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February 23, 2005

Cal Horton
Town Manager
Town of Chapel Hill
306 N. Columbia Street
Chapel Hill, NC 27516

Re: Request to Amend Midway Business Center Performance Agreement

Dear Mr. Horton:

In reviewing our correspondence to you dated January 28th, 2005 I concluded that additional clarification is warranted. Following you will find clear and concise justification for our request to amend the current Midway Business Center (MBC) Performance Agreement.

In order to provide the services that our incubator members require *and* to assist the MBC in becoming a self-sustaining program of EmPOWERment, Inc. we request your permission to lease limited office space to non-incubator tenants.

To be more specific, we would like to lease up to 925 square feet (25%) to non-incubator tenants. Therefore, 2,157 square feet (58%), excluding EmPOWERment, Inc.'s office space (618 square feet or 16%) would be available for incubator members.

A non-incubator tenant is a major "draw" business that is strategically located in a commercial building or shopping center so as to give maximum exposure to smaller businesses within the same building or shopping center. Non-incubator businesses may also provide experiential knowledge and general expertise to incubator members and/or provide valuable services or goods for EmPOWERment, Inc.'s constituent communities. We would work to recruit locally owned businesses/franchises or public entities but *not* national chain merchants. Possible examples may be a local law, accounting, or advertising firm. Possible retail examples might be an established clothing store or a coffee shop. Non-incubator tenants would pay traditional market rate rents.

The only non-incubator tenants that we would entertain would be those that would add value to the MBC. Non-incubator tenants will enter into multi-year leases (from two to five years). They would enjoy use of our building facilities including having access to the conference room, high-speed internet, utilities included and off-street parking privileges for employees and customers alike. They will not be required to attend seminars or open their books to us.

Empowerment, Inc. and MBC incubator members would benefit by offering rental space to non-incubator tenants in several ways including but not limited to:

- 1) drawing consumers into the building--increasing exposure to incubator member businesses and therefore helping to increase their customer base and revenue stream
- 2) provide a reliable source of revenue for EmPOWERment, Inc. and
- 3) increase the time for our incubator manager to provide necessary technical assistance to incubator members.

We would require all non-incubator tenants to be Orange County-based businesses. We respectfully request the flexibility to provide office space to non-incubator tenants that do not meet the income requirements of incubator businesses (51% of employees are part of households earning less than 80% AMI). We will encourage businesses to advertise job availabilities in locations accessible to low- and moderate-income applicants, post job openings in the MBC and to actively hire low- and moderate-income individuals. We will not hold these businesses to any income requirements.

EmPOWERment, Inc. has long term plans to move out of the MBC. After that change is effected a maximum of 25% (or 925 square feet) of the total rentable square footage in the MBC would be available to non-incubator tenants and a minimum of 75% (or 2775 square feet) would be available to incubator member businesses. As it stands now, if this request were approved, a maximum of 42% (or 1543 square feet) of the rentable square footage in the MBC would be available to non-incubator tenants and EmPOWERment, Inc.'s offices combined until EmPOWERment, Inc. moves out of the MBC.

The twelfth point of the MBC Work Statement reads as follows:

12. EmPOWERment, Inc. will provide documentation to the Town that all tenants of the building will be incubator businesses, and that the building will not be used for market-rate commercial, retail, or office space.

In contrast, the Tenancy Criteria portion of the MBC Project Description, which was part of EmPOWERment Inc.'s application for CDBG funds, reads as follows:

Type of Tenant: *While the Center will recruit at least two anchor tenants, there is a high degree of flexibility in attracting and supporting new entrepreneurial endeavors. Our location in Town Center Two (TC-2) zoning offers exceptional flexibility in the types of business activity permitted. Our goal is to ensure a tenant mix that fosters a high degree of harmony and collaboration among our companies. Each business selected...*

In conclusion, our request is that the Town of Chapel Hill modify the current MBC performance Agreement to read as follows:

12. EmPOWERment, Inc. will provide documentation to the Town that non-incubator tenants will occupy no more than 25% (or 925 square feet) of the building's rentable square footage in addition to EmPOWERment, Inc.'s office space (618 square feet or 16%). A minimum of 58% (or 2157 square feet) of the building's rentable square footage will be occupied by incubator businesses while EmPOWERment, Inc. is a tenant of the MBC. After EmPOWERment, Inc. realizes its long-term goal to move out of the MBC the maximum square footage available for non-incubator tenants will be 25% (or 925 square feet) and a minimum or 75% (or 2775 square feet) will be available to incubator businesses.

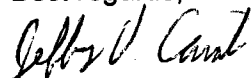
Following you will find solid justification for granting this modification to the Performance Agreement.

- 1) The MBC must become a financially viable program of EmPOWERment, Inc. Based on research we have found that the majority of successful incubators depend on long-term non-incubator tenants to reach break-even. In looking at our current model we must make adjustments in order to become a self-sustaining entity. By allowing non-incubator tenants into the building the MBC is taking a step toward being able to financially stand on it's own. Non-incubator tenants will increase revenue stability during downturns in the economy and add to the atmosphere in the building by including stable and knowledgeable entrepreneurs to mentor and assist other MBC businesses.
- 2) The intensity and volume of technical assistance required of MBC businesses is compounded by the policy of graduating businesses once they attain solid business systems and financial sustainability. Once a business is capable of thriving without business support services the incubator manager works with them to find a new office outside the incubator. The mandatory graduation policy all but ensures that each business in the MBC will be at a level that requires significant direct assistance and support from the MBC manager.
- 3) At times, like our current situation where we have five new start-up businesses all recently joining the MBC the time demands on the incubator manager can be intense. Proper and necessary supervision and technical services will increase the odds of these new businesses becoming self-sufficient and being able to financially offer employment opportunities sooner rather than later. However, sufficient support is limited due to the sheer number needing time intensive assistance.
- 4) We currently offer a combination of thirteen retail, semi-retail and office spaces to incubator businesses. Most incubator program participants are in the early stages of formation and therefore require a substantial amount of technical assistance to keep them on the right track. Due to the revenue constraints of the MBC versus the operational costs there is only one part-time staff person dedicated to the incubator program. It is extremely challenging for a part-time Incubator Manager to help provide directly or indirectly sufficient business support services for thirteen member businesses and for 2-6 associate businesses.
- 5) We would select possible non-incubator tenants based on their willingness to support the work of EmPOWERment, Inc. and the MBC. We would want the non-incubator businesses to have a mission in line with that of our own and the ability to add a valuable dynamic to our building.

Thank you for your support and please feel free to contact me at your convenience should you have any questions.

I look forward to your reply.

Best regards,


Jeff Caiola
Co-Director