Midwest BioLink Commercialization and Business Center Business Plan

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BioAG

GATEWAY

WHERE SCIENCE GROWS

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Executive Summary

History & Partners

The City of Madison in conjunction with the U.S. Economic Development Agency and Development Corporation (MDC), has initiated an effort to develop an agriculturally focused incubation center. The EDA has proposed to fund $2.57M for the construction of the incubation center and $930,000 for operating cost for 3 years. The City Economic Development Division is seeking TIF funding of $2,023,750.

The incubator will reside on a 2.6 acre site as part 27acre BioAg Gateway Campus bounded by I39/90, Femrite Dr., Agriculture Drive, and the Wisconsin Department of Agriculture building. Phase I of the facility will initially be 21,000 sq. ft. consisting of the following:

- 3,000 sq. ft. Office, Conference, Laboratory (fully finished)
- 10,000 sq. ft. Flex Space (enclosed, HVAC, without TI)
- 3,000 sq. ft. Head House
- 5,000 sq. ft. Greenhouse

Test plot land will also be available to client companies within the park. The facility will be expandable to about 60,000 square feet.

Mission

The mission of the BioLink Commercialization Center will be to:

- Create a critical mass of agricultural based companies in the region
- Attract all stages of investment capital to the region
- Attract highly qualified top management talent to the region
- Commercialize partner technologies
- Gain Recognition as a world center for agriculture invention and commercialization
- Create new jobs within agriculture-based companies in the region.

Market Opportunity

The five driving-forces in pursuing this opportunity are primarily below:

1. Accessing exciting new areas in agricultural biotechnology that are having dramatic affects on the world economy, human health and environment
2. Building on the already substantial assets and strengths that exist in Madison and Wisconsin (these are detailed in the marketing and competition sections of this report to follow)
3. Providing the opportunity to access the ever increasing private and public sector resources in these sectors
4. The need to be more proactive than reactive in the creation of agricultural biotechnology start up businesses in the region
5. These opportunities are a fit for the region and are substantive.

Affiliations

The BioLink Commercialization Center will have close working relationships with the University of Wisconsin; primarily in the area of the agricultural sciences biology, microbiology, molecular biology, biochemistry, food sciences and chemical engineering. In addition, the center will strive to have close relationships with the Great Lakes Bioenergy Research Center, USDA Forest Products Research Laboratory, Wisconsin Department of Agriculture (DATCP) and the U.S. Dairy Forage Research Center. The center will also work closely with MG&E, Danisco, Virent, and Orbitec.

The Bio-Link incubator is positioned to complement but not duplicate the UW facilities on campus. The major differentiation is its focus on commercialization and private sector tenant focus. It is differentiated form the UW Research park by its greenhouse and ag focus.

Operations Strategy

The commercialization center will be able to: a) attract quality clients (nationally), b) access quality top management for companies, and c) access risk capital. In addition, the center will be highly selective of client companies and will also provide value-added client services. These will be the key factors in the incubator being operationally successful by having successful clients.

Keys to Success

BioLink will be a truly public/private partnership involving federal, state and local institutions in addition to large and small private sector firms. It will succeed because of a focused market (agriculturally based products and technology), stable funding provided by its partners, and an affiliation with major research institutions. The center's Board of Directors will be nationally recruited which will assure recruitment of top talent and opportunities to the region.

Management

It is the opinion of the author of this business plan after 20 years in the business incubation field that the one most critical factors in the success of a business incubator is the CEO who manages it.

That person needs to have the following personal characteristics:

- Articulate Spokesperson
- Nurturing but Goal Oriented

Experience should include:

- Strong Technical Background (Advanced Degree PhD preferred)
- Agricultural Business Experience

- Business Development Experience (preferably Start Up)
- High Level Strategic Management Experience
-

In addition the person should have familiarity with:

- Venture Capital Process
- Economic Development Issues
- University Technology Transfer Issues

A complete staff skills inventory for BioLink is provided in the Appendix of this report.

Financial Plans

The summary financial pro forma shown below is predicated on a more detailed formal analysis presented and discussed in the financial section of this report. It is predicated on the incubator remaining at 21,000 sq. ft. during that period.

YEAR	2011	2012	2013	2014	2015
INCOME					
Rent	$619,992	$635,492	$651,379	$667,664	$684,355
Gross Income	$72,672	$262,172	$522,783	$535,811	$549,164
EXPENSES					
Total Expenses	$605,134	$626,186	$647,975	$670,527	$693,869
Net Income	($532,462)	($364,014)	($125,192)	($134,717)	($144,705)
EDA Contribution	$532,462	$364,014	$33,524	$0	$0
Net Cash Flow	$0	$)	($91,668)	($134,717)	($144,705)

*These numbers are base on information gathered from the Nidus Center in St. Louis, Greg Hyer at the University Research Park in Madison, and Carl Ruedebusch from Ruedebusch Construction in Madison..

The total loss that needs to be overcome in the first 5 years of the BioLink Incubator is $371,089. After approval of the EDA Grant and the City TIF for this project, the Economic Development Division of the City of Madison will approach numerous private corporations and the State of Wisconsin to seek their help in raising this money and money to cover losses going forward beyond 2013.

As the incubator expands in two anticipated equal expansions in future years economies of scale will occur and deficits will decrease.

Regional Economic Impact

Projections of economic development benefits from the BioLink Commercialization Center are shown below. The reader should be careful not to add job benefits to investment dollars in that the former numbers are reflective of a portion of the later investment numbers. Private Investment are cumulative in year 2020.

Year	2011	2012	2013	2014	2015		2020**
New Client Companies	1	2	2	1	1		X
Cumulative Companies	1	3	5	6	7		20
Graduate Companies	0	0	0	1	1		5
Direct Jobs	15	25	40	50	50		100
$M (@ $65K/Year)	.98	1.63	2.60	3.25	3.25		6.50
Indirect Jobs*	38	63	100	125	125		250
$M (@ $50K/Year}	1.90	3.15	5.00	6.25	6.25		12.50
Private Investment, $M	1.	5	15	30	60		150

*Based on a conservative 2.5 to 1 ratio to direct jobs created.
**Based on an expansion from 21,000 sq. ft. to 42,000 sq. ft. in 2016.

Market & Competition

Exciting New Commercial Opportunities

New areas of agricultural research and product development that are creating substantial interest and excitement are:

- Nutrition for Health
- Plant based Medicines and Vaccines
- Bio Materials and Bio Fibers
- Plant Based Bio-chemicals and Polymers
- Bio-fuels / BioEnergy
- Bio-security

The BioLink Commercialization Center will provide assets and resources that will allow people to work at creating entrepreneurial ventures in these areas.

Benefits to Stakeholders

BioLink will assist the region in reaching critical masses in leading edge agricultural research as well as in top management for companies in this area. It will also increase access to capital at all levels and providing adequate physical infrastructure. All four of these factors are critical for a region to be successful in becoming a leader in agricultural biotechnology.

More directly BioLink will contribute to the region and Wisconsin's already strong position in greentech, clean energy, and sustainable agriculture. It will increase potential participation in ever increasing R&D expenditures in the U.S. (60% Biotechnology) with the highest growth rate (37%). Agricultural biotechnology industry growth rate is comparable to overall biotechnology growth.

Work at the BioLink Center will also allow the state of Wisconsin (and thus the city of Madison) to retain its leadership position in bioscience education (16^{th}-20^{th}), bio-industry employment (14^{th}), and risk capital investment (16^{th}).

Assets

Madison, SouthCentral Wisconsin and the State have a unique asset advantage over other regions in agricultural biotechnology which are displayed below:

City, Region and State-wide Assets

Madison Assets	Regional and Wisconsin Assets
University of Wisconsin: Plant Sciences Microbial Sciences Food Sciences Engineering Regenerative Medicines Research Stations Community / Quality of Life	Wisconsin Department of Agriculture Wisconsin Department of Commerce Wisconsin Leadership Food Processing Dairy and Cheese Production Organics Biotech Cluster/Emerging Therapeutics
Federal Laboratories: Great Lakes Bioenergy Research Center USDA Forest Products Laboratory U.S. Dairy Forage Research Center	Seed Producers: Mycogen Syngenta Batz Renk International Ltd.
Successful BioAg Companies: Danisco / Virent / Orbitec / Agrecol	Organics Agriculture Diversity Environmental Science Legacy Proximity to Int'l (Major) Markets— Chicago, Minneapolis, Milwaukee

Competition

Hiebing and Vandewalle & Associates were hired in 2008 to do a review of the regions of North America where Agricultural Biotechnology is being promoted and is strong. They found and reviewed 16 locations which are shown on the map on the next page of this report.

They concentrated their efforts on 4 locations in particular which are:

- St. Louis BioBelt
- Ohio Bioproducts Innovation Center
- Bioproducts Gelph
- Peoria Next

They felt these were the more robust of the 16 and were the direct competitors to BioAg Gateway and BioLink given their regional location, physical assets, biomass strengths, and pillars of success in their business models.

St. Louis BioBelt- This is probably the most competitive of the regions in that it has three institutions that emphasize agricultural biotechnology associated with it. It has the Donald Danforth Plant Sciences Center, the BRDG Park associated with the Danforth Center and the Nidus Center which is a plant and life sciences incubator funded by Monsanto which is across the street and affiliated with the other two institutions. The author of this report started and managed Nidus until July 1st of 2008.

The BioBelt also has another research park (CORTEX) and incubator CET (Center for Emerging Technologies) that are located near Washington University and it's medical school. Both of these institutions are primarily focused on the medical sciences. The BioBelt has a general life sciences emphasis and is not solely ag biotech primarily because of the strength of Washington University. It has affiliations with numerous universities in the region to include Washington University, Purdue University, the University of Iowa and the University of Missouri. Since it's inception approximately 10 years ago, the BioBelt has grown to 25+ companies in the two incubators and 400 plant and life science enterprises and over 15,000 employees. However, the region does not have the concentration of agriculturally focused R&D and bioscience companies as Madison does. The exception to the critical mass in this area is Monsanto with over 1500 researchers. Notably the Nidus Center has a national board of directors.

Ohio Bioproducts Innovation Center- OBIC was started in 2005 by the state with an $11.5M award and leverages matching funds from numerous external partners. It's primary focus is the production of specialty chemicals, polymers and plastics from renewable sources. Its primary purpose is to link university and industry in common research efforts.

Bioproducts Guelph- Bioproducts Guelph is an initiative primarily to promote R&D in Ontario in the biomaterials area with a special focus on the auto industry. This partnership includes numerous universities and companies to include Ford, DuPont, Chrysler etc.

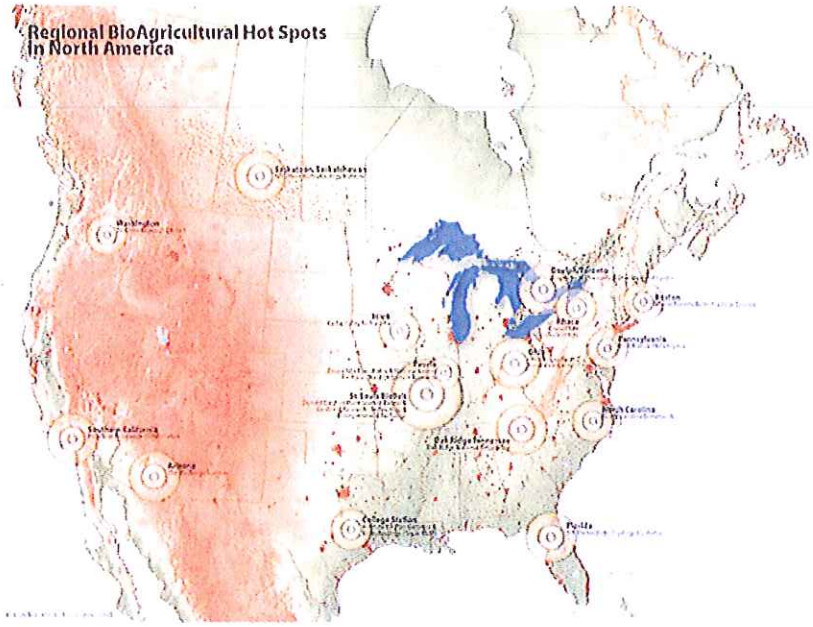
Peoria Next- Peoria Next is funded by the USDA's National Center for Agricultural Utilization Research and targets commercialization of new technologies in an incubation center.

There are a number key elements that were discovered in analyzing all of the competitive locations and that was:

1. In almost all cases they are connected to multiple universities.
2. They have collaborative research partnerships with multiple major corporations.
3. They are not-for-profit corporations.
4. Boards are diverse and involve leadership from both the public and private sectors, academia, and industry.
5. Half of the regions have incubators with laboratories. Those that don't are in the development stages. Notably, few have greenhouses associated with the incubators. The exception is Nidus and the Donald Danforth Plant Science Center which is expanding their greenhouse facility.
6. One third of these initiatives have state and local tax incentives.
7. All have developed a strong identity with logos and name recognition.

The take home for message for BioAg Gateway and BioLink Commercialization Center to be competitive is fourfold:

1. There must be a connection to the University of Wisconsin Madison.
2. There must be some sort of corporate connection to the center
3. The board of directors of the center must be substantive and recognized
4. The park and the center both must a strong marketing identity



Regional Economic Impact

The predicted economic impact of the BioLink Commercialization Center as shown in the table in the Executive Summary as well as below is based on comparable numbers from 3 incubators which the author has managed, and in particular the Nidus Center in St. Louis. The occupancy numbers are reasonable for the combined office lab and greenhouse space being used, and the investment numbers should be comparable based on the similar missions and expected makeup of client companies in both facilities

Year	2011	2012	2013	2014	2015		2020**
New Client Companies	1	2	2	1	1		X
Cumulative Companies	1	3	5	6	7		20
Graduate Companies	0	0	0	1	1		5
Direct Jobs	15	25	40	50	50		100
$M (@ $65K/Year)	.98	1.63	2.60	3.25	3.25		6.50
Indirect Jobs*	38	63	100	125	125		250
$M (@ $50K/Year}	1.90	3.15	5.00	6.25	6.25		12.50
Private Investment, $M	1.	5	15	30	60		150

*Based on a conservative 2.5 to 1 ratio to direct jobs created.
**Based on an expansion from 21,000 sq. ft. to 42,000 sq. ft. in 2016.

Marketing Strategy

The strategy for marketing the BioLink Commercialization Center should be multi faceted. The first approach will be to position BioAg Gateway, Madison and the Region as an esteemed destination for bio and agricultural. This can be done by emphasizing the leading edge research going on at the Univesity of Wisconson, and by featuring companies such as Virent, Orbitec, and Mycogen. In particular promoting the fact that Madison already has the very well known USDA Forest Products Laboratory and that UW is only one of three places who received $125M from the DOE in a highly competitive process for the establishment of a bio-energy research center. That center will be called the Great Lakes Bioenergy Research Center (GLBRC).

Secondly, the gateway and center need to brand themselves with a unique logo, signage, and brochures that will be displayed and used at trade shows and national and international conferences such as BIO etc. Examples of these are shown in the Appendices of this document. Agricultural biotechnology technical conferences and venture forums should be attended to look for and source technologies and potential companies for the Commercialization Center.

The BioLink Commercialization Center staff should be tasked with the responsibility for organizing annually a Bio Ag Showcase event that does exactly what its name says, i.e. showcasing leading edge technology and companies in some of the product areas mentioned at the beginning of this section.

Finally, Hiebing and Vanderwalle & Associates have identified 150 initial small-to-midsize companies along with leadership from companies with R&D in the bio agricultural areas. They have also identified opinion leaders with connections to entrepreneurs. These are targets for the center and gateway park to focus on with personal contact.

Operating Plan

Keys to Success

In the Executive Summary we have discussed some of the organizational and operational activities that are key for commercialization center success. Two of the operational factors are a stringent selection process and value added services. My experience has been that proper due diligence leads to about a 3-4% acceptance rate. This tends to be higher than a 1% rate typical of venture capital.
A highly selective selection process can be justified for a number of reasons:

1. World Class Image- In order to nationally attract high quality business opportunities, top management, and board members the incubator must project an aspiration to being world class.
2. Mission Fit- The mission of a commercialization center is to create successful companies and therefore high paying jobs and economic development.
3. Assure Success- Incubators which are not selective tend to be populated by a large number of companies that are living dead and don't grow or expand or create jobs and therefore cause the incubator to be ineffective and inefficient.
4. Increases Investment- Doing thorough due diligence on companies provides an investment package that can be shared with potential investors and therefore increases interest from angel and venture capital investors in working with the incubator

The due diligence process is described in the section below. Quality value added services that client companies will build value through proper management decision making, setting appropriate goals and milestones and proper preparation for fundraising. Some of the best practices of incubators in assisting clients are described below.

Selection Process

The due diligence process is critical in judging the probability of a companies future success. The process itself is very similar to that used by venture capitalists in deciding whether to invest in companies.
Factors to look at are:

1. A quality and appropriate **management team** with experience managing at a strategic level, raising risk capital, and a firm understanding of the industry the company is in.
2. Unique and commercially viable **Technology/Science** involving top research scientists and engineers work at the leading edge.
3. A strong **Intellectual Property** position with unencumbered ownership and free of any infringements and freedom to operate issues.
4. A viable **Business Model** with a clear value added product, or, service, market advantage, supply chain, operating plan and high profit potential.
5. An **Industry Compatible** product or service that will fit into customer systems and manufacturing processes.

Due diligence on applicant companies to BioLink will be conducted by the incubator CEO sometimes with the assistance of highly qualified MBA interns (with strong technical backgrounds) from local universities.

Best Practices

It is well known in the incubation industry that direct proactive intercession of incubator management in advising client companies is the most effective reason for company success. Below I have detailed some of the most effective approaches used in the incubation business in no particular order of importance.

Participate in all board and SAB meetings- Incubator management should participate in all client Board of Directors and Scientific Advisory Board meetings at a minimum as an observer. At the discretion of the center Board of Directors based on liability tolerance, incubator management can participate as a client company board member. In all cases this should be consistent for all clients.

Assist in Enhancing Management Team- Incubator management will assist client companies in finding suitable management to include CEO's and participate interviewing candidates.

Assist in Developing a Viable Business Plan- During and after the due diligence process, the incubator should assist the client company in developing a viable business plan and agree on milestones and goals.

Milestone Setting and Tracking- At admissions reach an agreement with the client company as to milestones and regular tracking and reporting requirements.

Assure Strong IP Position- In conjunction with client patent council and management assure that they have filed pursued the appropriate patent, trademark and copyright portfolio. In addition work with them and other experts to assure that they have filed in the right countries. This is all predicated on cost and ability to pay.

Assist in Raising Investment Capital- Incubator management will approach and introduce both angel and VC sources of capital to client companies. Where appropriate participate as a resource at presentations to potential investors. At the discretion of the client provide the incubators due diligence package to potential investors.

CEO Counseling- On an agreed upon timeframe, provide individual counseling to client company CEOs. It is recommended that for an early stage company and inexperienced management this should be as frequent as once per month. For more experienced management with companies further along this might be a minimum of once quarterly and in between on an ad hoc basis.

CEO's in Residence- Many of the best incubators in the country have a CEO in residence (CIR) program that involves providing space for serial entrepreneurs who are seeking there next opportunity. At the Nidus Center selected CIR's are provided an office with the proviso that they will assist client companies with problems that the incubator identifies for them. In return, the incubator management is seeking a new opportunity for the CIR. This is a powerful program in that it provides substantial help for client companies and eventually leads to new client companies who are lead by highly qualified management people.

Facilitated Joint CEO Meetings- Another powerful tool within the incubator is the collective wisdom that exists within the client company CEO's. The Nidus Center facilitated monthly CEO meetings among its clients companies. Items discussed in those meetings were proprietary to the meetings where they all helped each other with problem solving. This program was so effective that the client company CEO's took responsibility for the meeting and invited others to the meeting from non incubator companies. Once this program was initiated, cross fertilization among companies became a natural occurrence without facilitation.

Financing Preparation- Incubator managers routinely assist companies in preparation of their investment presentations and packages which they provide potential investors.

SBIR Proposal Assistance- Having a person in the incubator who can coach companies on how to write SBIR grants is also an invaluable asset. Non-dilutive funding is becoming a major factor in company success.

Graduation

Companies will be graduated from the BioLink Commercialization Center for numerous reasons but they will typically be for the company progressing to a point where it no longer needs the services of the incubator or because space requirements become too large for the capability of the center. In all cases every effort will be made to assure that this decision is a mutually agreed upon decision. Companies are normally ready to move on from incubators when they have an eminently qualified management team, when they have a solid intellectual property position. They have a business model that shows evidence that it is succeeding and finally they have an investment syndication that has the wherewithal to take the company to a sustainable position or until liquidity.

Tracking

Client company progress should be tracked at a minimum on a quarterly basis based on milestones set in agreement with the incubator management when they were admitted and also against numerous good business factors. These would consist of the following:

- Technical Progress
- Regulatory Progress
- Partnership Agreements
- Manufacturing Progress

- Meeting Sales Goals
- Cash Flow Position
- Management Quality/Completeness
- Other Personnel Issues
- Financing Progress
- Legal: IP Position/Other
- Exit Potential

An example tracking document that I used at the Nidus Center is attached in the Appendix of this report for reference.

Sustainability

For 25+ years the incubation industry has been trying to demonstrate sustainability. For value added service incubator programs, it has never been demonstrated. This is even more unlikely in technology and biotech oriented incubators because of the high cost of tenant improvements and the inability of start up companies to cover those costs at a high enough level. The Nidus Center probably came the closest to accomplishing that with later years cash flow (including depreciation credit) deficits of $150-250K/year. There are a number of ways that incubators try to achieve sustainability. Primarily they do it through endowment or by taking equity in client companies. The latter approach of course is not assured and timing tends to be long term especially in the biotech area where liquidity of companies commonly doesn't occur many times for up to 10 years after founding.

Management

Structure

The BioLink Commercialization Center will be operated as a subsidiary of Madison Development Corporation until a separate 501(c)3 corporation is established. As such it will be able to receive tax free donations from foundations, private corporations and government agencies. It will have an independent board of directors.

Staff

BioLink will be managed and run by a CEO, The CEO will be primarily responsible for selecting and advising client companies as detailed in this plan. The CEO will also be responsible for ongoing fund-raising and national sponsorships. Day to day management will be performed under an administrative contract with Orbitec, the initial anchor tenant in the facility. For a fee, Orbitec will provide administrative assistant/reception and a lab/facility technician for the greenhouse and technical mechanicals. MDC's President and Controller will supervise the contracts and oversight of the facility until a separate 501 (c) and Board are established. A rule of thumb used in the venture capital industry and incubation industry for assistance intensive incubators is that one person can effectively oversee only 5 companies at one time. This of course is highly dependent on the stage of the company. Later stage companies with experienced management require less assistance and advice.
It is very important to focus management goals in a few very focused areas. Those are:

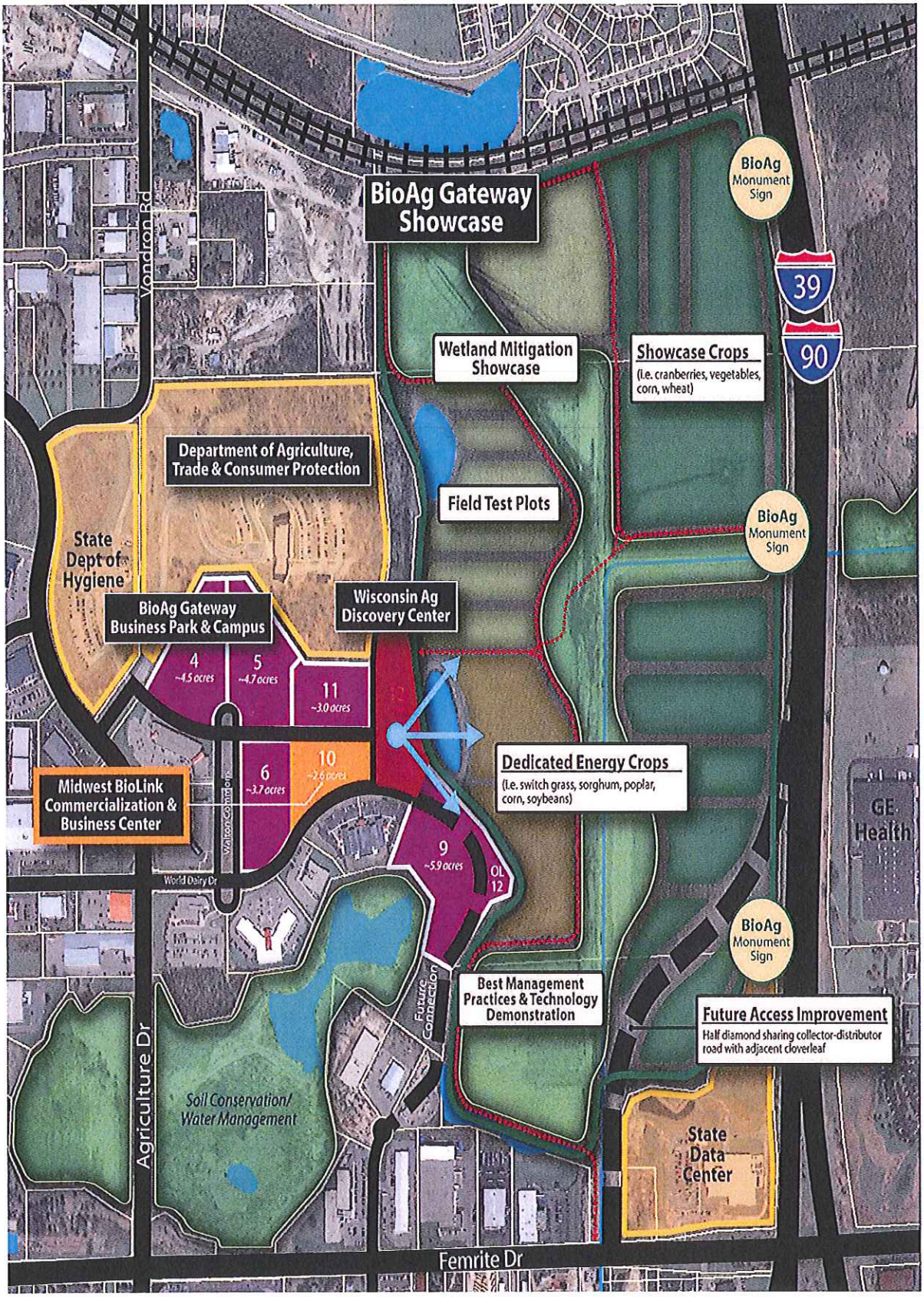
- Building a Pipeline of Client Companies
- Admitting High Quality Client Companies
- Matriculating Successful Companies
- Retention of Companies in the Region
- Management of the Incubator Budget, Occupancy, and Sustainability
- Community Involvement

Facility—Sources and Use of Funds

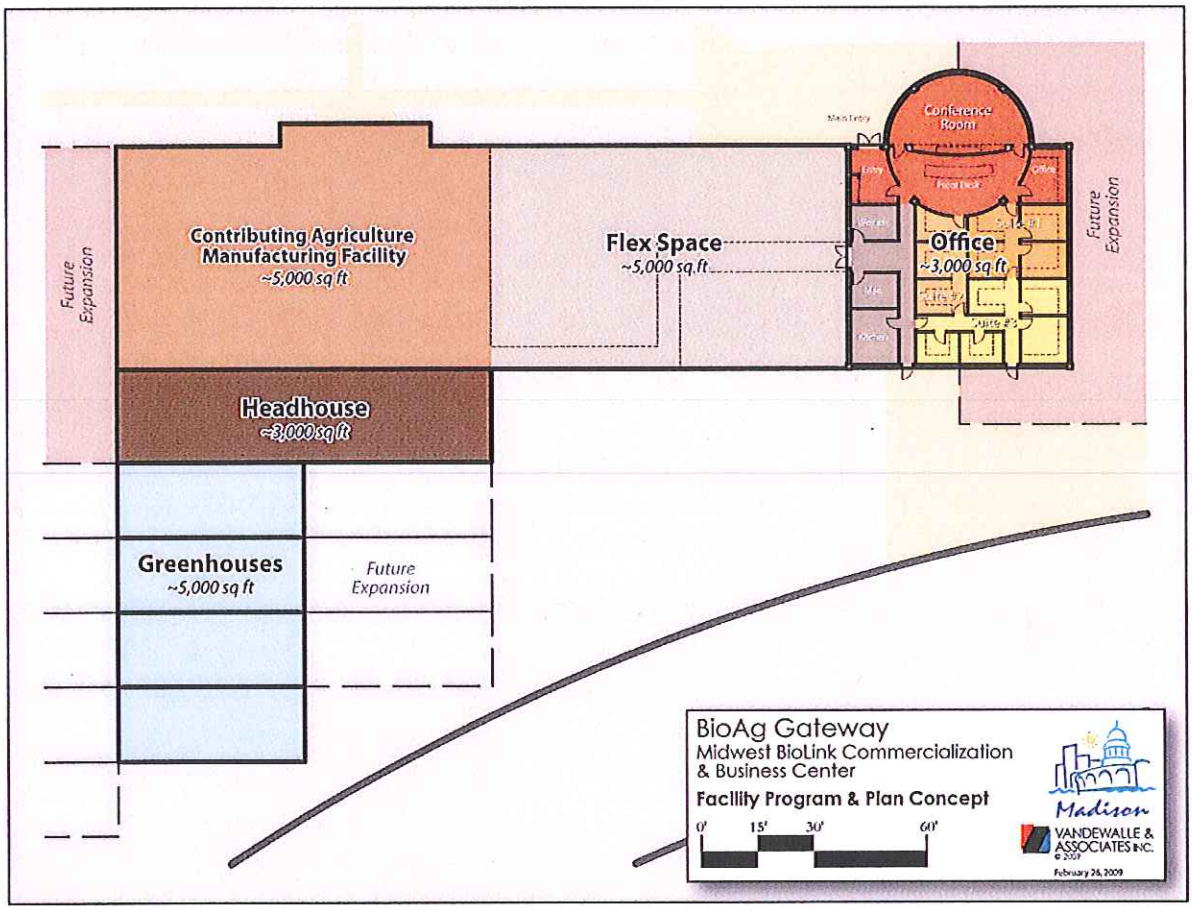
	EDA	City	TOTALS
Capital Costs			
Building	$2,570,000	$257,000	$2,827,000
Site/Site Infrastructure	$0	$773,000	$773,000
Equipment/Technology	$0	$775,000	$775,000
Capital Costs	$2,570,000	$1,805,000	$4,375,000
Contingencies (5%)		$218,750	***$218,750***
			$4,593,750
Operational Costs			
Salaries	$750,000	$0	$750,000
Utilities/Maintenance	$180,000	$0	$180,000
Operational Costs	$930,000	$0	***$930,000***
Totals	$3,500,000	$2,023,750	***$5,523,750***
% Project Funding	63.36%	36.64%	100.00%

*These estimates have been verified with local real estate developers.

Site Plan


BioAg Gateway Showcase
BioAg Monument Sign
Vondron Rd
39
90
Wetland Mitigation Showcase
Showcase Crops
(i.e. cranberries, vegetables, corn, wheat)
Department of Agriculture, Trade & Consumer Protection
Field Test Plots
State Dept of Hygiene
BioAg Monument Sign
BioAg Gateway Business Park & Campus
Wisconsin Ag Discovery Center
4 ~4.5 acres
5 ~4.7 acres
11 ~3.0 acres
12
Dedicated Energy Crops
(i.e. switch grass, sorghum, poplar, corn, soybeans)
Midwest BioLink Commercialization & Business Center
6 ~3.7 acres
10 ~2.6 acres
Valley Corridor
World Dairy Dr
9 ~5.9 acres
OL 12
GE Health
BioAg Monument Sign
Future Connection
Best Management Practices & Technology Demonstration
Future Access Improvement
Half diamond sharing collector-distributor road with adjacent cloverleaf
Agriculture Dr
Soil Conservation/ Water Management
State Data Center
Femrite Dr

Building Plan



The incubator will reside on a 2.6 acre site as part 27acre BioAg Gateway Business Park bounded by I39/90, Femrite Dr., Agriculture Drive, and the Wisconsin Department of Agriculture building. The facility will initially be 21,000 sq. ft. consisting of the following:

- 3,000 sq. ft. Office, Conference, Laboratory (fully finished)
- 10,000 sq. ft. Flexible Space (enclose, HVAC, without TI)
- 3,000 sq. ft. Head House
- 5,000 sq. ft. Greenhouse

Test plot land will also be available (physically located to the west of Lot 12) to client companies within the park.

Financials

Assumptions

The assumptions used in creating the 5-Year Financial Projections shown in the table below are based on the proposed 21,000 sq. ft. building as follows:

Revenue:

Rental Rates:	Office: $28/sq. ft.
	Lab, Head House and Greenhouses: $34/sq. ft.
Rent Escalation:	2.5%/Year
Occupancy:	Year 1: 25%
	Year 2: 50%
	Thereafter: 80%

Expenses:

Utilities:	$6/sq. ft.
Maintenance and Repair:	$3/sq. ft.
Salary Overhead:	30%
Expense Escalation:	3.5%

Beyond the first 5 years of the BioLink Commercialization center, it will be expanded twice at approximately equal stages to a final anticipated size of 61,000 sq. ft. Once that size is reached economies of scale will reduce the annual deficit.

Financing Strategy

The Economic Development Division of the City of Madison is developing a plan for the BioAg Gateway Park southeast of Madison. They have been asked by the U.S. EDA to apply for a $3.5M grant a portion of which will pay for 2/3 of the cost of the BioLink Commercialization Center, an agriculture biotech incubator. The Economic Development Division is asking the City Council to approve TIF funding for the other 1/3 of the construction cost. $930,000 of the EDA money will be used for operating cost of the center.

Once funding has been committed, the Division will solicit funds from other sources to include foundations, corporations, high wealth individuals and the State of Wisconsin to defray operating losses.

Proforma Financial Projections

Cash Flow Analysis

3/17/2009

BioLink

Year	2011	2012	2013	2014	2015
Income					
Rental	$ 619,992	$ 635,492	$ 651,379	$ 667,664	$ 684,355
Other	$ 1,680	$ 1,680	$ 1,680	$ 1,680	$ 1,680
GPI	$ 621,672	$ 637,172	$ 653,059	$ 669,344	$ 686,035
Vacancy	$ (549,000)	$ (375,000)	$ (130,276)	$(133,533)	$(136,871)
Gross Income	$ 72,672	$ 262,172	$ 522,783	$ 535,811	$ 549,164
Expenses					
Property Taxes	$ 58,000	$ 60,030	$ 62,131	$ 64,306	$ 66,556
Water & Sewer	$ 10,000	$ 10,350	$ 10,712	$ 11,087	$ 11,475
Gas & Electric	$ 120,000	$ 124,200	$ 128,547	$ 133,046	$ 137,703
Insurance	$ 2,500	$ 2,588	$ 2,678	$ 2,772	$ 2,869
Maintenance & Repair	$ 60,000	$ 62,100	$ 64,274	$ 66,523	$ 68,851
Management	$ 240,000	$ 248,400	$ 257,094	$ 266,092	$ 275,406
Admin. (Contract)	$ 70,000	$ 72,450	$ 74,986	$ 77,610	$ 80,327
Other 1--Legal/Professional	$ 20,000	$ 20,700	$ 21,425	$ 22,174	$ 22,950
Other 2--Tele/Data	$ 21,000	$ 21,735	$ 22,496	$ 23,283	$ 24,098
Total Operating	$ 601,500	$ 622,553	$ 644,342	$ 666,894	$ 690,235
Replacement reserves	$ 3,634	$ 3,634	$ 3,634	$ 3,634	$ 3,634
Other	$ -	$ -	$ -	$ -	$ -
Total Expenses	$ 605,134	$ 626,186	$ 647,975	$ 670,527	$ 693,869
NOI	$ (532,462)	$ (364,014)	$ (125,192)	$(134,717)	$(144,705)
EDA Contribution	$ 532,462	$ 364,014	$ 33,524	$ -	$ -
Net Cash Flow	$ 0	$ 0	$ (91,668)	$(134,717)	$(144,705)

Appendices

Complete Financial Model

Cash Flow Analysis

Bio-Ag

Year	0	2011	2012	2013	2014	2015	6	7
Income								
Rental		$ 619,992	$ 635,492	$ 651,379	$ 667,664	$ 684,355	$ 701,464	$ 719,001
Other		$ 1,680	$ 1,680	$ 1,680	$ 1,680	$ 1,680	$ 1,680	$ 1,680
GPI		$ 621,672	$ 637,172	$ 653,059	$ 669,344	$ 686,035	$ 703,144	$ 720,681
Vacancy		$ (549,000)	$ (375,000)	$ (130,276)	$ (133,533)	$ (136,871)	$ (140,293)	$ (143,800)
Gross Income		$ 72,672	$ 262,172	$ 522,783	$ 535,811	$ 549,164	$ 562,851	$ 576,881
Expenses								
Property Taxes		$ 58,000	$ 60,030	$ 62,131	$ 64,306	$ 66,556		
Water & Sewer		$ 10,000	$ 10,350	$ 10,712	$ 11,087	$ 11,475		
Gas & Electric		$ 120,000	$ 124,200	$ 128,547	$ 133,046	$ 137,703		
Insurance		$ 2,500	$ 2,588	$ 2,678	$ 2,772	$ 2,869		
Maintenance & Repair		$ 60,000	$ 62,100	$ 64,274	$ 66,523	$ 68,851		
Management		$ 240,000	$ 248,400	$ 257,094	$ 266,092	$ 275,406		
Admin.		$ 70,000	$ 72,450	$ 74,986	$ 77,610	$ 80,327		
Other 1		$ 20,000	$ 20,700	$ 21,425	$ 22,174	$ 22,950		
Other 2		$ 21,000	$ 21,735	$ 22,496	$ 23,283	$ 24,098		
Total Operating		$ 601,500	$ 622,553	$ 644,342	$ 666,894	$ 690,235	$ 714,393	$ 739,397
Replacement reserves		$ 3,634	$ 3,634	$ 3,634	$ 3,634	$ 3,634	$ 3,634	$ 3,634
Other		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses		$ 605,134	$ 626,186	$ 647,975	$ 670,527	$ 693,869	$ 718,027	$ 743,031
NOI		$ (532,462)	$ (364,014)	$ (125,192)	$ (134,717)	$ (144,705)	$ (155,176)	$ (166,150)
Debt Service								
Interest		$ (0)	$ 0	$ 0	$ (0)	$ 0	$ (0)	$ 0
Principle		$ 46	$ 46	$ 46	$ 46	$ 46	$ 46	$ 46
Total		$ 46	$ 46	$ 46	$ 46	$ 46	$ 46	$ 46
Before-tax Cash Flow		$ (532,508)	$ (364,060)	$ (125,238)	$ (134,762)	$ (144,750)	$ (155,222)	$ (166,196)

Sources & Uses Summary

Sources of Funds

First Mortgage EDA	%	$ 2,570,000
City	%	$ 2,023,750
Other	%	$ -
Other	%	$ -
Other:MGE	%	$ -
Total	100%	$ 4,593,750

Uses of Funds

Site Purchase Price		$ 773,000
Construction Costs:		
New Construction	$ 2,827,000	
Equipment	$ 775,000	
Contingency	$ 218,750	
		$ 3,820,750
Carrying Costs:		
Construction interest		
Property Taxes	0	
Other		
		$ -
Financing Costs:		
Lender fees		
Title Insurance		
Appraisal		
Other	$ -	
		$ -
Other Costs:		
Total Uses (this must equal total sources above)		$ 4,593,750

prepared 3/17/2009

Income & Expense Summary

Income

Rental Income	$ 619,992		
Other Income	$ 1,680		
Total Income	$ 621,672		
Vacancy Allowance	$ (123,998)		
Gross Income		$ 497,674	

Expenses

Property Taxes	$ 58,000		
Water & Sewer	$ 10,000		
Gas & Electric	$ 120,000		
Insurance	$ 2,500		
Maintenance & Repair	$ 60,000		
Director	$ 240,000		
Admin. Contract	$ 70,000		
Other legal/prof	$ 20,000		
Other Tel/Data	$ 21,000		
Total		$ 601,500	0.968
Net Operating Income		$ (103,826)	

Assumptions

Project: Reservior

Scenario A

Acquisition

Land/Site Imp	**$ 773,000**
Constr Costs	$ 3,820,750
Other Costs	$ -
Total Cost	**$ 4,593,750**

Financing

		Amount	% of Total	Rate	Term	Payment Monthly	Payment Annual	Points
First Mortgage	0.3	$ 2,570,000	55.95%	0.00%	99999	$ 2	$ 26	1.50%
Second Mortgag	0.6	$ 2,023,750	44.05%	0.00%	99999	$ 2	$ 20	1.50%
Rehab Loan		$ -	0.00%	0.00%	0	$ -	$ -	1.50%
Equity		$ -	0.00%	0.00%	0	$ -	$ -	
Grants		$ -	0.00%	0.00%	0	$ -	$ -	
Total		$ 4,593,750				$4	$ 46	

Rents

	Beds	Type	Size in Sq. Ft.	Number Of Units	Monthly Rent		
1	1	$34	10000	1	$ 28,333	$ 28,333	
2	2	$28	10000	1	$ 23,333	$ 23,333	
3	3			0		$ -	
4	2			0		$ -	
5						$ 51,666	1174.2
6							
7							
8							
9							
10							

Annual increase	2.50%
Vacancy Rate	20.00%
Expense growth Rate	3.50%

Skills Inventory of CEO/VP

BioLink CEO Skills Inventory

Personal:

- Articulate Spokesperson
- Energetic but Collegial
- Nurturing but Persistent Personality

Education/Experience:

- PhD in Science or Engineering
- Work Experience in Life Sciences or Biotechnology Area
- High Level Strategic Management Experience
- Business Development Experience
- Prior Incubation Management Experience
- Familiarity with Venture Capital Process
- Start-up Experience
- Familiarity with Economic Development Issues
- Familiar with Academia and University Technology Transfer

BioLink Executive VP and COO Skills Inventory

Personal:

- Ability to act as spokesperson
- Coaching skills
- Strong Interpersonal skills
- Strong desire for learning and willingness to be coached

Education/Experience:

- Undergraduate degree in Science or Engineering
- Advanced Degree (MBA, Masters in Science or Engineering)
- Minimum 10 Years Business Experience in decision making roles (preferably in Life Sciences Area)
- Strategic and Business Development Experience
- Relevant background and skills to succeed Nidus CEO within 5 years
- Familiarity with Venture Capital and Economic Development Issue

Consultant Vitae

Dr. Robert J. Calcaterra – Managing Partner StartUP Midwest Management, LLC

Dr. Robert J. Calcaterra is currently a principal in StartUp Midwest an early stage biotech venture fund where he is trying to raise $20M. He is also an adjunct faculty member in the Biomedical Engineering Department at Washington University and consults for many public and private institutions including the USDA.

Dr. Calcaterra brought 19 years of experience in incubator management to his position as president and chief executive officer of Nidus Center for Scientific Enterprise until July 1, 2008. At Nidus Center, Dr. Calcaterra led efforts to commercialize technologies in the plant and life sciences by recruiting and nurturing young entrepreneurs with promising ideas and relevant business expertise. The Nidus Center has nurtured twenty (20) client companies with nine(9) graduates. The Nidus Center won two consecutive national awards (2005-06) for Incubator Client Company of the Year. The Nidus Center hosted the National Business Incubation Association international conference in 2006.

During Dr. Calcaterra's tenure at the three incubators he has managed he has been involved in the creation of over 50 start up companies, raised well over $200M in equity capital and has served on the board of directors of at least 40 of those companies. In St. Louis he was primarily responsible for the creation of the BioGenerator (a $7.8M pre seed venture fund) and the Arch Angel Network where he is now President. The Arch Angel Network has invested over $20M in 21 companies since its inception in 2005.

Prior to the Nidus Center Dr. Calcaterra was president, founder and chief executive officer of the Arizona Technology Incubator (ATI). A public/private partnership, ATI provides technical and business support services to early-stage, technology-based entrepreneurial companies. Under Dr. Calcaterra's leadership ATI has won three consecutive awards (1996-98) in the categories of Incubator Company of the Year, Incubator Innovation of the Year and Incubator Graduate Company. ATI hosted the NBIA conference in 1998.

The Arizona Technology Incubator is Dr. Calcaterra's second successful technology incubator. He established the Boulder Technology Incubator (BTI) in 1989. Much like the Arizona Technology Incubator, BTI served as a mentor to technology-based entrepreneurial companies providing them with technical and business support. BTI won the National Incubator of the Year award in 1998.

Previously, Dr. Calcaterra worked for numerous Fortune 500 companies. While with Adolph Coors Company, he was director of Research & Development, Licensing, and Quality Assurance where he managed as many as 325 employees. He also formed eight new technically based businesses for Adolph Coors Company. Prior to his work at Adolph Coors, Dr. Calcaterra worked as senior research engineer for long-range strategic planning and technology forecasting and assessments for Amoco Corporation. He was also a research engineer for Alcoa Corporation and Monsanto Company, where he began his career in 1965.

Dr. Calcaterra is well known for his civic work involving small-business related issues. In 1995, he was appointed by President Bill Clinton as a delegate to the White House Conference on Small Business.

On a national level Dr. Calcaterra is involved in the following organizations:
- Member of the Advisory Board to the National Business Incubation Association, where he served on the board of directors for two years.
- Past Southwest Michigan Innovation Center (SMIC) Board Member
- Past member of Senator Bond's Small Business Committee Advisory Board on SBIR/STTR US Senate

At the state and local level, Dr. Calcaterra has held leadership roles in the following organizations:
- Past Missouri Technology Corporation Board (Chair of Innovation Center, investment, and SBIR Committees)
- Past member Missouri Venture Capital Roundtable (Co-Chairman)
- Past MOBIO Board of Directors
- Coalition for Plant and Life Sciences Executive Committee Member
- BioGenerator Executive Committee
- Past Executive Committee of Technology Gateway Alliance
  - Entrepreneurship and Technology Transfer Committee (Former Chair)
  - Capital Formation Committee
- St. Louis Capital Alliance Executive Committee
  - Pipeline Committee Chair
- Missouri Venture Forum (Chairperson 2004-2005)
- Past St. Louis County Economic Development Council Member
- Past Greater St. Louis Economic Development Council Member
- TEC Incubator Board (Former Chair)
- Past member of Creve Coeur Economic Development Council and Planning and Zoning Commission
- BIO Mid-America Venture Forum
  - Advisory Board
  - Program Committee
- Invest Midwest Venture Capital Conference Executive Board Member and Chair Biotech Committee
- Past Biomedical Engineering and Chemical, Environmental and Energy Engineering Department, Washington University, Advisory Board Member
- Past Advisory Board to the Washington University Biomedical Engineering
- Coulter Translational Research Partnership in Biomedical Engineering
- Bio-molecular and Chemical Engineering Department, University of Nebraska, Advisory Board Member (Chairman 3 years)
- College of Arts and Sciences Dean's Advisory Board at Webster University

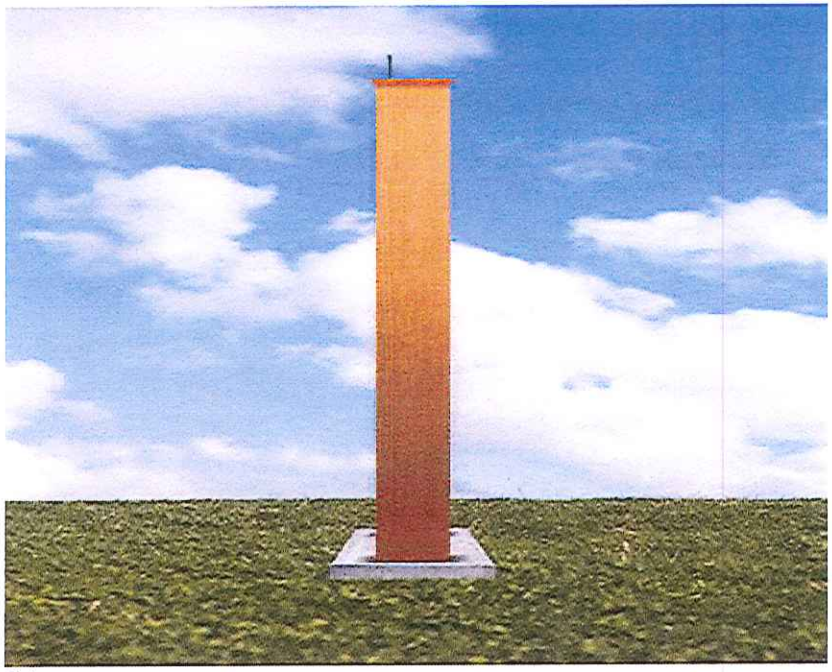
Dr. Calcaterra extended his leadership efforts internationally when he agreed to be a Mentor for Australia High Technology (ACT) Incubator System in Canberra, Australia. In May 1999, he represented the National Business Incubation Association in Beijing China.

Dr. Calcaterra also taught graduate courses in entrepreneurship at the University of Colorado, Arizona State University and Washington University. Dr. Calcaterra did his graduate and undergraduate work in chemical engineering at the University of Nebraska at Lincoln with BS and MS degrees. He received his D.Sc. in chemical engineering from Washington University in St. Louis and later completed Harvard University's Industrial Research Institute Executive Management Seminar.

BioAg Gateway Signage

Front

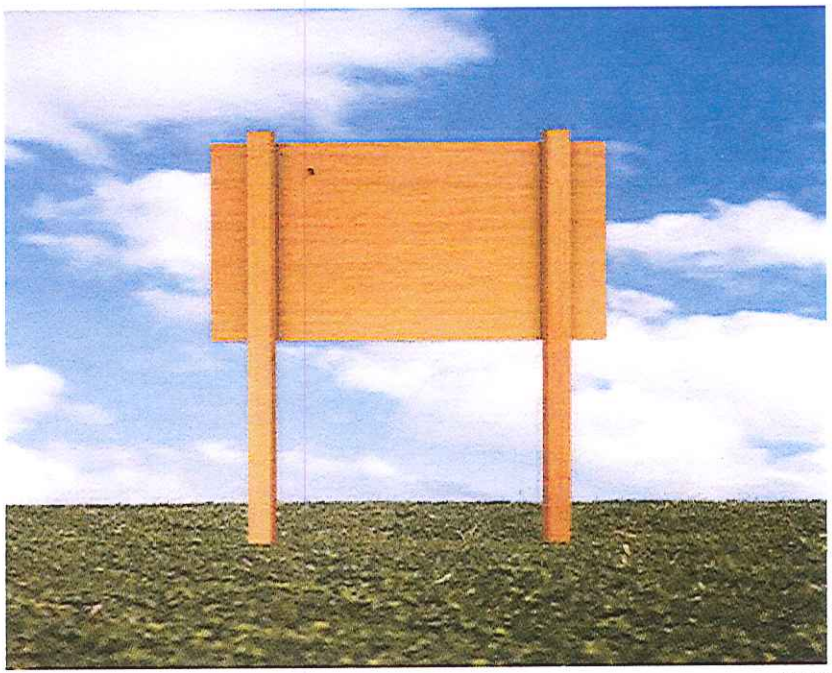
Back



Side

Monument Sign

Front



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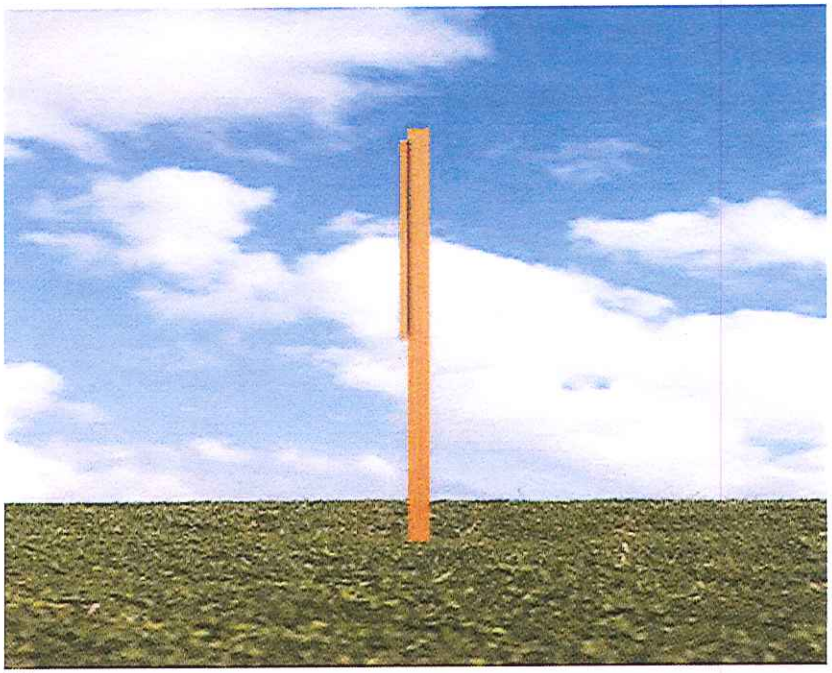
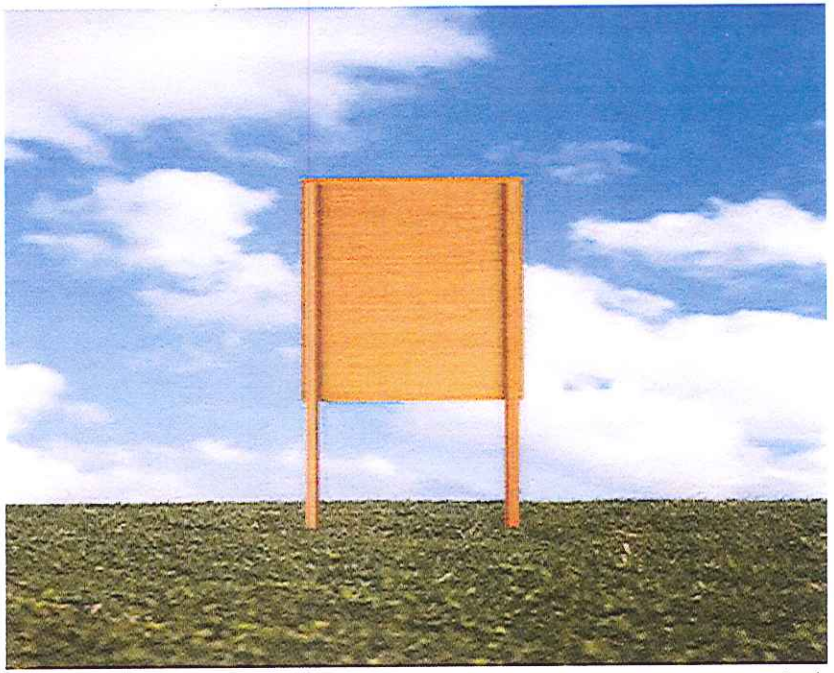


Side

For Sale Sign

Front



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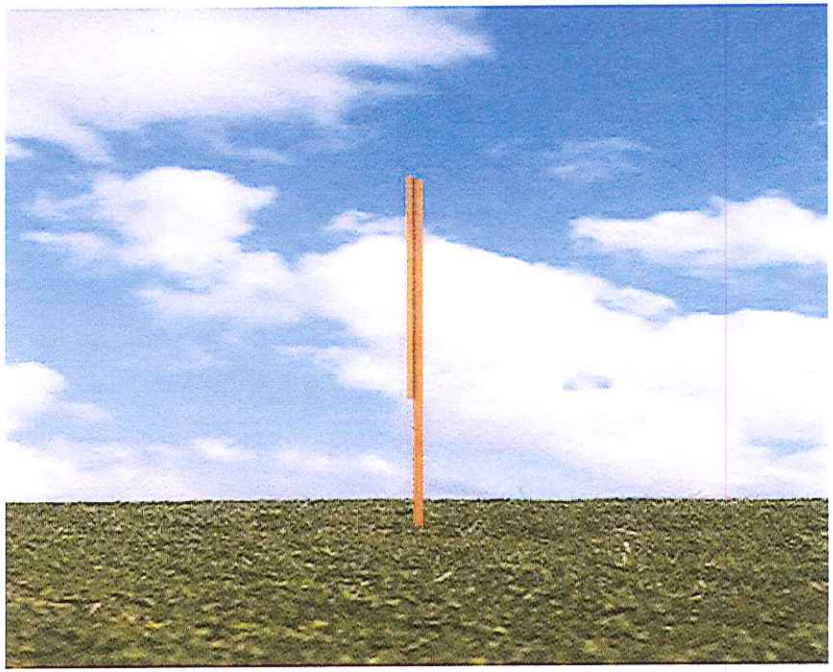
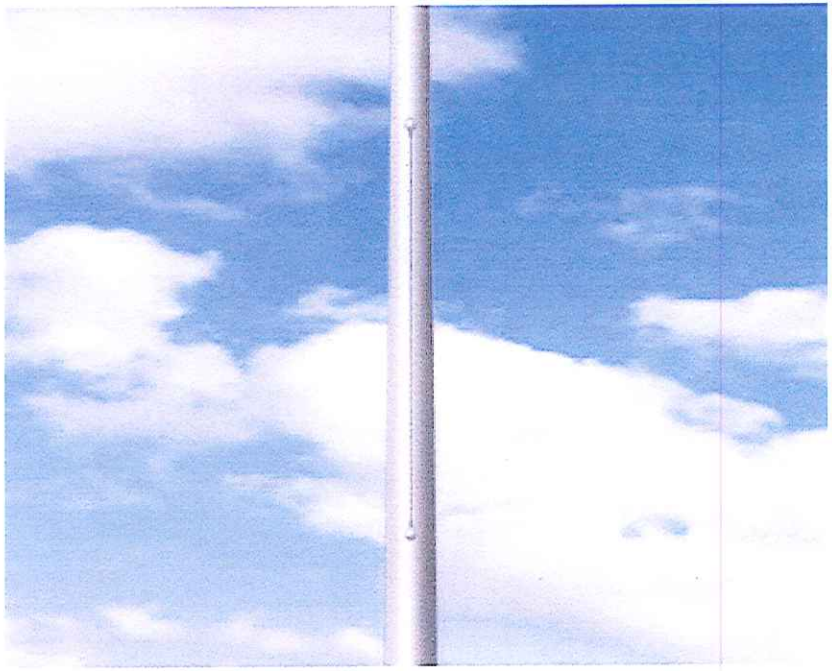


Side

Lot Sign

Front

Back



Side

Lamp Post Sign

Nidus Tracking Document

NIDUS CENTER FOR SCIENTIFIC ENTERPRISE

Business Tracking Matrix

7-Feb-07

ACTIVE CLIENT TRACKING MATRIX

	Company							
Company Name	**Akermin**	**Apath**	**APT Therapeutics**	**Chlorogen**	**Divergence**	**Graphic Surgery**	**ISW Group**	**MoGene**
Acceptance Date	March-04	October-01	March-02	March-03	May-01	July-02	August-06	March-04
Nidus Investment	$0	$1	$0	$0	$0	$0	$0	$0
Nidus % Ownership (fully diluted)	2.60%	2.00%	1.00%	1.60%	0.34%	2.30%	0.00%	1% ‡
Value of Nidus Equity (fully diluted)**	$14,441	$100,000	$545	$16,362	$4,727	$180,000	$0	$0
Equity Value Updated	12/20/06	12/9/05	11/20/06	6/28/06	12/20/06	12/20/06	2/9/07	12/20/06
General Business Issues								
Technical Progress	G	G	G	G	G	G	G	R
FDA/ Regulatory progress	NA	P	P	G	P	NA	G	NA
Partnership Agreements	Y	G	G	G	G	G	P	G
Manufacturing Progress		NA	NA	G	G	NA	P	NA
Meeting Sales and Marketing Forecast		G	NA	NA	NA	Y	NA	G
Cash Flow Position	G	G	G	G	G	G	Y	Y
CEO	Y	G	P	G	G	G	Y	R
Other Personnel Issues	G	G	Y	G	G	G	G	Y
Financing Progress	G	G	Y	G	G	G	P	Y
Other Issues								
Legal	G	G	G	G	G	G	G	Y
Exit Opportunity			Y	G				
Overall Assessment	G	G	Y	G	G	G	Y	Y

Pending	P	
Not Applicable	NA	
Green	G	No major issues/ proceeding according to schedule
Yellow	Y	Some issues to address/ not meeting schedule
Red	R	Significant issues to address/ not making progress to meet schedule

* additional 1% per year

‡ additional 0.5% per year

**conservative estimate given Nidus' status as common shareholder