

# Oversight Division

Committee On Legislative Research

## PROGRAM EVALUATION

Small Business Incubator Program

JAN 24 2007



**Program Evaluation**  
**Small Business Incubator Program**

*Prepared for the Committee on Legislative Research  
by the Oversight Division*

*Mickey Wilson, CPA, Director  
Review Team: Ross Strobe, Team Leader, Wayne Blair and Linda Dudgeon*

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## **Committee on Legislative Research Oversight Subcommittee**

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is an agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately \$19.2 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

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Members of the General Assembly:

The Joint Committee on Legislative Research adopted a resolution in May 2006, directing the Oversight Division to perform a program evaluation of the Small Business Incubator Program to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

The report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates. You may request a copy of the report from the Oversight Division by calling 751-4143.

Respectfully,

A handwritten signature in black ink that reads "Gary Nodler".

Senator Gary Nodler  
Chairman

## **EXECUTIVE SUMMARY**

The Small Business Incubator Tax Credit Program is one of many administered by the Department of Economic Development (DED). The intent of the program is to generate private contributions in order to establish and maintain protective business environments (incubators) in which a number of small businesses can collectively operate; fostering growth and development during a business' start-up period.

Since the program's inception, DED has issued over \$2.36 million in tax credits, which has attracted over \$4.7 million in contributions to Missouri's small business incubators. The contributions for which tax credits are issued can be used for various things, including capital improvements, the purchase of equipment and furnishings or for business development services.

The Tax Credit Accountability Act in 2004 added a step to the tax credit issuance process. Issuing agencies must now verify through the Department of Revenue that the prospective tax credit recipient does not have outstanding tax liabilities. Oversight noted prior to July 1, 2006, DED did not verify that recipients of this program's credits were in good standing with the state's Department of Revenue before the credits were issued. DED interpreted the statutes to require verification that no tax liabilities existed for the small business incubators instead of the donors to the incubators (who would actually receive the tax credits). Oversight noted that effective July 1, 2006, DED has corrected the situation.

Oversight noted that a small business incubator has been allocated over \$186,000 of tax credits for 2006 under this program even though it has been administratively dissolved by the Office of the Secretary of State for failure to file their annual report for 2005. We recommend the DED review the limited number of incubators that receive the annual allocation of incubator tax credits to ensure that they are in good standing with the Office of the Secretary of State.

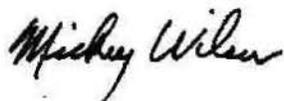
DED is required to submit an annual report to the Governor, the Chief Clerk of the House of Representatives and the Secretary of the Senate detailing the activity of the program. Oversight noted that the only annual report to be submitted by DED inside the scope of the evaluation was for calendar year 2005. Oversight recommended DED submit the required annual reports.

Oversight also recommended DED require incubators to report how the donations that generated the tax credits utilized were utilized. The eligible project costs for which the contributions can be utilized range from the acquisition of land and buildings, construction of new facilities to business development services such as consulting or education. Oversight assumes this will aid DED in estimating the indirect fiscal benefit the state receives from the program.

Oversight also recommended DED be more proficient at collecting information from the incubators in order to determine the fiscal benefits the State is receiving from the program. DED stated that they haven't collected sufficient information to determine if the program has been beneficial for Missouri taxpayers. Oversight attempted to utilize the information gathered during the evaluation to calculate the effectiveness of the program, unfortunately, we were not

comfortable making the various assumptions that would be required to develop a return on investment for Missouri taxpayers. Alternatively, Oversight has provided the Committee members information about the program, such as the current incubator tenants, graduates, a survey of certified incubators as well as information regarding Missouri's surrounding states.

Oversight wishes to thank the Missouri Department of Economic Development for their cooperation and assistance during the evaluation.

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA  
Director

## Chapter 1 - Introduction

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### **Purpose**

The Joint Committee on Legislative Research directed the Oversight Division to conduct a program evaluation of the Small Business Incubator Tax Credit Program. The purpose of the evaluation was to determine the efficiency of the program as administered by the Department of Economic Development (DED). The scope of the evaluation concentrated on the period of July 1, 2002 through June 30, 2005. The methodology used by the Oversight Division included review of DED reports and transactions, review of similar programs in other states, visits to a sample of Missouri's small business incubators, and a questionnaire submitted to all of the incubators certified by DED.

### **Background**

The Department of Economic Development (DED) administers the Small Business Incubator Tax Credit Program (Program). The Program was enacted in 1986 by Senate Bill 554 and the intent of the program is to generate private funds to be used to establish protective business environments (incubators) in which a number of small businesses can collectively operate, fostering growth and development during a business' start-up period. DED certified its first incubator in 1991, and currently there are thirteen incubators registered with DED.

Small Business Incubators can be several things, including a building which can be divided into smaller units of space to be leased to start-up businesses. An incubator can also be a program in which the participants (tenants) are provided business development services to assist in their growth. Tenants receive and share services including financial consulting assistance, management and marketing assistance, business education as well as physical services such as shared copiers, facsimiles and conference rooms. After a period determined by the incubator's policy, a tenant will move (graduate) from the incubator, thereby making room available for a new start-up business. Incubators provide five areas of support to tenant companies: facilities, equipment, professional services, knowledge access, and financing.

Tax credits are issued to taxpayers who donate to the certified incubators in the amount of fifty percent of the donation. The tax credits can be utilized against individual and corporate income taxes (Chapter 143, RSMo), corporate franchise taxes (Chapter 147, RSMo) or financial institution taxes, including insurance premium taxes (Chapter 148, RSMo). Tax credits can be carried forward for up to five years and may be sold (for no less than 75 percent of the par value of the credits and in an amount not to exceed 100% of the tax credit amount). The Program's annual cap of \$500,000 is allocated at the beginning of each calendar year to those certified

incubators that request credits and submit the proper paperwork. The allocation is based upon the need of the incubator, its anticipated expenditures for the calendar year and the amount requested. If credits remain unissued near the end of the calendar year, a reallocation of unused credits is performed by DED. This allows incubators to raise additional contributions, above their original allocation. The unused credits expire on December 31<sup>st</sup> of each year.

Since the program's inception, DED has issued over \$2.36 million in tax credits (see Exhibit A), which has attracted over \$4.7 million in contributions to Missouri's small business incubators. The contributions for which tax credits are issued shall be used only for establishing, operating, and administering a small business incubator program. DED lists the eligible project costs as various capital improvements, the purchase of equipment and furnishings or business development services including but not limited to business management consulting and business education.

The Legislative authority for the program is contained in Section 620.495 RSMo. The original legislation, SB 554 in 1986, allowed for a loan and loan guarantee program to fund small business incubators; however these funding sources are currently not utilized. In 1989, HBs 249 & 47 expanded the program to give DED the authority to make grants to the incubators as well as issue tax credits to persons who contribute to the incubators. The grant program also is not currently utilized, but DED has issued tax credits for the program since 1991. Lastly, in 1993, HB 566 expanded the program to include incubators without a physical location (building) that assist in the growth of start-up small businesses to participate in the program.

Incubators come in various shapes and sizes. Most DED-certified incubators are the more traditional set-up consisting of a building with start-up tenants that rent or lease space within the incubator. Other incubators consider themselves "incubators without walls", which generally means they provide specialized services to small businesses without housing them as tenants. Incubators can also differ by the focus of their tenants/services. Missouri incubators' focus range from manufacturing, to plant and life sciences to information technology/communications, to bio-medical, or some combination thereof. DED-certified incubators (those with walls) also vary in size, from 10,000 square feet to 92,000 square feet.

With an annual cap of \$500,000, this is a relatively small state business incentive program. Roughly one-fourth (1/4) of an FTE within DED is budgeted to administer the program which consists of allocating the tax credits in February and December of each year, collecting and compiling information from the certified incubators to develop the annual report for the program, as well as various other duties. DED estimates the program costs roughly \$8,600 annually to administer.

The life cycle of a small business within an incubator can vary from a few months to several years. Each incubator establishes the criteria for entering and exiting their incubator. The

average amount of time a business stays in a DED-certified incubator has been a little over two years; however, the amount of time a company needs to grow, develop and graduate from an incubator depends greatly upon the product or service it is developing. For example, several companies within an incubator in St. Louis that focuses on bio-technology have been tenants for over seven years, in part because of the length of time it takes to develop the types of technology these companies are trying to put into the marketplace.

Incubators often have close ties to a university within the state. Of the eleven active incubators, nine list Missouri institutions for higher education as a partner or sponsor, including the University of Missouri - Columbia, Rolla and St. Louis, Washington University, Southeast Missouri State University as well as Missouri Southern State University. One obvious benefit of the relationship includes the wealth of knowledge available at the university to assist the small business. Another benefit of the relationship is that sometimes a concept envisioned by professors and/or students may be able to be researched and developed into a product or service that can be marketed. The research and development process may require specialized facilities (such as a wet lab) that can be difficult to find except in the university setting or in an incubator. The incubator is designed to assist the professor's fledgling business develop the product/service and bring it to market. Another benefit is the availability of highly skilled and highly educated workers (university students or graduates) to work in these start-up companies.

Incubators generally secure several sources of funding for their programs, including:

- Federal Government (SBA, HUD and various other programs);
- State Government (Small Business Incubator Tax Credit as well as Innovation Center Appropriation);
- Local Government (cities, counties and quasi-governmental economic development organizations);
- Private (donations from businesses as well as individuals);
- Rent charged to their tenants;
- Fees charged for various services including seminars, training, etc.

Another program within DED with a very similar mission is the state's Innovation Center program. Innovation centers provide some of the same services as those provided by incubators: administrative and managerial support, assistance with business plan development, specialized training, education seminars, and funding resources. Innovation centers also provide assistance to individual and business organizations during the early stages of the development of new technology-based business ventures. This description is basically the same as that of a small business incubator; however, innovation centers are generally a larger umbrella-type organization. Some innovation centers offer several small business programs (including a small business incubator), while for other innovation centers, the incubator is its only program and the two are virtually indistinguishable.

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Originally, four innovation centers were established around the four University of Missouri campuses - Columbia, St. Louis, Kansas City and Rolla. The number of innovation centers as well as the annual funding have increased since FY 1985, up to \$1.5 million for eight centers (Columbia, Rolla, St. Louis, Cape Girardeau, Joplin, Springfield, Kansas City and Kirksville) for FY 2007. The innovation centers are funded through an appropriation made through the Missouri Technology Corporation (MTC). The MTC is a private not-for-profit corporation established in 1994 to lead in statewide efforts to create jobs and economic growth by improving technology connections between universities and businesses; increasing investment in public and private research; and improving methods for transferring and commercializing new discoveries.

## Chapter 2- Comments

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### Comment 1:

The Tax Credit Accountability Act of 2004 (Senate Bill 1099, 2004 session) added a step in the tax credit issuance process. Section 135.815, RSMo, states "prior to authorization of any tax credit application, an administering agency shall verify through the department of revenue that the tax credit applicant does not owe any delinquent income, sales, or use taxes, or interest or penalties on such taxes, and through the department of insurance that the applicant does not owe any delinquent insurance taxes. Such delinquency shall not affect the authorization of the application for such tax credits, except that the amount of credits issued shall be reduced by the applicant's tax delinquency."

Oversight asked DED if they verify that the donors (who receive the tax credits) are free of outstanding tax balances. DED responded that their agency had interpreted the statutes to require the outstanding tax balance verifications to be completed on the incubator, not on those who make the donations (and subsequently receive the tax credits). DED advised Oversight that they have recently changed opinions regarding this issue. Starting July 1, 2006, DED will start verifying tax liabilities through the Department of Revenue on the taxpayers that make the donations and receive the state tax credits, not simply on the incubator.

Oversight assumes the intent of this section in statutes is to determine if the taxpayer who is going to receive the tax credits is in good standing with the tax collecting agencies before tax credits are issued. Since the small business incubators are not the recipients of the tax credits, and would generally not have state tax liabilities, Oversight does not follow the reasoning in verifying their tax liabilities before credits can be issued to donors. Oversight believes DED has now corrected the situation.

**Comment 2:**

A certified small business incubator that had been allocated tax credits in calendar year 2006 has been dissolved by the Office of the Secretary of State for failure to file their 2005 annual report. This non-profit corporation incubator was administratively dissolved by the Office of the Secretary of State on January 6, 2006 due to the failure to file their 2005 annual report. According to the letter of dissolution, a corporation administratively dissolved may not carry on any activities except those necessary to wind up and liquidate its business affairs. Instead, the incubator was allocated over \$186,000 of program tax credits for calendar year 2006.

Oversight contacted the Office of the Secretary of State to find out what would be required for the non-profit corporation to again attain its good standing with the state and was told the corporation simply had to file an annual report for 2005. Oversight recommends the Department of Economic Development review the limited number of incubators (corporations) that receive the annual allocation of Small Business Incubator Tax Credits to ensure that they are in good standing with the State of Missouri - Office of the Secretary of State.

### **Comment 3:**

The Department of Economic Development is required to submit an annual report to the Governor, Chief Clerk of the House of Representatives and the Secretary of the Senate detailing the activity generated by the program. The report shall include, but need not be limited to:

- the number of applications for incubators submitted to the department;
- the number of applications for incubators approved by the department;
- the number of incubators created through the program;
- the number of tenants and participants engaged in each incubator;
- the number of jobs provided by each incubator and tenants and participant of each incubator;
- the occupancy rate of each incubator; and
- the number of firms still operating in the state after leaving incubators and the number of jobs they have provided.

This has been a requirement in statutes since the enabling legislation was passed in 1986; however, the only annual report to be submitted by DED within the scope of the evaluation was for calendar year 2005.

Oversight recommends the Department of Economic Development comply with the statutory requirement and submit reports annually to the Governor and the General Assembly. Comprehensive reports detailing the impact of the program are necessary in determining the value of the program and whether or not the program is producing a viable return on the taxpayer's investment.

#### **Comment 4:**

The Department of Economic Development requires that contributions for which tax credits are issued be used only for establishing, operating and administering a small business incubator program. DED lists the various eligible project costs for which the contribution can be utilized, including:

- Acquisition of land and existing buildings;
- Leasing of land and existing buildings;
- Rehabilitation of buildings or other facilities;
- Construction of new facilities;
- Purchase of equipment and furnishings; and
- Business development services included but not limited to business management consulting and business education.

Incubators are not required to keep contributions separate from other proceeds. Therefore, moneys received through contributions (which generate state tax credits) can be put into the same account as moneys received from other sources. Also, incubators are not required to report to DED what the contributions were spent on; whether on construction of a new facility or on business education services for the incubator tenants.

DED uses the tax credit issuance amounts to estimate the indirect economic benefit the state receives from the program. DED's Tax Credit Analysis Form 14, submitted annually with the department's budget, assumes the amount of tax credits issued in the prior fiscal year generated an amount of contributions double the amount of credits, and that all of the contributions were used for building construction in the state. Since incubators can use the contributions on a variety of eligible project expenditures, this is an incorrect assumption. For example, roughly 30 percent of the tax credits issued in Fiscal Years 2005 and 2006 were for an incubator that has yet to start construction as of September, 2006. Therefore, it would be incorrect to assume that the state received a fiscal benefit from the tax credits issued on its behalf.

Oversight recommends DED require incubators to report specifically how the contributions were utilized. Oversight assumes this will aid in estimating the indirect fiscal benefit to the state since different benefits would result from incubators utilizing the contributions in different ways; from constructing a new incubator, to providing training classes for the tenants, to accumulating contributions for future construction of an incubator.

**Comment 5:**

Under the program, tax credits are issued when contributions are made to certified small business incubators. The incubator does not have a time frame for which the contributions must be utilized, therefore, tax credits can be utilized by taxpayers to offset their state tax liabilities, even though incubators may not have used the contributions. For example, an incubator could be raising money for several years to build a facility, while the taxpayers who contributed to the cause may have already utilized the tax credit they received. In this example, there would be a delay between when the state's tax revenue would be impacted by the utilization of the tax credits and the positive benefits the state would receive from the construction activity and small business development spurred by the donation.

In order to better correlate the timing of the issuance of tax credits and the potential fiscal benefit of the issuance of those tax credits, Oversight believes the Department of Economic Development should consider putting a restriction on the tax credit program. For example, requiring that the small business incubator tax credits could not be issued until the incubator has utilized the contribution. This suggestion would be feasible if the following recommendation of requiring the incubators to report how the contributions are used would be followed.

## **Comment 6:**

The Small Business Incubator Tax Credit Program has issued tax credits since Fiscal Year 1991. There should be enough information available for DED to determine if the program has been beneficial for Missouri taxpayers. However, when asked if sufficient information has been collected to make such a determination, DED responded that there has not. Small business incubators are required to submit annual reports to DED; however, not all incubators cooperate and not all of the incubators that do cooperate track and submit the requested information, making the task of determining the direct and indirect benefits of the program difficult.

Oversight attempted to utilize the information available to us to determine the effectiveness of the program. Unfortunately, Oversight found many obstacles (described below) to being able to put a numerical value on the program for Missouri taxpayers. To provide the Committee with information regarding the program, Oversight has included the following schedules;

1. Listing of the current tenants by incubator. Oversight attempted to include the number of jobs within the incubator, the average salary of these jobs, the business spending of the companies and the length of time as a tenant but few of the incubators reported all of the information. (Exhibit B)
2. Listing of the graduates of the incubators. Oversight attempted to include the number of jobs, the average salary of those jobs and the amount of business spending of the graduates, but few of the incubators reported all of the information. (Exhibit C)
3. Responses from the small business incubators to a survey conducted by the Oversight Division. All DED-certified incubators were asked to complete survey regarding the program and DED's role as the administrator. (Exhibit D)
4. Responses from surrounding states regarding their efforts to develop small business incubators. (Exhibit E)

Unfortunately, Oversight encountered several obstacles in our attempt to calculate the effectiveness of the small business incubator program. Below, Oversight provides a brief explanation of the obstacles we encountered;

1. DED does not collect all of the necessary information. Small Business Incubators are required to submit an annual report to DED detailing many aspects of its program/facility. Among the requirements is information about the incubator's tenants and graduates such as the number of jobs, payroll and business spending. DED then is required to compile this information into a report for the Governor and the General Assembly. DED states the

only report they have prepared was for FY 2005. Some of the incubators do not file the report at all while some of the reports that do get filed by the incubators do not have complete information. For example, an incubator may provide the number of jobs created by its graduates, but not provide information regarding the payroll or business spending of those graduates. Without complete and consistent fiscal information regarding the incubator's tenants and graduates, it is difficult to determine the success of the program.

2. The donations by Missouri taxpayers that spur the issuance of tax credits, may be spent by the incubator on capital improvements (such as the acquisition of land or construction of a building) or for business development services (such as management consulting or training). Incubators are not required to report to DED how they utilize the donations. Therefore, one can not make the assumption that the tax credits in a given year result in a specific amount of construction spending in that year.
3. Small Business Incubator Tax Credits are a usually a small part of the funding that incubators receive. Incubators generally receive funding from various sources, including local governments, the federal government, private investors, sponsoring organizations, quasi-governmental entities, rents from tenants and revenue from other business services provided. The program's tax credits limit is \$500,000 annually, which gets allocated among the certified incubators requesting credits. With the varied sources of income usually available to the incubators, it is very difficult to utilize the "if not but for" test (would the incubator have been successful if not but for the tax credit program spurring donations) for this program. We are not able to say that many of the incubators would not exist (or would exist in a different variety) if not but for the tax credit.
4. There is not a direct relationship between the tax credits and the small businesses that they are intended to help. The incubators are required to use the donations for capital improvements or business development services. However, one could consider these indirect benefits to the fledgling businesses within the incubators.
5. There could be a substantial lag in the amount of time from a tax credit being issued and the donation being utilized by the incubator. Therefore, a long lag time between the tax credit issuance, construction of the facility, and the acceptance of tenants could exist, which dilutes the cause-and-effect relationship.
6. One cannot determine if the tenants would have succeeded in the marketplace without the assistance of the incubator. The question "how essential to the development of these fledgling businesses are the incubators" must be asked. There is probably little debate that the incubators are beneficial and provide a valuable service to small start-up companies, however, Oversight can not speculate as to the number of jobs that would have been created and the amount of benefits that would have been generated by the same companies if the incubators were not in place.

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7. Another Missouri program assists many of the same organizations. The Missouri Technology Corporation gets an annual General Revenue appropriation to distribute to Missouri's innovation centers. Many of these innovation centers are umbrella organizations with small business incubators. For example, an incubator in St. Louis is an innovation center as well as a small business incubator making the two programs basically indistinguishable. This adds another level of difficulty to being able to distinguish the effectiveness of the Small Business Incubator Program when other programs are also being utilized by the same entity for essentially the same purpose.

## APPENDIX 1

Small Business Incubator Tax Credit Program  
Tax Credit Issuance Summary by Incubator and by Fiscal Year  
Through FY 2006

	Pre-2000	2000	2001	2002	2003	2004	2005	2006	
1 BEU - Kansas City	\$ 25,000	\$ 50,000	\$ 12,500						\$ 87,500
2 CET - St. Louis	\$ -	\$ 25,000	\$ 119,509	\$ 81,050	\$ 46,239	\$ 147,850	\$ 61,413	\$ 52,500	\$ 533,561
3 JNBTC - Joplin							\$ 92,000	\$ 57,898	\$ 149,898
4 LSBIC - Columbia							\$ 115,000	\$ 94,500	\$ 209,500
5 MIC - Columbia	\$ 35,000								\$ 35,000
6 MITF - Rolla	\$ 319,858								\$ 319,858
7 NIDUS - St. Louis						\$ 32,997			\$ 32,997
8 OZARK - Poplar Bluff	\$ 2,500								\$ 2,500
9 SBSC - St. Charles	\$ 132,500	\$ 40,625		\$ 26,750	\$ 8,000				\$ 207,875
10 SMIC - Cape Girardeau								\$ 12,500	\$ 12,500
11 StLEC - St. Louis	\$ 312,500			\$ 50,000					\$ 362,500
12 TEC - St. Louis					\$ 25,000	\$ 81,400	\$ 93,500	\$ 108,671	\$ 308,571
13 THEC - Macon	\$ 50,500	\$ 51,450							\$ 101,950
	<u>\$ 877,858</u>	<u>\$ 167,075</u>	<u>\$ 132,009</u>	<u>\$ 157,800</u>	<u>\$ 79,239</u>	<u>\$ 262,247</u>	<u>\$ 361,913</u>	<u>\$ 326,069</u>	<u>\$ 2,364,210</u>
Annual Cap		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	
Unused Tax Credits		\$ 332,925	\$ 367,991	\$ 342,200	\$ 420,761	\$ 237,753	\$ 138,087	\$ 173,931	

**EXHIBIT A**

Small Business Incubator Tax Credit Program  
Summary of Tenants in Certified Incubators  
At 6-30-2005

Incubator	Tenant	Tenant Since	Expected Graduation	Number of Jobs	Average Salary	Business Spending	To June, 2005 Tenant Length (Years)	
1 BEU (Kansas City)	No Report							
2 CET (St. Louis)	A P Materials	November 1999					5.67	
	Ageia Technologies	June, 2003					2.00	
	BioSynthema	November, 2002					2.67	
	Kereos, Inc	October, 2002					2.75	
	Orion Genomics	May, 1998					7.08	
	Singulex	May, 1998					7.08	
	SpecrAlliance	January, 2001					4.50	
	Stereotaxis	April, 1998	(note: since graduated to CORTEX)				7.17	
	Zassi Medical Evolutions	March, 1999	(note: since moved to Florida)				6.25	
				185	\$27,895,500 for total payroll per e-mail from CET		Average	5.02
3 JNB TIC (Joplin)	Gestalt, Inc.	2005		14	\$1.1 million payroll		< 1 year	
4 LSBIC (Columbia)	No tenants - Under Construction							
5 MIC (Columbia)	MIC currently operates as an "incubator without walls", providing the coaching dimension of business incubation.' Therefore no tenants							
6 MITF (Rolla)	Center for Aerospace Manf. Tech	October 2004					0.75	
	Virtual Reality and Rapid Proto. Lab	July 2001					4.00	
	Missouri Transportation Inst.	July 2004					1.00	
	Innovation Science & Technology	May 2004					1.08	
	4aWebSolution	April 2003	(note: graduated in 2006 - moved to Jefferson City)				2.17	
	Janet Carroll Consulting LLC	April 2005					0.17	
				10		2,362,081	Average	1.53
7 NIDUS (St. Louis)	Akermin						2.00	
	Apath						4.00	
	Chlorogen						2.50	
	Divergence						4.50	
	Graphic Surgery						2.75	
	Mogene						1.50	
	HumanZyme						0.50	
	ISW Group						1.00	
	Venganza						1.00	
			per e-mail:	70	\$4.5 million payroll		Average	2.19

**EXHIBIT B**

Small Business Incubator Tax Credit Program  
Summary of Tenants in Certified Incubators  
At 6-30-2005

Incubator	Tenant	Tenant Since	Expected Graduation	Number of Jobs	Average Salary	Business Spending	To June, 2005 Tenant Length (Years)
\$12 million spending							
8 OZARK (Poplar Bluff)	ARAMARK Uniforms, Inc.	2 years	March 2006	7	45,000	1,101,000	2.00
	American Tool & Plastic, Inc.	9 months	February 2008	4	15,000	130,000	0.75
	CRT Lighting, Inc.	3 years	December 2005	3	18,000	126,000	3.00
	Industrial Medicine Clinic	3 years	October 2006	4	21,400	399,467	3.00
	Ozark Physical Therapy	3 years	October 2006	4	21,400	399,467	3.00
				22			Average
							2.35
9 SBSC (St. Charles)	Access Accounting eSolutions	June 2002	2005	5			3.00
	Affinity Capital	June 2005	2008	5			0.08
	Alternative Tool/Die Machine, Inc.	October 2002	2006	6			2.64
	American Elite Health	April 2005	2008	3			0.25
	Antibody Research Corp.	June 2005	2010	4			0.08
	Assist 2 Sell	February 2003	2006	6			2.32
	AUVI Technologies	June 2003	2007	12			2.00
	BIWeekly Services	January 2001	2006	1			4.50
	Brisco-Ennis, LTD	June 2005	2008	1			0.08
	CDK Web	March 2005	2008	5			0.32
	Collers Turley Martin Tucker	July 2003	2006	2			2.00
	Diversified Materials	April 2000	2006	4			5.25
	Drake Financial Services	February 2005	2008	1			0.40
	Fitness Outlet	January 2003	2006	1			2.50
	Gala Force Events	October 2004	2008	1			0.64
	Holmes Custom Creations	June 2005	2008	1			0.08
	Hope Readmix	July 2004	2007	3			1.00
	Humidfall LLC	January 2001	2006	2			4.50
	Icon Polymer	August 2004	2007	1			0.88
	IBT, Inc.	March 2003	2006	3			2.25
	Keary Claim Services	January 2005	2008	1			0.50
	KJAJ for North Central Kirby Vac	May 2005	2008	4			0.16
	Metastable Instruments	March 2001	2006	3			4.32
	Mid America Century Life Ins.	May 2005	2008	1			0.16
	Morrison Law	March 2005	2008	1			0.32
	Mountan Mud Expresso	October 2002	2006	6			2.64
	N2 Publishing	February 2005	2008	2			0.40
	Presettlement Funding Services	March 2003	2007	2			2.32
	Progressive Appraisal	December 2000	2005	10			4.56

**EXHIBIT B**

Small Business Incubator Tax Credit Program  
 Summary of Tenants in Certified Incubators  
 At 6-30-2005

Incubator	Tenant	Tenant Since	Expected Graduation	Number of Jobs	Average Salary	Business Spending	To June, 2005 Tenant Length (Years)	
	Realadi	August 2004	2007	4			0.64	
	Realtime Fantasy	May 2003	2006	4			2.16	
	Rory Ries Counselling Services	July 2004	2007	2			1.00	
	Safe-Ride Medical Transport, LLC	August 2002	2006	4			2.64	
	St. Louis Arms	August 2004	2007	1			0.64	
	Terra Firma USA	August 2002	2006	2			2.64	
	Trailhead GIS, Inc.	March 2002	2006	4			3.32	
	Trans America Products Techn.	January 1996	2006	2			9.50	
	Trinity Logistics	March 2003	2007	6			2.32	
	U Design Jewelry	March 2005	2008	75			0.32	
	UGA	April 2005	2008	10			0.25	
	US Strategic	August 2004	(left blank)	1			0.88	
	Young Communications	April 2005	2008	4			0.25	
				216	"no info"	"no info"	Average	1.83
10 SMIC (Cape Girardeau)	No tenants - Under Construction							
11 StLEC (St. Louis)	No report							
12 TEC (St. Louis)	Global Velocity	May 2004	2006	4	74,000	1,200,000	1.10	
	Heaton Technology Services	May 2004	2008	1	40,000	20,000	1.10	
	Minute Guard LLC	September 2004	2007	4	24,000	48,000	0.83	
	Details.At Trading Company, Inc.	September 2004	2008	1	-	50,000	0.83	
	OnlyLink	November 2004	2008	4	30,000	72,000	0.67	
				14			Average	0.91
13 THEC (Macon)	No Report - Not Active							
						Average	2.20	years

**EXHIBIT B**

Small Business Incubator Tax Credit Program  
Summary of Graduates from Certified Incubators  
At 6-30-2005

Incubator	Graduate	tenant since	date graduated	years a tenant	Status	Number of Jobs	Average Salary	Business Spending
1 BEU (Kansas City)	No Report							
2 CET (St. Louis)	Celox Networks	July 2000	July 2002	2.00	still viable			
	DNA Polymerase Technology	March 1999	September 2002	3.50	still viable			
	Gateway Analytical Labs	January 2002	September 2002	0.75	still viable			
	Data Search Systems	August 2003	April 2006	1.75	still viable			
	Daedalus Technologies Co.	February 1999	March 2001	2.08	sold - moved to Texas			
	MicroSense of St. Louis	July 1999	January 2004	4.50	sold - moved to New Jersey			
	InfuSafe	April 2003	November 2004	1.58	sold - moved to New Jersey			
	Symbionics, Inc.	March 1999	January 2005	4.75	sold - moved to Wisconsin			
	MinMax Technologies	April, 1998	May 2000	2.00	closed - failed to secure more funding			
	Auxeris Therapeutics	December 2002	December 2004	2.00	closed - failed to adequately protect its IP			
				2.49				N/A per an e-mail from CET
3 JNBTC (Joplin)	Kmo Corp			< 1	moved to California			
	Richardson's Candy House			< 1	still viable	17	\$19,412	\$330,000
4 LSBIC (Columbia)	No Graduates - Under Constructoin							
5 MIC (Columbia)	Per their 2005 report, 'MIC currently operates as an "Incubator without walls", providing the coaching dimension of business incubation.' Therefore no graduates							
6 MITF (Rolla)	Alliance for Advanced Coating R	November 1998	April 2001	2.50	still viable			No data provided by company
	InTech	November 2000	June 2002	1.50	still viable			Merged into ORC-O in FY 2003
	Partner Precision	December 1998	October 2000	3.75	closed - bankrupt			
	Roller Die & Forming Company	October 2003	January 2004	0.25	moved to Kentucky			
	Total Environmental Labs	March 2000	April 2001	1.00	still viable	10		
	Twilight Productions	2003	2004	1.00	closed - demands of new job			
	Trustworthy Computer Systems	July 2001	August 2003	2.00	still viable			University Lab - moved from Incubator in FY 2004
	Vall Interactive Technologies	March 1997	October 2000	3.50	still viable	10		
	VizyonTech Ventures, LLC	June 2003	May 2005	2.00	moved to California			
					1.94			
7 NIDUS (St. Louis)	TSV Industries			2.50	still viable			
	Efficas			0.50	still viable			
	Proteoplex			0.33	moved to Wisconsin			
	Quick Study Radiology, Inc.			4.00	Graduated in FY 2005			
	APT Therapeutics			3.50	closed			
	Colliant LLC			1.00	closed			
	Shurjo Medical Technologies, Inc.			3.00	closed			
				2.12		15 per e-mail	\$1.25 million per e-mail	
8 OZARK (Poplar Bluff)	'No current or historic data to report during this time period'							

Small Business Incubator Tax Credit Program  
Summary of Graduates from Certified Incubators  
At 8-30-2005

Incubator	Graduate	tenant since	data graduated	years a tenant	Status	Number of Jobs	Average Salary	Business Spending
9 SBSC (St. Charles)	Access & Mobility Solutions	January 1998	December 1999	4.00	closed			
	Advanced Communic Consultan	June 2001	October 2001	0.41	merged	80		
	Advanced Mfg. Technology	June 1993	June 1994	1.00	moved			
	Advantage Homes	May 1997	February 1999	1.66	closed			
	All Pro Prof. Home Care Svcs	June 2002	October 2003	1.42	moved			
	America's Business Coach	December 1998	September 1999	0.83	closed			
	AngloPharm	N/A	June 2002		moved			
	Art Technologies	August 1999	2002	3.00	moved			
	Ascend Communications	September 1995	September 1997	2.00	sold			
	Asia Pacific	January 1995	October 1995	0.83	closed			
	Aviation Software Management	August 2001	October 2001	0.25	closed			
	BMIS, Inc.	March 1995	September 1995	0.50	closed			
	CardService Midwest	May 1997	March 2000	2.75	moved	4		
	Clear Perception, Inc.	June 1996	July 1999	3.00	closed			
	Complete Network Solutions	February 2002	April 2002	0.26	closed			
	Concurrent Technologies	July 1997	October 1998	1.25	still viable	7		
	Confluence Resource Professor	August 2000	June 2002	1.75	moved	8		
	Conover Office Products	November 2002	September 2004	2.00	moved	4		
	Conversion Processes	June 1995	September 2001	5.25	moved	1		
	Create-A-Mortgage	November 2001	January 2002	1.25	closed	1		
	Creative Medical	June 1995	November 1997	1.25	moved	85		
	Deluxe Disk Presentations	May 1996	December 1997	1.50	moved			
	Document Office Products	October 1994	January 2000	5.25	closed	1		
	Donatella's Italian Ices	May 1994	May 1997	3.00	closed			
	Dress for Success	August 1999	August 2000	1.00	moved	10		
	Education Technology Consultan	May 1997	May 2002	5.00	moved	3		
	Ed Gilkerson / ATC	April 2003	July 2004	1.25	closed	1		
	eneGene Genetics Services	February 1999	August 2002	3.50	closed			
	Enterprise Security Corp.	March 2002	June 2002	0.25	merged			
	Ferguson Products	August 1997	February 1998	0.75	closed			
	Financially Fit Bankruptcy	December 2004			closed	1		
	Finishing Technologies	October 1993	August 1996	2.75	closed			
	First Wave	February 2000	June 2005	5.25	moved	3		
	Force Field Security Systems	May 1993	July 1995	2.00				
	Frame Guild	June 1994	December 2001	7.50	closed			
	Gateway Components	March 1993	March 1995	2.00	closed			
	Gateway Photonics	August 1996	2002	7.00	closed			
	Gift of Love	January 1996	January 1997	1.00	temporary			
	Golden West Volleyball	January 1996	January 1997	1.00	temporary			
	Grayson Mountain Water	August 1996	July 1997	1.00	sold			
	Grid MicroSystems Inc.	August 1994	December 2000	6.00	moved	2		
	Herst & Associates	May 1997	September 2002	5.25	moved	24		
	High Tower Mortgage Reduction	November 1999	July 2000	0.75				
	Host Analytics	November 2000	March 2001	0.50	moved			
	Hughes Construction					temporary		
Imaging Solutions Consulting	June 1993	July 1994	1.00	closed				

EXHIBIT C

Small Business Incubator Tax Credit Program  
 Summary of Graduates from Certified Incubators  
 At 6-30-2005

Incubator	Graduate	tenant since	date graduated	years a tenant	Status	Number of Jobs	Average Salary	Business Spending
	Imaging Solutions Consulting	January 1998	April 2003	4.25	moved	8		
	Information Technology Group	February 1998						
	Innovative Dev Enterpr	March 1993						
	Innersource	May 1998	February 1999		moved			
	Irish Inc.	August 2002	May 2003	0.75	closed			
	ITEX - St. Charles	March 1998	August 1999	1.50	closed	3		
	JTEX - St. Charles		July 2000		closed			
	Jack Mat	June 1996	June 1998	2.00	closed			
	Jack Mat	March 1999	September 2000	1.50	moved	3		
	Janquist	February 2002	June 2002	0.25	moved	1		
	Ken Smith Financial Services	July 2005	September 2005	0.25	moved	1		
	Landscape Technologies	April 1994	January 1999	4.75	moved	2		
	LaVicoire & Assoc.	March 1993	December 1998	3.75	moved	3		
	Liberty Tax Service	April 2002	October 2002	0.50	temporary	4		
	Links Professional Resources	May 1986	February 1997	0.75				
	Lodging Concepts	January 1987	March 1999	2.25	sold			
	Low Roller, Inc.	July 1995	October 1996	1.25	closed			
	Mariu Enterprises	July 1995	October 1996	3.50	moved	3		
	Mass Flow Associates	December 1993	May 1997		merged			
	M.E.S.S.	May 1993	January 1999	1.00	moved			
	Medbill	July 2000	June 1994	1.50	moved			
	Medical Resource Consultants	July 2003	December 2001	2.00	moved	1		
	Megamet Industries	September 1993	September 2006	5.00	sold			
	Mercury Mfg.	June 1993	April 1998		temporary			
	Mid America Woodworking	June 1994	October 1998	4.25	moved	3		
	Mid Rivers Home Health Care	July 1997	January 1998	0.50	closed			
	Middendorf	August 2002	January 2003	0.25		2		
	Midwest Telecom, Inc	September 1999	January 2000	0.25	closed			
	MO Enterprise Bus. Assistance	February 1996	January 2000	7.00	closed			
	MO Procurement Assist.	September 2000	2003	3.00	closed			
	Mixed Media	March 1993	June 1994	1.25	closed	2		
	Mobile Integrated Solutions	September 2001	November 2003	1.25	moved	2		
	Money Management Programs	June 2001	April 2004	3.00	moved	2		
	Multi Scribe Communication	October 2002			moved	2		
	Neeco-Tron	October 1993	October 1998	5.00	moved	2		
	NichePower	February 2002	October 2003	1.50	moved	19		
	Oasis Home Health Care	February 1998	October 1998	0.50	closed	2		
	Partek, Inc.	July 1993	August 1997	4.25	moved			
	Parties by Design	April 1997	February 2001	3.75	closed	9		
	Pittard Pittard & Assoc.	January 2000	February 2001	1.00	closed			
	Pool Mart USA	March 1998	June 2005	9.00	moved	1		
	Premier Design & Mfg.	March 2005	June 2005	0.25	closed			
	Prescription Lawn	November 2001	March 2002	0.50	closed			
	Pro Health Management System Provisions	September 1993	July 1994	1.00	closed			
	Pro Health Management System Provisions	September 1993	July 1994	1.00	temporary			

Small Business Incubator Tax Credit Program  
Summary of Graduates from Certified Incubators  
At 6-30-2005

Incubator	Graduate	tenant since	date graduated	years a tenant	Status	Number of Jobs	Average Salary	Business Spending
	Quick Eagle Networks	March 1996	2001	5.00	moved	1		
	Recall Consulting Systems, LLC	October 2004	June 2005	0.75	moved	2		
	Right Track Nutrition	January 2004	February 2005	1.00	closed			
	River City Catering	April 2003	February 2005	1.75	moved	5		
	River City Renegades/ATC	April 2002	June 2002	0.25	temporary			
	S&S Plastics	October 1996	March 1998	1.50	moved			
	St. Louis Pneumatics	June 1993			temporary			
	St. Peter Cab	October 1997	May 1999	1.50	closed			
	Senoplast USA	November 1997	November 2003		moved	4		
	SkyDuck.com		September 2000		closed			
	Silver Anniversary Tem	May 1993	June 1994	1.25	closed			
	Slingshot Communications	October 1997	October 1998		moved			
	Solutions Engineering		January 1998	1.00				
	Soil Consultants	June 1993			temporary	20		
	Steamers Marketing	May 2003	April 2004	1.00	moved			
	Sterling Interior Decorating	October 1993	September 1998	3.00	moved	4		
	Stevens Interactive	January 2001	May 2003	2.50	moved	6		
	Supply Velocity, Inc.	February 1999	October 2000	1.50	still viable	7		
	TelGaAs, Inc.	July 1995	June 2005	10.00	still viable	22		
	TSI, Inc.	September 1993	July 1997	4.00	moved	70		
	Teamministry.net	March 2002	August 2004	2.25	moved	5		
	Technology Information Mgt. Entl	October 1996	August 1997	0.75	closed			
	The Brungard Group	September 2001	March 2002	0.75	moved			
	The Center for Head Injuries	October 2003	April 2005	1.50	moved	3		
	The Garlella Co.		March 2003		closed			
	The Marketing Depot	May 2000	June 2001	1.00	moved	10		
	The Photo Matrix	July 2002	November 2002	0.25	closed			
	Tomatore's Catering	April 2002	September 2002	0.50	temporary	3		
	Trionics Superior Water, Inc.	July 2004	November 2004	0.50	moved	3		
	TSAO Designs	April 2003	September 2004	1.25	moved	4		
	Watch It, Inc.	November 1993	April 1998	2.50	closed			
	Web CITI	October 1997	May 2002	4.50	merged			
	Weber Media & Communications	October 1999	December 2000	1.25	moved			
	WIN	October 1997	September 2000	2.00	moved	5		
	Wish Enterprises	July 2002	March 2003	0.75	closed			
	WISIWIG	June 2003	December 2003	0.50	closed			
				1.88		480		Not tracked per the Incub
10	SMIC (Cape Girardeau)	No tenants - Under Construction						
11	StLEC (St. Louis)	No report - per Jan DeYoung, they have no graduates						
12	TEC (St. Louis)	No Graduates - Incubator was certified in 2003						
13	THEC (Macon)	No Report - Not Active						

OVERSIGHT DIVISION  
Program Evaluation  
Small Business Incubator Program

## **Exhibit D**

**SMALL BUSINESS INCUBATOR TAX CREDIT PROGRAM  
PROGRAM EVALUATION  
INCUBATOR QUESTIONNAIRE RESPONSES - SEPTEMBER 2006**

**What is the focus of your incubator?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Assembly, distribution, and manufacturing

Center for Emerging Technologies (St Louis) - To assist in the development of advanced technology companies, particularly biomedical and biomedical instruments and devices

NIDUS Center for Scientific Enterprise (St Louis) - Life and plant science start-up companies

Technology Entrepreneur Center (St Louis) - At TEC, our focus is accelerating the growth of our IT and telecommunications technology client companies.

Joseph Newman Business and Technology Innovation Center (Joplin) - Our overall mission is to create an entrepreneurial culture for the area. The Newman Innovation Center performs two roles, one as an incubator and the other as an innovation center. As an innovation center, our goal is to assist entrepreneurs and potential entrepreneurs in the community through a variety of services using outreach programs. Since the facility is very new and in the last phase of construction, the five tenants we currently lease space to enjoy the support we offer them on a daily basis. Our main focus for tenant criteria is geared toward Missouri's three targeted industries; information technology, life sciences and advanced manufacturing. While these are key targets, we do not overlook other innovative opportunities that may emerge.

Missouri Enterprise Business Assistance Center (Rolla) - Our incubator does not have a specific technology focus. We do prefer technology-based businesses or research centers that support those types of businesses.

Southeast Missouri Innovation Center (Cape Girardeau) - Provide entrepreneurial training and office facilities for start-up businesses. Business clients are focused on research, technology development and assembly or light manufacturing.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What organizations sponsor your incubator?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - None

Center for Emerging Technologies (St Louis) - CET is a 501 (c) (3) organization with a board of directors and its staff is affiliated with the University of Missouri - St Louis, which provides some support. CET Building 1 is owned by the St Louis Development Corporation and master leased to CET. CET receives some support from DED as a Missouri innovation center.

NIDUS Center for Scientific Enterprise (St Louis) - Monsanto

Technology Entrepreneur Center (St Louis) - Our major sponsors are as follows: AmerenCDC, Bandwidth Exchange Buildings, Bank Midwest, and St. Louis Development Corporation (SLDC). In addition, we have received funding from the SBC Exceleator Program (now AT&T), individuals, including a number of our board members.

Joseph Newman Business and Technology Innovation Center (Joplin) - Locally, the Joplin Area Chamber of Commerce Foundation, the Joplin Area Chamber of Commerce and the City of Joplin are our main sponsors. Many local corporations, small businesses and prominent individuals in the community have given their time and financial support to matching state and federal project funds.

Missouri Enterprise Business Assistance Center (Rolla)- We have no incubator sponsors. It is owned and managed by Missouri Enterprise as a part of its state-affiliated Innovation Center program.

Southeast Missouri Innovation Center (Cape Girardeau) - Southeast Missouri State University, Small Business Administration, Small Business Development Center.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What are the terms of the incubator lease?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff)- Twelve months first year; month-to-month for next two (2) years. Termination by either party with 90- day notice

Center for Emerging Technologies (St Louis)- Simple commercial one year leases requiring compliance with all environmental and hazardous substances laws and regulations

NIDUS Center for Scientific Enterprise (St Louis)- One year with ability of client to give 60 days notice prior to moving out

Technology Entrepreneur Center (St Louis)- Tenants that join TEC sign both an Incubation Agreement document and a lease agreement for office space. The Incubation Agreement details the roles and responsibilities of the client and the incubator in developing the start-up company. The lease component is written on a 3 year term but can be amended easily to accommodate the ebb and flow of start-up companies, which tend to expand and sometimes contract rapidly.

Joseph Newman Business and Technology Innovation Center (Joplin) - Our lease is based on a month by month contract. Each tenant is screened in advanced to determine the recommended number of months that the contract should be renewed. Based on that determination, some tenants may have access to the facility for six months while others may have up to thirty-six months of renewals. As the tenant approaches the end of the contract they will be evaluated to see if that contract needs to be extended.

Missouri Enterprise Business Assistance Center (Rolla) -

1. Typically, a year at a time.
2. Termination, at will, with ten days advance notice private companies, and 30 days advance notice for university-related centers.
3. Rent may be paid monthly, or in advance for one-year.
4. Private business tenants pay one-month security deposit.
5. Private tenants have access to common meeting rooms and parking areas included in rent.
6. Utilities usually included in lease price. Separate meters available for selected areas.
7. Tenants responsible for janitorial service.
8. Incubator responsible for maintenance and repair on common areas and operational services.
9. Tenant responsible for repairs in their rented space.

**What are the terms of the incubator lease? (continued)**

10. Incubator maintains insurance on building, systems, and equipment.
11. Incubator maintains general liability insurance.
12. Tenant maintains additional general liability insurance.
13. Incubator pays property taxes.
14. Tenant holds incubator harmless for liabilities/damages caused by tenant actions.
15. Incubator holds tenant harmless for liabilities/damages caused by incubator actions.
16. No sub-assignment of lease or tenant sub-lease allowed without written consent.

Southeast Missouri Innovation Center (Cape Girardeau) - Facility is owned by Southeast Missouri State University. Southeast Innovation Center converted the space to an incubator and manages the facility under agreement with the University

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What types of space do you provide to your tenants?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Three (3) sizes are available; 2,300 square feet; 2,700 square feet; 5,000 square feet. Facility contains two (2) of each space. Spaces are open floor with small office and access to loading dock

Center for Emerging Technologies (St Louis) - Wet and dry lab, office, and production and testing space

NIDUS Center for Scientific Enterprise (St Louis) - Laboratory and office space

Technology Entrepreneur Center (St Louis) -

Flexible space configured for evolving company needs and office furniture;  
Cost effective monthly fee;  
Newly designed offices, with desk access to high-speed internet, and a state-of-the-art telephone system, including 6-port conference bridge;  
Shared copier, printers, and fax;  
Shared 10mpbs internet access, Web hosting for client Web sites;  
Conference room, networked printer; shared copier and fax;  
Easy walk to Metrolink and downtown restaurants.  
In-building access to unlimited bandwidth, back-up power and secured data centers;  
Redundant power facilities, air conditioning facilities, and a comprehensive survivability design;  
Adjacent connectivity to all major carriers and data service providers;  
Optical connectivity to regional university network and Internet II;  
Access to Rebuilding Communities Tax credits from the State of Missouri for capital purchases.

Joseph Newman Business and Technology Innovation Center (Joplin) - Based on the targeted industries that we are focusing on there are three available types of office space. Traditional office space is available for information technology and general business creation, two light manufacturing rooms are available for advanced manufacturing and two areas that can be finished out for wet labs which can be used for life science development.

Missouri Enterprise Business Assistance Center (Rolla) -

1. Office
2. High-bay production or research
3. Limited wet-lab space

**What types of space do you provide to your tenants? (continued)**

Southeast Missouri Innovation Center (Cape Girardeau) - Basic office space; several spaces have sinks but no lab space currently available.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What is the monthly rent per square foot of the various types of space?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff)

2,300 square feet - \$287.50

2,700 square feet - \$337.50

5,000 square feet - \$625.00

Center for Emerging Technologies (St Louis)

Wet lab	\$36/sq ft
Dry lab	\$26/sq ft
Office	\$18.30 - \$20/sq ft
Production/Testing space	\$20/sq ft

NIDUS Center for Scientific Enterprise (St Louis)

Lab	\$42.50/sq ft
Office	\$36.50/sq ft

Technology Entrepreneur Center (St Louis) - In terms of rent per square foot, TEC charges roughly \$1 per sq foot plus a \$100 per office fee. TEC charges an incubation fee of \$300 per company that is also factored into the monthly rent.

Joseph Newman Business and Technology Innovation Center (Joplin) - Office space is \$10 per sq. ft. Light manufacturing area is \$10, wet labs or life science areas, have not been determined. The rate will be set based on finish out requirements for company needs.

Missouri Enterprise Business Assistance Center (Rolla) -

1. Office - \$9.00/s.f. for office or wet-lab, plus \$2.00/s.f. utilities (annualized)
2. High-bay - \$5.00/s.f. annualized, plus metered utilities

Southeast Missouri Innovation Center (Cape Girardeau) - Annual rent is \$15 per square foot or \$1.25 per month.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**Are the rental rates lower than market in your area?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - YES

Center for Emerging Technologies (St Louis)- Rental rates for office are at market and for wet and dry lab and production space perhaps lower by 10%

NIDUS Center for Scientific Enterprise (St Louis) - NO

Technology Entrepreneur Center (St Louis) - Yes, based on the square footage alone, rental rates are below market at TEC.

Joseph Newman Business and Technology Innovation Center (Joplin) - It is hard to determine our position in the market. No other rental property or facility in the area offers the same types of services. A detailed list of services is provided in the next question. The lease amount the tenant pays is broken down into three items; leased space, Common Area Maintenance (CAM), and telephone support. CAM includes all utilities based on average usage per square foot of leased space and common areas, cleaning services for their space as well as all common areas that they have access to. Since no other agency supplies this type of service it is hard to estimate our level in the market.

Missouri Enterprise Business Assistance Center (Rolla)- NO

Southeast Missouri Innovation Center (Cape Girardeau) - Rental rates are slightly lower than market (\$18 - \$20 annual per square foot).

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What services are provided as part of the rental agreement, and which are provided at an additional fee?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Business services are provided at no cost. These include secretary/receptionist, business plan preparation, loan referral, and management/marketing services

Center for Emerging Technologies (St Louis)

As part of rental agreement: reception, mail and packaging receipt, utilities (except long distance telephone), and conference rooms.

Fee for service: telephone, voice mail, internet, long distance telephone, copies, FedEx, board room and training room.

NIDUS Center for Scientific Enterprise (St Louis) - Access to certain pieces of lab equipment is an extra charge. Other services such as business consulting, business plan advice, student intern support, and mentoring are part of agreement. Access to internet and mail service and phone included.

Technology Entrepreneur Center (St Louis) -

Part of rental agreement:

Expert mentoring by successful entrepreneurs and other high-level business professionals;  
Access to strategic relationship networks through TEC's distinguished board of directors;  
Creative company-building interventions into client's core management team, board and structure, if needed; advice on hiring and personnel moves;  
Referrals to recommended service providers that specialize in start-up companies;  
Networking with other TEC start-up companies;  
Access to St. Louis angel investment community, including TEC's Cornerstone Club;  
Shared reception area and receptionist for meeting and greeting visitors;  
Custodial.

At an additional fee:

TEC's mentoring is of a wholistic nature and we do not charge/offer additional fee-based services.

**What services are provided as part of the rental agreement, and which are provided at an additional fee? (Continued)**

Joseph Newman Business and Technology Innovation Center (Joplin) - The Newman Innovation Center offers a number of shared resources for the tenants. The CAM listed above explains how the tenants receive additional property services that are bundled into the lease agreement. Some of those services would be considered at no additional charge to their contract. All tenants can enjoy the following facility amenities; common lobby area with receptionist services, a full service break room with refrigerator, microwave oven, vending, table and chairs and two professional looking conference rooms. All tenants have access to free high-speed internet. An office cleaning service is also provided within the contract. For an additional small fee, tenants can lease access to our VoIP telephone system, which includes the telephone desktop equipment. By using this service the tenant is not required to sign a lengthy contract with a telephone company. Our assigned telephone number can be released to them once they leave the center. Non-facility services include mentoring the tenants and helping them with technical services. All of these services will allow an entrepreneur an opportunity to begin their company in a near turn-key operation.

Missouri Enterprise Business Assistance Center (Rolla)-

Part of rental agreement: Free parking (unless tenant is UMR-related center), training/conference room usage, notary public, 24-hour building access, break room.

Additional fee: Copy machine; fax machine; administrative assistance support; management, financing, marketing, and engineering consulting.

Southeast Missouri Innovation Center (Cape Girardeau) - Provided as part of a rental agreement: ultra-modern business space; conference room; receptionist; mail pick up and delivery; 24-hour tenant access; utilities; janitorial service; equipped training room; free parking; and internet hook-up.

Additional fee items are: photocopies \$.03/page; fax machine \$.75/page sent and \$.25/page received; LAN line drop \$500 one time fee; phone line installation in University system \$75 one time; activation of existing phone jack \$50 one time; phone monthly charge \$20 per month + .33/min actual long distance charges; lost key fee \$25 lost key; door re-core \$75; actual postage; furniture/rental furniture (based on availability); management, financial, marketing, and engineering consulting (negotiated).

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What kinds of financial assistance are available through the incubator?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - NONE

Center for Emerging Technologies (St Louis)- None directly from CET but staff provides introductions and referrals to angel investors, seed funds, and venture capital firms. Staff also provides referrals for federal grants and conducts a SBIR (Small Business Innovation Research) grant seminar each year to assist companies in accessing grants on their own.

NIDUS Center for Scientific Enterprise (St Louis)- Provide access to a network of financial resources through contacts at local venture capital firms, angel networks, BioGenerator, etc.

Technology Entrepreneur Center (St Louis)- Referrals, networking and introductions to local and out-of-town angel investors, financial institutions, venture capitalists, and governmental institutions such as SBA. In addition, the TEC staff assists eligible companies apply for Rebuilding Communities Tax Credits.

Joseph Newman Business and Technology Innovation Center (Joplin) - For the most part, Joplin has had only traditional forms of financial resources for small businesses. Bank loans have historically been the major source of those funds. Some small companies have used SBA loans. Recently, the Joplin Area Chamber of Commerce, in conjunction with nine area banks, created the Joplin Capital Corporation. The corporation offers gap financing opportunities for companies that meet certain financial and geographic criteria. There are no known venture capital opportunities within 150 miles. We attempt to direct clients toward other resources and partnerships we have established in the Missouri Innovation Center network. Some of those centers have a proven track record of seeking available funds.

Missouri Enterprise Business Assistance Center (Rolla)- We can offer flexible leasing terms, such as a graduated rate.

Southeast Missouri Innovation Center (Cape Girardeau) - Small Business Administration has an office in the incubator and has loan funds available to tenants.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**With what other resources in the community does the incubator have relationships for the provision of business services and assistance to tenants?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Chamber of Commerce, Small Business Development Center, Small Business Administration, local financial institutions

Center for Emerging Technologies (St Louis) - Scientific and engineering expertise from Washington University, St Louis University, and University of Missouri - St Louis, St Louis law firms, particularly those specializing in intellectual property and technology oriented small business, St Louis area accountants, US trade assistance, contract engineering and manufacturing, strategic planning, and regulatory approvals.

NIDUS Center for Scientific Enterprise (St Louis) - Donald Danforth Plant Science Center; Accountants and lawyers (though no formal program).

Technology Entrepreneur Center (St Louis) -

Networking: TEC hosts a number of events pertinent to the entrepreneurial community each year, which helps with networking and education.

Educational: TEC has relationships with local universities and entrepreneurship centers.

St. Louis IT and Telecommunication Technology Coalition: TEC has a close relationship with this organization as TEC's Chairman also chairs the IT coalition.

SLIAC: TEC receives its internet access from the St. Louis Internet Access Consortium (SLIAC) which allows our tenants high-speed internet connectivity and reliability.

Joseph Newman Business and Technology Innovation Center (Joplin) - We highly recommend that clients use the Small Business Development Center located on the campus of Missouri Southern State University. Many of the clients are not aware of the services that SBDC provides. The SBDC provides clients with ideas and recommendations concerning business plans, accounting procedures and operational planning. SCORE is one of our partners. For nearly a year we have allowed SCORE to meet with clients in the Chamber every Tuesday and Thursday. NIC has waived the room rental fees to allow this project to serve the community.

Missouri Enterprise Business Assistance Center (Rolla) -

Located on University of Missouri-Rolla campus with access to UMR research and testing, student employees, Center for Entrepreneurship and Outreach, and UMR Technology Transfer and Commercialization office.

**With what other resources in the community does the incubator have relationships for the provision of business services and assistance to tenants? (continued)**

As a project of the overall Innovation Center Program and Missouri Enterprise, the incubator not only has a relationship with, but is integrated into the NIST Manufacturing Extension Partnership program, providing a wide range of production, new product development, marketing, and business management expertise.

The Rolla Regional Economic Commission is located in our corporate headquarters building, and one of our board members and a staff member serve on the board of that commission which directs economic development assistance in the Rolla area.

We have provided executive services to the Fort Leonard Wood Regional Commerce and Growth Association, which encourages economic growth in a three-county area. While no longer providing executive services, we still maintain a good working relationship with that organization.

Missouri Enterprise is a member of the Leonard Wood Institute, a non-profit organization that promotes research and technology development collaborations to primarily benefit Department of Defense technologies associated with Fort Leonard Wood and other defense installations in the state of Missouri.

Southeast Missouri Innovation Center (Cape Girardeau) - The incubator also houses the small Business Development Center and Southeast Missouri State University's Entrepreneurial Training Center. These programs offer business counseling, financial planning and loan packaging services. In addition they have relationships with local bankers, accountants, etc. and clients can utilize their services.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**What was the time span between the initial allocation of tax credits from DED to your incubator and the first tenants moving in?**

Life Sciences Business Incubation Center (Columbia)- N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - First tenant moved in incubator prior to allocation of tax credits. The time span, however, was not substantial, June 1990 to September 1990

Center for Emerging Technologies (St Louis) - CET was able to organize and open the incubator (1998) without the Incubator Tax Credits, but the tax credits are necessary in order to attract contributions to sustain the operations of the organization

NIDUS Center for Scientific Enterprise (St Louis) - N/A; This incubator did not get tax credits for creation, but to replace IT hardware.

Technology Entrepreneur Center (St Louis) - We received our first tax credit allocation in 2004; our first tenant moved in May, 2004.

Joseph Newman Business and Technology Innovation Center (Joplin) - In calendar year 2004, we received our first DED tax credits. Gestalt moved in to the actual permanent facility in January 2006, however, they first occupied a single wide trailer provided on our property in February 2005 to meet EDA grant requirements. In September of 2004 Richardson's Candy moved in temporarily.

Missouri Enterprise Business Assistance Center (Rolla)- We were certified as a small business incubator by DED in 1991, but our first allocation was on 9/24/1992. The first tenant actually moved in before the first allocation. Records indicate the first rent invoiced for the first tenant was in January, 1992.

Southeast Missouri Innovation Center (Cape Girardeau) - Tax credits are being used to complete renovation of the incubator facility. Tax credits were first awarded in calendar year 2005. Second phase of renovations, which will provide 12 offices for new businesses, will be complete by late spring.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**How many businesses have started in your incubator?**

Life Sciences Business Incubation Center (Columbia)- N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Twenty-two (22)

Center for Emerging Technologies (St Louis) - Twenty-five (25)

NIDUS Center for Scientific Enterprise (St Louis) - Nineteen (19)

Technology Entrepreneur Center (St Louis) - Seven (7)

Joseph Newman Business and Technology Innovation Center (Joplin) - Since the doors opened in January of this year, five companies started their Joplin operations within the incubator. However, the center assisted one other company just prior to renovating the building.

Missouri Enterprise Business Assistance Center (Rolla) - 10 businesses and 6 university-affiliated centers in building financed with help of the small business incubator tax credits. 9 of those businesses were start-ups. 10 additional business start-ups were housed in our incubator facilities that were not related to the tax credits. Total of 20 businesses and 6 university-affiliated centers housed in the incubator. 19 of those were business start-ups.

Southeast Missouri Innovation Center (Cape Girardeau) - N/A - Renovations not yet complete

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

Missouri Innovation Center (Columbia) - NOT ACTIVE - NO RESPONSE

**How many businesses have been successful and graduated from your incubator?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Twelve (12)

Center for Emerging Technologies (St Louis) - Nine (9) have graduated, five (5) failed to graduate; however, of those, two had their IP sold or on the market

NIDUS Center for Scientific Enterprise (St Louis) - Six (6)

Technology Entrepreneur Center (St Louis) - Although a few of our client companies are growing and expanding, we have been operating only since May of 2004, and there have not been any graduates yet.

Joseph Newman Business and Technology Innovation Center (Joplin) - One tenant graduated from our program. Richardson's Candy Factory used our building on a temporary basis to test their new internet sales program. Richardson's needed the facility to test market sales through the Sam's Club internet site. That project was successful and the company left our services to continue operations in a new facility located in downtown Joplin.

Missouri Enterprise Business Assistance Center (Rolla)-

Total SBITC only: 5 grad, 5 successful (in business or merged), 4 still in business  
Total SBITC & non-SBITC: 17 grad, 14 successful (in business or merged), 11 still in business

Southeast Missouri Innovation Center (Cape Girardeau) - N/A - Renovations not yet complete

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**Do you track graduates' job creation, payroll, and business spending to provide DED a measure of program success?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff)- NO

Center for Emerging Technologies (St Louis) - CET tracks graduates annually for five years after leaving the incubator regarding the number of jobs, payroll, and capital attracted, but not business spending

NIDUS Center for Scientific Enterprise (St Louis) - NO

Technology Entrepreneur Center (St Louis) - N/A, as we haven't had any graduates yet. However, when we do, we will comply with DED reporting requirements.

Joseph Newman Business and Technology Innovation Center (Joplin) - We make every effort to track the progress of a graduating company. Because we are so young we have only tracked one graduating company, Richardson's. We do follow all DED requirements for tracking the number of new or retained employees, average salaries, grants for research and development and sales.

Missouri Enterprise Business Assistance Center (Rolla)- YES

Southeast Missouri Innovation Center (Cape Girardeau) - N/A - Renovations not yet complete

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**Approximately what percentage of the incubator's funding has come from the donations generated by the Small Business Incubator Tax Credits?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Five percent (5%)

Center for Emerging Technologies (St Louis) - Six percent (6%) of CET funding has been raised by contributions utilizing the tax credits

NIDUS Center for Scientific Enterprise (St Louis) - N/A

Technology Entrepreneur Center (St Louis) - For the period 2003-2005, approximately 41%.

Joseph Newman Business and Technology Innovation Center (Joplin) -

EDA Incubator Grant & HUD EDI Grant	\$ 848,000	54%
Donations future or non Tax Credit	\$ 235,000	14%
Donations 2004-2005 from Tax Credits And 2006 (rec'd or anticipated from Tax Credits)	\$ 500,000	32%

Missouri Enterprise Business Assistance Center (Rolla)- 28% (Includes construction and operation costs since 1992)

Southeast Missouri Innovation Center (Cape Girardeau) - 10.4%

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**Would you have been able to organize a Small Business Incubator without the Tax Credit Program?**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - Yes, construction funding came for the Economic Development Administration, Missouri Department of Economic Development, and the Missouri Development Finance Board. No tax credits were utilized during startup; however, tax credits have been beneficial for operations.

Center for Emerging Technologies (St Louis) - CET was able to organize and open the incubator (1998) without the Incubator Tax Credits, but the tax credits are necessary in order to attract contributions to complete fit out of the facilities and sustain the operations of the organization.

NIDUS Center for Scientific Enterprise (St Louis)- N/A

Technology Entrepreneur Center (St Louis)- NO

Joseph Newman Business and Technology Innovation Center (Joplin) - The quick answer would be no. It would have been nearly impossible to develop our incubator without the financial support of the tax credit program. Local supports were very enthusiastic to support our program once they became aware of the tax credits. We would like to see the program continue.

Missouri Enterprise Business Assistance Center (Rolla)- YES

Southeast Missouri Innovation Center (Cape Girardeau) - No, tax credits have provided the leverage to obtain the funding needed to renovate the facility.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

**Please evaluate DED's performance as administrator of the Small Business Incubator Tax Credit Program.**

Life Sciences Business Incubation Center (Columbia) - N/A - Construction not yet begun

Ozark Foothills Development Association (Poplar Bluff) - DED has done an exceptional job as administrator for the Small Business Incubator Tax Credit Program. While our incubator has been fortunate to remain occupied and self-sufficient, for operations, the reputation of the program and use of tax credits around the state is outstanding.

Center for Emerging Technologies (St Louis) - More Incubator Tax Credits should be allocated. If self-sufficiency in operations is the DED goal, then incubators must have a means of attracting contributions and therefore the tax credits should not be rationed. DED should monitor incubator companies on the basis of wealth attracted rather than business spending because it is a better economic indicator for these types of companies.

NIDUS (St Louis)- Our limited experience has been positive to date

Technology Entrepreneur Center (St Louis) (St Louis)- TEC has received excellent service from DED's administrators of the Incubator Tax Credit program.

Joseph Newman Business and Technology Innovation Center (Joplin) - DED was very helpful during the initial stages leading up to our approval. During the project the DED team was helpful with some of the special details we needed.

Missouri Enterprise Business Assistance Center (Rolla)-DED has done fine as administrator of this program, with one exception. Expecting incubators to keep up with the status of graduates for perpetuity is unrealistic. If a venture is still in business or has merged within three years after graduating from an incubator, that should be counted as success. Most small businesses fail within the first three years, so any operation beyond three years should be considered successful. We suggest changing the annual reports to monitor and report success status of businesses three years after graduation, with success defined as still in operation or successfully merged/sold to another enterprise.

Southeast Missouri Innovation Center (Cape Girardeau) - DED staff have been very helpful in clarifying requirements of the program (what donations are eligible, documentation required, etc.) when dealing with potential donors.

Missouri Innovation Center (Columbia) - NOT ACTIVE

Black Economic Union/Economic Growth Group (Kansas City) - NO RESPONSE

Small Business Synergy Center (St Charles) - NO RESPONSE

St Louis Enterprise Center - (Wellston) - NO RESPONSE

Thomas Hill Enterprise Center (Macon) - NOT ACTIVE - NO RESPONSE

## **Exhibit E**

To determine what our neighbor states are doing with regards to the promotion and funding of small business incubators, accelerators, or innovation centers, Oversight sent out a questionnaire to the Department of Economic Development of the state of Illinois, Kentucky, Iowa, Nebraska, Tennessee, Arkansas, Oklahoma, and Kansas. The following are their responses:

### **Question: Are there small business incubators in your state?**

Arkansas - yes, two that are state sponsored

Illinois - yes

Iowa - yes

Kansas - yes, seven that are partially funded by the state.

Kentucky - yes

Nebraska - yes, the state did at one time.

Oklahoma - yes, there are currently 45 certified small business incubators.

Tennessee - yes

### **Question: What is the focus of the incubators? (i.e. Life Sciences, Bio-medical, Business etc.):**

Arkansas - Bioventures is focused on biotechnology, and Genesis is focused on technology companies.

Illinois - Illinois has all types of incubators. Some are Life Sciences, some are Technology, and some are Small Business start-up oriented.

Iowa - Iowa is like Illinois, however, they target Life Sciences, Information Solutions, and Advanced Manufacturing.

Kansas - All areas of Advanced Technology.

Kentucky - All areas of Technology based and Non-Technology based.

Nebraska - Not Applicable

Oklahoma - Each of the 45 incubators house a variety of businesses, ranging from small service companies to manufacturing, to high tech research and development entities.

Tennessee - Most are small business, beginning some technology incubators.

**Question: Are the incubators owned/run by the state or are they owned/run by sponsors?**

Arkansas - Owned and run by sponsors and the states universities.  
Illinois - None are owned by the state, some have university affiliation.  
Iowa - Run by sponsors, and the universities, some by the larger Chamber of Commerce affiliation.  
Kansas - Co-owned by sponsors, state universities, cities, counties.  
Kentucky - All are contained in and run by state universities.  
Nebraska - Not Applicable  
Oklahoma - Some are located in state owned Career Technology Centers, some are located in state universities, and some are sponsored by communities and private owners.  
Tennessee - Incubators are mainly private, not-for-profit, some are co-sponsored by local governments, and the Tennessee Valley Authority sponsors some.

**Question: Are they connected exclusively to a state university?**

Arkansas - The two that are certified are.  
Illinois - no  
Iowa - no  
Kansas - no  
Kentucky - yes  
Nebraska -yes  
Oklahoma - Only one  
Tennessee - No, however, there is the East Tennessee State University Innovation Laboratory.

**Question: Does the state fund the incubators?**

Arkansas - Not since 1995.  
Illinois - Not currently as a state-wide program.  
Iowa - No physical infrastructure; the state funds 8 business accelerators. (\$175,000 each over a three year period).  
Kansas - yes  
Kentucky - The state does not directly provide appropriations to support the incubators. All are self supporting, and receives some indirect support through the universities.  
Nebraska - No  
Oklahoma - The only way there would be any support, would be through the state tax exemption program or if there would be a special appropriation to a Career Technology Center.  
Tennessee - Information not available \*

**Question: How does the state fund the incubators (direct appropriation, tax credit program, loans, grants, etc.)?**

Arkansas - Provides for a Capital Gains & Loss provision for businesses.

Illinois - Not Applicable

Iowa - State law provides for a 20% seed capital tax credit for investing in Iowa businesses. \$10 million was originally appropriated.

Kansas - Direct appropriation.

Kentucky - no

Nebraska - no

Oklahoma - There is a tax exemption program previously noted.

Tennessee - Information not available \*

**Question: How much annual financial support?**

Arkansas - None. To date no one has taken advantage of the Capital Gains & Losses provision.

Illinois - Not Applicable

Iowa - The incubators must compete after the initial grant for project money out of the "Iowa Values Fund". There is currently \$600 thousand dollars state-wide for this and other regional programs.

Kansas - \$1,350,000 appropriation in FY 06

Kentucky - Not Applicable

Nebraska - Not Applicable

Oklahoma - No set amount, the Career Centers are administered by the State Department of Commerce's general appropriation.

Tennessee - Information not available \*

\* Oversight was able to receive some information from the State of Tennessee, however, fiscal information was not available. The State web-site offered some information.

OVERSIGHT DIVISION  
Program Evaluation  
Small Business Incubator Program

## **APPENDIX 2**

# MISSOURI

DEPARTMENT OF ECONOMIC DEVELOPMENT

Matt Blunt  
Governor

Gregory A. Steinhoff  
Director

Sallie Hemenway  
Director of Operations

Business and Community Services

Mike Downing  
Director of Promotions

December 5, 2006

Ross Strobe  
Joint Committee of Legislative Research  
Oversight Division

Dear Mr. Strobe:

We wish to thank you once again for your complete program evaluation of the Small Business Incubator Program. DED is always striving to manage the programs, upholding the strict interpretation of the State Statutes, while assisting our customers to the best of our ability. It is through our joint efforts that keep us focused to the task at hand. We appreciate your feedback in interpreting the program, and making this all that it was created to be, helping us to do more and better with what's available.

We have read your Program Evaluation, and have written our comments. Please find the attached list. Our response has been reviewed by those in our Exit Interview meeting on November 21<sup>st</sup>, and we hope that it will be found to your satisfaction.

We are planning to attend the Senate Committee Hearing on Monday, December 11<sup>th</sup>, and hope to be able to provide any further information requested at that time. If you have any questions on our comments, or anything else we may assist with, please do not hesitate to contact me at 573-522-4216.

Sincerely,

*Carol Shoemaker*

Carol Shoemaker  
Project Manager  
Small Business Incubator Program

Department of Economic Development  
Responses to comments in the Program Evaluation  
For the Small Business Incubator Program  
November 27, 2006

DED Response to Comment 1:

When the Accountability Act passed in 2004, DED Legal Counsel interpreted the "applicant" to be the Incubator. We subsequently checked the Incubators to determine if they owed delinquent taxes. Since that time, DED Legal Counsel has advised that the applicant is the taxpayer. Therefore we verify any tax delinquencies for the donors making contributions to the Incubator. The new practice was implemented July 1, 2006.

DED Response to Comment 2:

The policy of the Business and Community Services Division is to check with the Secretary of State's Office to verify that an applicant is in "Good Standing" at the time of the allocation of tax credits. The Incubator Program is part of that policy and we will be checking with the Secretary of State's Office for the status of "Good Standing". The Incubator in question is operating under a parent non-profit. As long as the parent company is registered, the Secretary of State's Office does not require the subsidiary to register.

According to Dr. Jake Halliday, the Incubator in Columbia was operating under the name Life Sciences Business Incubator Center (LSBIC). LSBIC has let this organization registration lapse to operate under the Missouri Innovation Center, the non-profit parent company which is in "Good Standing" with the Secretary of State's Office. Once the facility is completed, the Incubator name will be changed to "MU Life Science Incubator at Monsanto Place", due to the large donation by Monsanto. All donations are being submitted under the Missouri Innovation Center.

DED Response to Comment 3:

In 2005, DED recognized that reports were not being submitted as required by statute for the Small Business Incubator Program. At that time, the Department compiled a cumulative report to meet the requirements. DED has made the reporting requirement part of the process for the program and will continue to submit the reports as required by statute.

DED Response to Comment 4:

This program is very small with most allocations under \$200,000. Given that, these amounts will not complete a capital campaign alone. The thought process is that if more dollars are spent on construction than was allocated, the Incubator dollars were spent on construction. In addition, DED requires audited financial statements each year an Incubator is allocated credits. The EIA is a snapshot in time. We use what information

we know at that particular time to run the EIA. At the time the EIA's run, each project is at a different stage. However, by the end of the project, both the costs and benefits are fully realized. If the project is not completed as required, we recapture the credits which repay the State's costs.

#### DED Response to Comment 5:

Contribution tax credits rely on 3<sup>rd</sup> parties to help fund a project. The Department and the Incubator enter into an agreement that is based on the Incubator's ability to raise money using the tax credits to complete the project. If the donors are not allowed to use the credit on issuance, it will be more difficult to get donors to contribute. They will not realize the benefit of the donation until later. If the incubator does not complete the project, the Department can recapture those credits, thereby repaying the state what it is owed. DED feels that if it did not issue credits until the donation was spent, the process would create a burden on the incubator, thereby compromising the effectiveness of the program.

#### DED Response to Comment 6:

DED believes we provide the ability to eliminate known barriers in providing space, capital improvements, training, equipment and business services. We provide a service, but not the total package. Most of the Incubators comply with our requests for annual reports and complete breakdown of expenditures, but DED doesn't have the means to enforce any such compliance, unless they are requesting additional funds. The program is believed to be too small to provide the "but for..." clause.

#### DED Response to Comment 6.1:

Currently the Department sends out an annual report to each of the incubators to complete and return. For those incubators that are not seeking additional tax credits, there is no incentive to report. Section 620.495.7(4) states DED shall receive and evaluate annual reports. However, there isn't a penalty clause if the Incubator does not comply. Some of the Incubators have not received tax credits in years and are still being asked to report. The Incubators find this to be a burden.

#### DED Response to Comment 6.2:

If the incubator requests reallocation, they are required to submit independent annual audit statements, as well as a budget of revenues and expenditures. The majority of the incubators utilize the tax credits for construction. It can be assumed that the projects that were approved in a given year will complete the construction and the majority of the contributions will be used on construction.

**DED Response to Comment 6.3:**

DED agrees. Because of limited funding, it would be difficult to say that the incubator would not exist if the tax credits were not available. However, we do try to fill a gap in funding.

**DED Response to Comment 6.4:**

DED believes we provide the ability to eliminate known barriers in providing space, capital improvements, training, equipment and business services.

**DED Response to Comment 6.7:**

DED is providing a Flow chart on how incubators and innovations centers are related.

## **Innovation Center**

Missouri has designated innovation centers located in Columbia, Rolla, St. Louis, Cape Girardeau, Joplin, Kansas City, Kirksville, Springfield and Warrensburg. Innovation Centers are designated by the Missouri Technology Corporation (MTC) and Department of Economic Development.

They offer a wide range of management and technical assistance to businesses. The centers are familiar with up-to-date business management and technology innovations and help businesses apply these innovations to increase profits. When you go to an innovation center for assistance your business becomes a part of a network of state, federal, university and private resources designed to develop and support high-growth businesses. The innovation centers receive state funding to assist with operations.

Innovation Centers are state-sponsored programs that work with entrepreneurs with technology-based products or processes. Innovation centers work with entrepreneurs by providing services such as helping to develop sound business growth models, obtain financing, find appropriate incubator office and research space, develop marketing plans, networking opportunities, and research connections with universities. The second type of client our innovation centers serve are existing and growing companies trying to bring a new product to market. These clients do not need as much help with the structure of their business model or other aspects of their business, but they have a specific need in technology transfer to take a technology idea and move it into the marketplace. These types of clients are more project oriented services, and the relationship with the innovation center is not an intensive long-term relationship, but driven by products (projects) under development in the pipeline.

### **Incubators**

Missouri has several incubator facilities located throughout the state. An incubator is a building that can be divided into smaller units of space and is leased by a new small business for a limited period of time. Incubators provide business development services for use by the tenants that commonly include: computers, copiers, facsimiles, conference rooms, clerical support, telephone answering service, and networking opportunities. Several of the Innovation Centers in the state also operate incubator facilities.