most new enterprises will consume more capital than they produce. Salaries remain low as revenues are generally reinvested in the business to improve products or add markets.

Most job and revenue growth will occur after the companies have graduated from the incubator. As graduates are replaced with new companies, the economic effect will begin to compound, usually between the second and third year of the incubator operation.

The following scenario is a conservative estimation of the potential economic impact of a well run incubator program. The job creation impact is a projected calculation based on broad outcomes of similar programs.

Our projections are conservative, which indicates minimal performance. This is prudent because of the many factors that impact lease-up in incubator programs. The extent and consistency of the marketing plan combined with entry criteria are the most important variables. Both of these factors will be controlled by your policy and operating structure and are beyond the ability of this study to predict.

Job Creation

Industry averages show that firms housed in incubators create two to three jobs per firm in the first year and add one to two jobs in the second year. Using this formula we can estimate the following:

YEAR 1	-	8 FIRMS WITH 20 JOBS
	-	INCUBATOR STAFF, 2 FULL TIME JOBS
YEAR 2	-	8 NEW FIRMS WITH 20 JOBS
	-	8 OLDER FIRMS WITH 8 JOBS

The two year total will be 50 new jobs. This number is divided into the two year operating budget of \$289,871 thus creating one job per \$5,797 of investment.

Net Economic Impact

We suggest that all incubator tenant firms be tracked for new dollars imported into the local economy. Products sold outside the area which attract new revenue inflows into the area are then measured against the local economic multiplier.

For example, if a firm has average gross revenues of \$100,000 per year, with 50% occurring outside the region, it would yield the following net economic impact:

YEAR 1	-	8 FIRMS @ \$100,000	=	\$800,000
YEAR 2	-	16 FIRMS @ \$100,000	=	<u>\$1,600,000</u>
2 YEAR TOTAL REVENUES				\$2,400,000
				<u>x 50%</u>
NET ECONOMIC IMPACT				\$1,200,000

Using a conservative local multiplier of 2.5, this yields a \$3,000,000 local economic impact.

Most chambers of commerce state that for each \$200,000 of new net revenues, a community can expect to support one net new job. We, therefore, can extrapolate a potential fifteen new jobs in the community created by an incubator firms impact.

INCUBATOR FIRMS	50 JOBS
NET ECONOMIC SUPPORT	<u>15 JOBS</u>
TOTAL PROGRAM RELATED JOBS	65 JOBS

This is a very conservative estimate of an incubators impact on a community and further reduces the cost per job of the incubator program investment. It would be reasonable to expect a well run incubator can out perform these estimates.

NOTE: All estimates will be affected by the Entry/Exit Policy and objectives established by the incubator board of directors. Strict entry criteria will slow facility lease up, thus slowing new business start-ups. A lax exit policy that allows tenants to stay in the facility for prolonged periods will slow down graduation and thus slow down turnover of tenants which slows the growth dynamic.

Appendix B: Trend Analysis

The U.S. economy is in the midst of being reshaped by six fundamental and governing trends. Our entire socio-economy will be lifted by the confluence of these trends. These trends will change how we work, where we work, how we consume and, to a degree, how we conduct our lives.

For many communities and regions these trends will provide great opportunities. Those who create innovative programs to adapt to these trends, those who adopt a new mind-set of regional cooperation, will benefit. Those communities that choose to pursue a strategy of “business-as-usual” will find their regions under threat.

No one can predict the future, but an informed and prepared leadership can shape it.

Trend 1 - Demographics:

Much has been made of the fact that the baby boomer generation is crossing the 50 year old threshold. Beginning in 1996, 10,000 boomers started turning 50 every day. This will continue until 2006. We are a nation growing older. As we do, our needs, attitudes and financial habits change. As this population group changes its mind-set from daily consumption to saving for retirement, it will drive the capital and equity markets.

Those dollars consumed will be spent increasingly on travel (tourism) and on products and services that make life easier and more enjoyable. Spending on health, well being and recreation will spark thousands of new businesses catering to these demands.

This increase in travel and tourism will offer an opportunity to attract new sources of revenue.

Trend 2 - Capital Formation:

As the boomers move through their saving and investing years, our capital markets will deepen. In the South it has been difficult to raise or attract investment and venture capital. The growth in available capital offers us the opportunity to participate at a level never before enjoyed.

Solid entrepreneurial growth companies will have the opportunity to attract outside capital. Over the next five years we will see venture capital pools grow by billions of dollars each year. Enlightened leaders will support programs that promote entrepreneurship and thus give their communities and regions the hope of participating in this opportunity.

Total funds in retirement accounts now stand at over \$3 trillion and will grow to over \$5 trillion by 2001. New retirees moving to new regions will bring millions of dollars in bank deposits and disposable income to those regions who actively pursue this market. Tourism is a primary means of introducing retirees to a community.

New jobs will be created in the areas of financial planning, money management and financial information. Tourism attracting new residents will support these new jobs.

Businesses catering to tourists seeking recreation will be in demand. R.V. parks, boat and fishing gear rentals, and tour services will rise in demand.

Trend 3 - New Organizational Structure:

During the past industrial era of large vertically integrated companies, with deep hierarchical structures, the movement of knowledge and information flowed up and down, elevator style, within the enterprise. Firms were centralized and restrained by their own organizational structure.

Due to a new management attitude and rapid deployment of telecom networks (and other broadband technologies), large companies may now highly decentralize their operations while staying linked electronically. Knowledge and information is immediately available throughout the company via networks and server technology.

Companies can now disperse plants into lower cost regions without loss of productivity or coordination of planning.

Another rapidly growing feature of this new organizational structure is the outsourcing of manufacturing functions to contract companies. This is particularly evident in telecommunications where companies like Cisco, Lucent and Nortel are outsourcing production to firms like Jabil, Selectron, S.C.I. and Flextronics. Outsourcing firms are spreading plants across the nation. Outsourcing allows each company to concentrate on its core competencies while staying linked to its vendors and customers throughout the value chain.

We believe this trend offers an opportunity for the Lee County area, where land and production costs are reasonable.

Trend 4 - Boomer Spending Cycles:

America is a nation of consumers. Households aged 45 - 53 are the biggest spenders, averaging \$44,000 per year. Our highest consumption years are between ages 40 and 49. In the U.S. our largest demographics group will pass through the spending peak between now and 2010.

66% of our G.D.P. is attributable to consumer spending and 14% of G.D.P. is corporate response to that demand. Therefore, the U.S. economy should remain robust for the next decade.

An economic development strategy targeting these trends will have a 10-year window of opportunity within which to execute. This should give the Lee County adequate time to create, coordinate, implement and fine tune such strategies. This growth period will be especially opportune for entrepreneurs.

Trend 5 - Technology “S” Curves:

Each generation innovates its own technology. The early cohort of a generation creates new technologies while succeeding cohorts apply the technology and push them into mass markets.

The early boomers created the digital fiber optic and wireless technologies while the later boomers are perfecting and applying these technologies. Products based on these technologies are moving into the mainstream.

As product acceptance and absorption grows, prices fall and absorption grows faster. Once products breakout beyond the 10% market absorption point, sales accelerate until the product reaches 90% absorption. Many of the boomer technology based products currently have low absorption rates, for instance:

- Personal computers have reached 50% of the household market.
- Cell phones have reached less than 35% of market penetration.
- On-line services and Internet commerce is still in its very early stages.
- Portable computers are at less than 35% potential penetration.
- Worldwide consumption of personal computers is less than 25%.

Telecommunications and fiber optic technology is growing at a 50% per-year rate and should continue at this rate for at least another five years.

Demand for these and related products is on a fast track. More and more manufacturing of these products is being outsourced to contract manufacturers.

Another growing trend being driven by falling tech prices and expanding broadband availability is the mobile entrepreneur. This is a person that can base a new business in virtually any geographic location and still stay linked to national or global markets. This trend offers an opportunity for communities supporting entrepreneurial programs.

Finally, growing tech penetration and falling prices will present trainers and educational institutions a chance to reach students more economically.

Trend 6 - Fifth Migration:

Americans are a mobile breed. This is illustrated by the fact that there has been four major re-disbursements of the American population in its brief history. The fifth migration is a population shift from the large cities and their suburbs to small communities in high amenity regions.

It is estimated that between 60 million and 100 million people will relocate within the U.S. by the year 2015. This massive relocation will be led by retirees and followed by young families.

If the Lee County area can leverage its tourism assets with a strategy that attracts retirees, this region can benefit from the fifth migration.

It will be important to develop recreational assets and residential development to attract retirees. It will be necessary to offer job opportunities within the region to attract young families. This will take time and commitment. One project will have to build upon another.

Currently, 43% of rural growth is due to in-migration—new people moving into new regions. From this trend, new regions will arise.

One cautionary note. Some counties will gain population from fifth migration patterns. Those counties will be the ones that understand the convergence of these trend and who put innovative strategies in place to take advantage of the opportunities. Some counties will lose. Those who refuse to adopt a new “entrepreneur friendly” strategy and those who refuse to commit to a long-term strategy of regional development, will be among the losers.

How To Take Advantage of Converging Trends

The primary means of taking advantage of the trends that are reshaping our economy is to employ a regional strategy.

It is important for the leaders in Lee County to understand that existing political jurisdictions will not suffice in defining future growth regions. Leaders must identify the regional resources that are the basis for enterprise development and clustering and develop a strategy to leverage these resources. Economic corridors linking these enterprise clusters with area assets will be more important than roads and highways.

In order to develop a region where enterprise and program clustering can occur, a change in mind set is required to overcome current competitive attitudes. There must be a change in the way we recruit industry and develop our economy. Cultural and societal changes must be made as well.

As described earlier, the new business organizational structures allow free and simultaneous movement of knowledge and information within the organization. This organizational model must also be applied when designing regional networks for economic development. Ideas, information and experience must move freely throughout the network.

It is essential to involve the region’s educational institutions. Western Mississippi University and the community colleges must play a major role in community and economic development. From these sources come the capacity to teach, train, research, transfer technology and provide forums from which knowledge and new ideas can be formulated and circulated.

Chambers of commerce, trade organizations, bankers, professionals, scientists and engineers of

every discipline must be engaged in the regional process. It is the responsibility of our leaders to bring these elements together and keep them together.

Regions that want to take advantage of the above trends must be open to newcomers and appreciate the entrepreneurial ethic.

The following characteristics are found in successful growth regions:

- Regional institutions must be involved and responsive to the needs of firms in the area.
- Governmental bodies must be oriented to public/private alliances.
- Educational institutions must understand the need for applied research (both products and markets) and readily adapt to market needs.
- Industrial recruiters should concentrate on attracting firms that share these characteristics:
 - Decentralized
 - Less hierarchical
 - Linked to customers and vendors in business-to-business value added systems
 - Like to do joint ventures
 - Outsource manufacturing capable
 - Attract clusters of similar or related product producers
- View infrastructure needs as problems to be addressed with regional action.
- Encourage institutions to provide capital, technical and managerial help to entrepreneurs.
- Welcome newcomers.

The test for regional leadership will be how well they practice, not just espouse, actions that create the environment to grow and sustains these characteristics.

Appendix C:

Sample Organizational Documents

EXHIBIT A: SAMPLE BYLAWS AND ARTICLES OF INCORPORATION

BY-LAWS OF

A NONPROFIT CORPORATION

ARTICLE ONE

INTRODUCTION

Definition of By-laws

1.01 These By-laws constitute the code of rules adopted by _____, for the regulation and management of its affairs.

ARTICLE TWO
OFFICES AND AGENCY

Principal and Branch Offices

2.01 The principal place of business of this Corporation in Mississippi will be located at _____. In addition, the Corporation may maintain other offices either within or without the State of Mississippi, as its business requires.

Location of Registered Office

2.02 The location of the initial registered office of this Corporation is _____. Such office will be continuously maintained in the State of Mississippi for the duration of this Corporation. The Board of Directors may from time to time change the address of its registered office by duly adopted resolution and filing the appropriate statement with the State.

ARTICLE THREE
MEMBERSHIP

Definition of Membership

3.01 The Members of this Corporation are those persons, corporations or other entities having membership rights in accordance with the provisions of these By-laws.

Class(es) of Members

3.02 This Corporation will have one class of Members.

Qualifications of Members

3.03 The qualifications of the Members of this Corporation are as follows:

- (1) The payment of the initial admission fee and such other requirements as may be determined by the Board of Directors from time to time.

The initial members of this Corporation shall be:

- a) _____
- b) _____
- c) _____
- d) _____

Members' Dues

3.04 The annual dues payable to the Corporation by Members will be One Hundred and No/100 (\$100.00) Dollars or as may be determined from time to time by resolution of the Board of Directors. The first annual dues will be payable and submitted in full with the application for membership. Future annual dues will be payable in advance on the anniversary of the Member's admission or the first day of each fiscal year. Notwithstanding anything herein to the contrary, the Board of Directors in its discretion may allow for the payment of any initial admission fee or annual dues through services in kind, in such amounts as deemed appropriate by the Board. Provided, however, that the admission fee of the initial members of the Corporation listed above shall be paid in immediately available federal funds.

Assessments

3.05 Members will be nonassessable.

Place of Members' Meetings

3.06 Meetings of Members will be held at the registered office of the Corporation in Mississippi or at any other place within or without the State as provided.

Annual Members' Meetings

3.07 The annual meeting of the Members will be held on the last Tuesday of February of each year.

Special Members' Meetings

3.08 Special meetings of the Members may be called by either of the following:

- (1) The Board of Directors
- (2) The President
- (3) Members having at least ten (10) percent of the votes which all members are entitled to cast at such meetings.

Notice of Members' Meetings

3.09 Written or printed notice, stating the place, day, and hour of the meeting and (in the case of a special meeting) the purpose or purposes for which the meeting is called, must be delivered not less than ten (10) nor more than fifty (50) days before the date of the members' meeting, either personally, by mail, by or at the direction of the President, the Secretary, or the officers or other persons or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, the notice will be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Corporation, with postage prepaid.

Voting Rights of Members

3.10 Each Member will be entitled to one vote on each matter submitted to a vote of Members.

Members' Proxy Voting

3.11 A Member may vote either in person or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy will be recognized as valid after eleven (11) months from the date of its execution unless expressly provided otherwise in the proxy.

Quorum of Members

3.12 The number of percentage of Members entitled to vote represented in person or by proxy which constitutes a quorum at a meeting of Members will be Members holding a majority of the votes entitled to be cast in such manner. The vote of a majority of the votes entitled to be cast by the Members present or represented by proxy at a meeting at which a quorum is present is necessary for the adoption of any matter voted on by the Members, unless a greater proportion is required by law, the Articles of Incorporation of this Corporation, or any provision of these By-Laws.

Transferability of Membership

3.13 Membership in this Corporation is nontransferable and nonassignable.

Termination of Membership

3.14 Membership will terminate in this Corporation on receipt by the Board of Directors of the written resignation of a Member, executed by such Member or his duly authorized attorney-in-fact.

ARTICLE FOUR DIRECTORS

Definition of Board of Directors

4.01 The Board of Directors is that group of natural persons vested with the management of the business and affairs of this Corporation subject to the law, the Articles of Incorporation, and these By-laws.

Number of Directors

4.02 The number of Directors of this Corporation will not be less than three at any time. Until further amendment of these By-laws, the number of Directors presently will be eight.

Terms of Directors

4.03 (1) The Directors will hold office at the pleasure of the appointing member. Each member will have the right and ability to appoint two (2) Directors to the Board of Directors.

Vacancies on the Board

4.04 Resignation of Directors will become effective immediately or on the date specified therein and vacancies will be deemed to exist as of such effective date.

Place of Directors' Meetings

4.05 Meetings of the Board of Directors, regular or special, will be held at _____, the registered office of this Corporation or at any other place within or without the State of Mississippi as provided or such place or places as the Board of Directors designates by resolution duly adopted.

Regular Directors' Meetings

4.06 Regular meetings of the Board of Directors will be held, at least quarterly, on the first Thursday of the first month of each calendar quarter. Should any such day in any year constitute a legal holiday for all businesses, then the meeting will be held instead in such instance the Thursday immediately following. This provision of the Bylaws constitutes notice to all Directors of regular meetings for all years and instances, and no further notice shall be required although such notice may be given.

Notice of Special Directors' Meetings

4.07 Written or printed notice stating the place, day, and hour of any special meeting of the Board of Directors will be delivered to each Director not less than two (2) nor more than five (5) days before the date of the meeting, either personally or by

first class mail, by or at the direction of the President, or the Secretary, or the Directors calling the meeting. If mailed, such notice will be deemed to be delivered when deposited in the United States mail addressed to the Director at his address as it appears on the records of this Corporation, with postage prepaid. Such notice need not state the business to be transacted at, nor the purpose of such meeting.

Call of Special Board Meetings

4.08 A special meeting of the Board of Directors may be called by either:

- (1) The President
- (2) Any committee appointed by the Board of Directors
- (3) A quorum of the Board of Directors.

Quorum of Directors

4.09 A majority of the whole Board of Directors will constitute a quorum; provided, that in no event will a quorum consist of less than one-third (1/3) of the whole Board. The act of a majority of the Directors present at a meeting at which a quorum is present will be the act of the Board of Directors unless a greater number is required under the provisions of the Articles of Incorporation of this Corporation, or any provision of the Bylaws.

ARTICLE FIVE OFFICERS

Roster of Officers

5.01 The Officers of this Corporation will consist of the following personnel:

- (1) A President
- (2) A Secretary
- (3) Such other officers as the Board determines necessary.

Selection of Officers

5.02 Each of the officers of this Corporation will be elected or appointed for such term, not exceeding three years, as determined by the Board of Directors. Each officer will remain in office until a successor to such office has been selected and qualified.

Multiple Officeholders

5.03 In any election of officers, the Board of Directors may elect and appoint a single person to any two or more offices simultaneously, except that the offices of President and Secretary must be held by separate individuals. Officers of this Corporation may not serve ex-officio as Directors of this Corporation.

President

5.04 The President will be the Chief Executive Officer of this Corporation and will, subject to the control of the Board of Directors or Director Committees, supervise and control the affairs of the Corporation. The President will perform all duties incident to such office or such other duties as may be provided in these Bylaws or as may be prescribed from time to time by the Board of Directors.

Vice President

5.05 The Vice President will perform all duties and exercise all powers of the President when the President is absent or otherwise unable to act. The Vice President will perform such other duties as may be prescribed from time to time by the board of Directors.

Secretary

5.06 The Secretary will keep minutes of all meetings of members and of the Board of Directors, will be the custodian of the corporate records, will give all notices as are required by law or by the Bylaws, and, generally, will perform all duties incident to the office of Secretary and such other duties as may be required by law, by the Articles of Incorporation, or by these Bylaws, or which may be assigned from time to time by the Board of Directors.

Treasurer

5.07 The Treasurer will charge and custody of all funds of this Corporation, will deposit the funds as required by the Board of Directors, will keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, will render reports and accounting to the Directors and to the Members as required by the Board of Directors or members or by law, and will perform in general all duties incident to the office of Treasurer and such other duties as may be required by law, by the Articles of Incorporation, or by these Bylaws, or which may be assigned from time to time by the Board of Directors.

Removal of Officers

5.08 Any officer elected or appointed to office may be removed by the persons authorized under these Bylaws to elect or appoint such officers whenever in their judgement the best interests of this Corporation will be served. However, such removal will be without prejudice to any contract rights of the Officer so removed.

ARTICLE SIX INFORMAL ACTION

Waiver of Notice

6.01 Whenever any notice whatever is required to be given under the provisions of the law, the Articles of Incorporation of this Corporation, or these Bylaws, a waiver of such notice in writing signed by the person or persons entitled to notice, whether before or after the time stated in such waiver, will be deemed equivalent to the giving of such notice.

Action of Consent

6.02 Any action required by law or under the Articles of Incorporation of this Corporation or these Bylaws, or any action which otherwise may be taken at a meeting of either the Members or Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the persons entitled to vote with respect to the subject matter of such consent, or all Directors in office, and filed with the Secretary of the Corporation.

ARTICLE SEVEN COMMITTEES

Definition of Director Committees

7.01 This Corporation may have certain Committees, each of which will consist of two (2) or more Directors. Such Director Committee will have and exercise the authority of the Board of Directors in the management of this Corporation only as provided in the enabling resolution.

Advisory Committees

7.02 The Board of Directors may appoint from time to time certain Advisory Committees, each of which may include persons from outside the Corporation and its membership, to advise the Board as may be requested from time to time. Such committees will serve at the pleasure of the Board.

ARTICLE EIGHT OPERATIONS

Fiscal Year

8.01 The fiscal year for this Corporation will be the calendar year.

Execution of Documents

8.02 Except as otherwise provided by law, checks, drafts, promissory notes, orders for the payment of money, and other evidences of indebtedness of this Corporation will be signed by the Secretary and countersigned by the President or such other authorized corporate officers. Contracts, leases, or other instruments executed in the name of and on behalf of the Corporation will be signed by the Secretary and countersigned by the President, and will have attached copies of the resolutions of the Board of Directors certified by the Secretary authorizing their execution.

Books and Records

8.03 This Corporation will keep correct and complete books and records of account, and will also keep minutes of the proceedings of its Members, Board of Directors, and Director Committees. The Corporation will keep at its registered office or principal place of business a membership register giving the names, addresses, and other details of the membership and the original or a copy of its Bylaws including amendments to date certified by the Secretary of the Corporation.

Inspection of Books and Records

8.04 All books and records of this Corporation may be inspected by any Member, or its agent or attorney, for any proper purpose at any reasonable time on written demand under oath stating such purpose.

Nonprofit Operations - Compensation

8.05 This Corporation will not have or issue shares of stock. No dividend will be paid, and no part of the income of this Corporation will be distributed to its Members, Directors, or Officers. However, the Corporation may reimburse Members, Officers, or Directors for authorized expenses incurred in the furtherance of corporate business.

Loans to Management

8.06 This Corporation will make no loans to any of its directors or Officers or to any of its key management or other personnel.

8.07 (1) No Member of this Corporation may have any vested right, interest, or privilege of, in, or to the assets, functions, affairs, or franchises of the Corporation.

(2) Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purpose of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501 (c)(3) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future United States Internal Revenue

Law), as the Board of Directors shall determine.

(3) The Directors of this Corporation may authorize secured transaction or other dispositions of corporate assets without approval by the Members.

ARTICLE NINE AMENDMENTS

Amendments of Articles of Incorporation

9.01 The power to alter, amend, or repeal the Articles of Incorporation of this Corporation is vested in the Members. Such action must be taken pursuant to a resolution approved by a majority of the Directors and pursuant to a resolution approved by two-thirds (2/3) of the Members.

Modifications of Bylaws

9.02 The power to alter, amend, or repeal these Bylaws or to adopt new Bylaws, insofar as is allowed by law, is vested in the Board of Directors.

ARTICLE TEN MISCELLANEOUS PROVISIONS

Indemnification of Officers and Directors

10.01 Each person who shall have served as a director or officer of this Corporation, or of which it now is or may hereafter be a creditor, shall be indemnified by the Corporation against expenses and costs (including attorney's fees) actually and necessarily incurred by him in connection with any claim asserted against him, by action in court or otherwise, by reason of being or having been such director or officer, except when in any court proceeding he shall have been adjudged guilty of negligence or misconduct in respect of the matter in which indemnity is sought; provided, however, that the foregoing right of indemnification shall not be exclusive of other rights to which he may be entitled by law.

ADOPTION OF BYLAWS

Adopted by the Board of Directors of _____, by resolution
on _____, 19____.

By: _____
As its Secretary

EXHIBIT B: SAMPLE POLICY MANUAL

INCUBATOR POLICY MANUAL

OBJECTIVE:

The purpose of this manual is to establish the operational guidelines for the Tupelo/Lee County Small Business Incubator - a non-profit corporation.

The Tupelo/Lee County Small Business Incubator by definition will be a multi-tenant facility in which new business ventures and young companies are helped to grow and succeed through their vulnerable early years. It will be targeted towards innovative firms that lack management, technical or financial ability to survive without some assistance.

The Tupelo/Lee County Small Business Incubator is intended to be an economic development project with an objective of creating jobs and economic wealth by creating new companies.

In order to meet these objectives, it will be necessary to screen potential tenants to be certain they meet the following fundamental criteria.

GENERAL SCREENING CRITERIA:

It will be the duty and the responsibility of the Tupelo/Lee County Small Business Incubator's Board of Directors to carefully review business plans of all applying tenants to be certain they meet as many of the following criteria as possible:

1. Job creation potential.
2. Economic diversification.(Innovative Aspects)
3. Commercialization of research.
4. Products to aid local basic industries.
5. Products with net economic impact potential.

The Board of Directors is to be guided by these criteria and given latitude to interpret them as broadly as they deem necessary. Since the facility will operate on a dual rent basis, it will be the responsibility of this board to assist in determining which applicant will be assigned to each rent category. (Commercial rent only or incubator tenant with full services included.)

ENTRY POLICY:

Once applying tenants have passed the basic screening criteria, they must be more thoroughly processed to ascertain they legitimately require the support environment offered by the incubator. All tenants should be found to possess a reasonable chance of growing into stable companies.

The Board of Directors should consider, but not be restricted to the following checklist in their expanded screening process prior to final acceptance for entry:

1. Must have a written basic business plan.
2. Must have some formal assessment of his market.
3. Should be non-retail. (unless commercial rent only)
4. Should not be a franchise. (unless commercial rent only)
5. Enough financial ability to meet operational expenses for six months.

6. Must demonstrate that the company cannot afford to move directly into the private sector at this time, unless it is a commercial rent only tenant.
7. Must have product prototype or formal technical assessment that product is production quality.
8. If product is research based, it must be demonstrated that manager is competent in his field.
9. Manager must have some functional experience in his field of pursuit.
10. Must demonstrate company can consummate a sale within reasonable length of time.
11. Must be able to demonstrate ability to price production cost of product.
12. Should have knowledge of competition.
13. Must be able to offer business references.
14. Should have access to a lawyer and an accountant.
15. Materials for production must be accessible.
16. Must demonstrate commitment and entrepreneurial spirit.

ENTRY ASSISTANCE POLICY:

If an applicant cannot meet entry criteria but can demonstrate a product or service of sufficient economic potential, the Board of Directors may instruct the incubator staff to assist the entrepreneur in order to prepare him for entry.

Incubator staff should offer assistance or referral services in these areas:

1. Writing business plan.
2. Legal advice.
3. Technical assessment of product.
4. Accounting and financial planning.
5. Basic market research.

The Board of Directors shall have the discretion to enlarge the scope of pre-entry assistance. Director shall encourage interaction between Incubator staff and the Small Business Development Center or other local assistance providers.

OPERATIONAL CHECKLIST:

The incubator tenants must adhere to established operational policy. This will begin with filing the pre-entry application attached to a written business plan.

Upon acceptance for entry, the tenant must sign the standard center lease agreement.

Once the tenant has begun operating in the incubator he must conduct himself in a business-like manner, respecting all building rules.

In addition, the tenant must:

1. Submit to quarterly review of his accounting and operating statements by the incubator director.
2. Quarterly review of his entry business plan to demonstrate his adherence to the plan.
3. Assessment and evaluation by the incubators Board of Directors as they require.
4. Submit to lease review after one year of occupancy. Review will be performed by the incubator's Board of Directors or their designee.

EXIT/GRADUATION POLICY:

"Standard Center Lease" will be for three years. Once a tenant has operated his enterprise within the incubator for 36 consecutive months, he will be required to exit or "Graduate" into the private sector to continue doing business.

The incubator's Board of Directors will have the authority, at their discretion, to extend any lease on a month to month basis if it is determined that premature graduation would adversely affect the tenant's business.

Tenant may surrender space upon 30 day written notice to the incubator director, but such surrender will not terminate tenant's pay-back obligation as specified in the standard lease.

Tenant and incubator's Board of Directors may negotiate a mutual agreement for early graduation to be effective upon notarized lease amendment.

DUEL RENT RATE STRUCTURE:

Tenants that meet the above described criteria will be charged a flat monthly rate that will include all incubator services including training and consulting.

Commercial-rent only tenants will be charged a flat monthly fee for space and utilities only. These tenants may utilize incubator services on an as used basis upon posting a \$100 deposit in advance. Services will be charged against the deposit and a monthly statement issued. Once the deposit is fully drawn down, a new deposit will be required before any services may be accessed.

EXHIBIT C: SAMPLE PRE ENTRY APPLICATION

SPECIMEN PRE ENTRY APPLICATION

_____ OF _____ County

1. YOUR NAME, ADDRESS AND PHONE NUMBER:

2. IS YOUR BUSINESS: **G** NEW **G** EXISTING

3. IS YOUR BUSINESS A:

G PROPRIETORSHIP **G** PARTNERSHIP **G** CORPORATION

4. IF AN EXISTING BUSINESS:

HOW LONG IN EXISTENCE: _____ WHERE: _____

NUMBER OF EMPLOYEES: _____

OPERATED UNDER WHAT NAME: _____

5. GIVE NAME, ADDRESS AND PHONE NUMBER OF PARTNERS OR MAJOR STOCKHOLDERS:

6. DESCRIBE YOUR PRODUCT OR SERVICE:

7. DESCRIBE YOUR TARGET MARKET:

8. APPROXIMATELY HOW MUCH SPACE (IN SQ. FT.) WILL YOU REQUIRE:

_____ SQ. FT.

9. DO YOU REQUIRE ANY OF THESE SPECIAL FACILITY NEEDS:

G MANUFACTURING SPACE **G** LOADING DOCKS **G** HIGH VOLTAGE **G** WET LAB

G ELEVATOR **G** LIQUID OR CHEMICAL WASTE DISPOSAL

SPECIFY OTHER: _____

10. DO YOU REQUIRE SPECIALIZED EQUIPMENT? **G** YES **G** NO
IF YES, SPECIFY: _____
11. WILL YOU REQUIRE ANY OR ALL OF THE FOLLOWING SERVICES:
G CLERICAL **G** RECEPTIONIST **G** ACCOUNTING **G** MARKETING **G** LEGAL
G PRODUCTION
OTHER, SPECIFY: _____
12. WILL YOU REQUIRE SPECIAL TRAINING IN THE FOLLOWING:
G COMPUTER **G** TYPING **G** MANAGEMENT **G** ACCOUNTING
G BUSINESS PLAN WRITING
OTHER, SPECIFY: _____
13. INITIAL CAPITALIZATION OF YOUR BUSINESS:
G \$0 - \$50,000 **G** \$50,000 - \$100,000 **G** \$100,000 - \$150,000 **G** OVER \$150,000
14. ESTIMATED EMPLOYMENT:
AT TIME OF OCCUPANCY (FULL TIME)____(PART TIME)____
AFTER ONE YEAR (FULL TIME____(PART TIME)____
15. WILL YOU REQUIRE FIXED ASSET FINANCING:
G YES **G** NO
IF YES, SPECIFY: _____
16. IS YOUR PRODUCT OR SERVICE A SPINOFF OR TRANSFER OF TECHNOLOGY?
G YES **G** NO
IF YES, WHAT FACILITY: _____
17. WILL YOUR PRODUCT OR SERVICE AIDE LOCAL BASIC INDUSTRY?
G YES **G** NO
IF YES, WHICH INDUSTRY: _____
18. IS YOUR PRODUCT OR SERVICE COMMERCIALIZATION OF RESEARCH?
G YES **G** NO
IF YES, SPECIFY: _____

19. WILL YOUR PRODUCT OR SERVICE HAVE MARKETS OUTSIDE _____County:

G YES **G** NO

20. ADDITIONAL REMARKS: _____

The Tupelo/Lee County Small Business Incubator was created to foster entrepreneurial activities and to provide low cost space and support services. Clients may remain in the Incubator for up to two years and are expected to show progress in accordance with an approved business plan. Formal application involves presentation of a written business plan. Clients will be required to conduct themselves in a businesslike manner and demonstrate commitment to their goals.

This form represents only a pre-entry application on the part of the client and is a request for entry. Acceptance of this form will not imply acceptance for entry into the _____ of _____ County.

I have read this form thoroughly. _____
INITIAL

I have received a copy of the Policy Manual. _____
INITIAL

SIGNATURE _____

TITLE _____

DATE: _____ ACCEPTED BY: _____
CENTER DIRECTOR

EXHIBIT D: SAMPLE LEASE

STANDARD CENTER LEASE

This lease is hereinafter made between the Tupelo/Lee County Small Business Incubator, referred to as the Lessor and _____, hereinafter referred to as Lessee, for space as defined in the attachment APPENDIX A (Building Floor Plan) in the Tupelo/Lee County Small Business Incubator according with following terms and conditions:

1. **TIME:**

This lease will be for a period of __ years, but shall be reviewed at the end of the first year to determine that the company's operation is in compliance with its business plan and with the Tupelo/Lee County Small Business Incubator policies. The parties may extend this lease by mutual agreement and agreed upon terms.

2. **BUSINESS PLAN:**

The Lessee must follow the business plan submitted as part of the application to be a Lessee of the incubator. Failure to follow the plan will allow for unilateral termination of the lease by the Lessor upon notice set forth in SECTION 8, below.

3. **REVIEW:**

The Lessee's Business Plan will be reviewed quarterly by the Tupelo/Lee County Small Business Incubator staff to determine the Lessee's progress and updates may be required as determined by the Tupelo/Lee County Small Business Incubator Director.

4. **INSURANCE AND INDEMNIFICATION:**

The Lessee agrees to provide insurance for all risk of loss, including fire and extended coverage insurance on all Lessee's equipment as well as any equipment loaned or leases to Lessee by Lessor and shall carry general liability insurance in the amounts of at least \$500,000. The policies shall name the Lessor as a co-insured on leased or loaned equipment and general liability insurance. The Lessee agrees to notify the Lessor if any change, alteration, modification or cancellation of any such policy. Lessee also agrees to indemnify Lessor and its officials and agents for any and all liability arising out of Lessee's operations, including any claims relating to product liability.

5. **OPERATIONS:**

The Lessee agrees to abide by all applicable federal, State and local laws, regulations and ordinances covering its type of lease and operation and all the policies of the Tupelo/Lee County Small Business Incubator.

6. **TAXES:**

The Lessee agrees to be responsible for all allocable property taxes, excise and franchise taxes and any other taxes applicable to its operation.

7. **MAINTENANCE AND REPAIRS:**

Building maintenance and common area janitorial service will be provided by Lessor.

8. **TERMINATION:**

At the expiration or termination of the lease, the leasehold area will be returned to the Lessor in good condition, reasonable wear and tear expected. Lessor reserves the right to terminate this lease on thirty (30) days notice if in its judgement such termination would be in the best interest of the Lessor and Lessee.

9. **SIGNAGE:**

Lessor must approve any interior signage the Lessee wishes to use in the premises.

10. **GUARANTEES:**

Lessee acknowledges that occupancy of the incubator's space in no way guarantees the financial operational success of his enterprise and agrees to hold harmless the -----, its employees, its director, its board of directors and their agents from any losses incurred by the Lessee.

This lease represents the full and entire agreement between the parties and it may only be altered or amended by a mutually agreed to written amendment between all parties.

Dated this _____ day of _____ 20__.

LESSOR:

By: _____

LESSEE: _____

By: _____