KMK Consulting Company LLC

Cincinnati Fountain Square

KMK Consulting Company LLC

THE CEO RESOURCE

Fall 2009

The CEO Resource **is a periodic hot sheet of resource information for our colleagues, Chief Executives and Senior Management in business and leadership.**

Our focus is to help senior management and company owners accelerate their pathways, first to "success" and then to "making a difference"- a significant difference for their families, their stakeholders and their communities. ***The CEO Resource*** **is a time sensitive tool directly responsive to this critical focus.**

We are pleased to congratulate Dr. George Vredeveld, Director of the Economics Center for Education &Research at the University of Cincinnati for being honored with the 2009 John C. Schramm Leadership Award on October 8th in Washington, DC. This Award from the National Association of Economic Educators annually recognizes an individual whose leadership has had an extraordinary, positive impact on economic education.

KMKC & Dr. Vredeveld's Economics Center work together on a number of projects across the U.S.

Accelerating Innovation: Research Parks Growing Everywhere

By: Steven Spalding

Within the economic development practice, one of the most significant long-term trends has been the growing focus on developing a community's technology resources as a basis to promote job and wealth creation. Since the founding of Stanford Research Park in Palo Alto in 1951 and establishment of Research Triangle Park (RTP) in North Carolina in 1959, the "research park" has become a key strategy and tool adopted by States, regions, individual cities and the universities themselves that function as primary fountainheads for innovation.

In their book, ***Technology in the Garden: Research Parks and Regional Economic Development***, University of North Carolina professors Michael Luger and Harvey Goldstein note that:

> "Research parks represent both symbolic and substantive means of attempting to increase a region's 'creativity' and innovation capacity. These factors… help explain the wide popularity of research parks and the fact that the large majority of research parks now in existence have been created since 1982".

Written in 1991, Luger and Goldstein called attention to "an explosion of research park development" based on some 116 U.S. parks then in existence, which nonetheless represented only ". . . a small proportion of all the parks that have been started, and dozens more in the predevelopment stage". By 2007, a study conducted by Battelle's Technology Partnership Practice for the Association of University Research Parks (AURP) identified 174 parks in their baseline. AURP focused largely on parks represented by their members, thus their census was deliberately conservative – private sector, developer-driven parks made up only 6% of their survey respondents.

A June, 2009 ***Business Week*** article entitled *Research Parks for the Knowledge Economy* notes that "New science parks . . . have been spouting across the U.S. 'Every city and state with a university wants to jump on this bandwagon' says Peter Calkins who heads the science and technology business of developer Forest City Enterprises, which created and manages Cambridge's Millennium Park complex next to MIT and is building another park near the Johns Hopkins University campus in Baltimore."

Like Luger and Goldstein, Calkins adds a cautionary note: "'not all [these new parks] are well conceived.' " Nonetheless, ***Business Week*** goes on to document ". . . stunning new high tech meccas . . . going up from Asia to Europe to Latin America . . . " that have moved far beyond the model of RTP that was an inspiration to so many. And even more recently, the

Continued on Page 2

Energy—Now A Primary Site Selection And Site Management Priority

By: Greg Elam

With energy supply currently being in the "Top Ten" of site selection criteria, and electricity and natural gas prices having hit near ten year lows, if your existing or new facility is a significant user of energy, we believe your "Top Three" criteria should now include energy. However, there are several other factors that are an important part of this equation, including location, which drives how your energy is purchased and managed, and reliability, which drives up-front infrastructure costs and operational charges.

Location: The facility site is critical, and there are pros and cons to any location. That is, is the facility located in a regulated or deregulated state? Even if in a deregulated state, a facility that is located in a municipal or cooperative service territory may or may not offer the freedom to allow you to manage your energy costs. On the other hand, being located within an investor owned utility system provides for Public Utility Commission ("PUC") oversight. While the PUC is charged with "the public good," public policy is a major factor, and the commercial or industrial energy customer is not

Continued on Page 3

Accelerating Innovation

Continued from page 1

World Alliance for Innovation published a global directory to over 700 "nodes of innovation".

From nation-building policies to repositioning stagnant economies that formerly depended on manufacturing or agriculture, research parks -- and their related initiatives of investing in university R & D, and commercialization tools such as incubators and accelerators -- represents a transformational approach being adopted by economic developers across the country. As Luger and Goldstein put it ". . . the R & D-led economic development strategy, when successful, almost always leads to more than just employment growth and new business formation. It brings with it concomitant changes in occupational mix, wage and salary structure; political culture; and spatial patterns of development".

Through our efforts with clients from San Diego to Florida, KMK Consulting is supporting a wide range of communities in creating their individual approaches to technology-based economic development — including through strategic visioning, research park business and mast plans, incubator/accelerator business plans, technology business recruitment strategies, venture fund development and hands-on operational support to research park management.

Here is a quick update in the continuing evolution of "innovation campuses."

Research parks have changed a great deal since the 1950's and 60's. More are being developed in inner city locations adjacent to universities and hospital complexes, fully integrated into the nearby urban fabric in contrast to the oasis environment of early suburban corporate parks.

Even where land is available on university campuses and suburban locations, a new generation of *innovation campuses* is emerging that emphasize "24-7 "live work and play" communities designed to appeal to young knowledge workers. Older parks are being repositioned along these lines, and existing parks are developing satellite locations.

In particular, more parks are being developed "between the coasts" and in regions that traditionally did not possess a significant technology base or major research universities.

KMK Consulting's casual survey of research park news highlights throughout the Mid-US and selected emerging "hot spots":

Arkansas Research and Technology Park – Being developed in Fayetteville by the University of Arkansas in collaboration with IDEA Partnerships and Clayco Realty Group, its second building now is under construction to bring an additional 65,000 sq. ft. of lab and office space on line. Building One, an incubator, is at full occupancy; the park's master plan calls for up to 1 million sq. ft. of space to be developed in phases.

UT-Baptist Research Park – The Memphis Bioworks Foundation, a regional public-private partnership, is developing a 10-acre urban campus donated by Baptist Memorial Health Center, on which 1.2 to 1.5 million sq. ft. of laboratory, research, education and commercial space will be built over a 10 year period. The site is in the heart of the

Continued on Page 3

Recession Recovery - Raise the Bar on Leadership

By: Jim McGraw

Thank heavens for the businesses that are truly thriving. It is a wonderful and inspiring sight for everyone. I just had the pleasure of approving a bonus payment plan schedule for a company on whose Board I sit. This bonus schedule covers every single employee. It will be a great holiday season this year at those households.

How did they do it? What was their secret? They are in an industry sector getting crushed in this economy.

What they did do was walk the talk of their CEO. They believed him when he told them that they could overcome the budget cut backs of their customers. They believed the CEO that if they – the workforce – the sales team, the customer service group, the product development group and the administrative staff – all stayed focus and dedicated to their product and business solution it provided, and the customer priority it represented, then they could win over all challenges, beat all adversities and reach their performance goals.

All of this happened because the CEO raised the bar on his own leadership. His relentless winning, positive attitude reflected in his impactful speeches in the office and his performance with customers made his company's success in FY 2009 unprecedented in its history, in an industry at the leading edge of our economy's downturn.

If you are a manager, director, vice president or CEO, lead now like you never have before. Reach a new level of positive attitude and embed it in your employee teams, in your own life at work, at home and in your community.

Get your strategic plan and every facet of your company aligned with each other and with your customers. Get those supplier and those customer relationships in the best shape they have ever been in. Allocate time each day to speak individually to employees, to encourage them and to customers to ask what you can do to be of more valuable.

Do not hunker down. Be out in the community knowing that community leadership responsibility is part of being a CEO. Invest time and money in making your neighborhood, your city and your region a better place. Consider joining the Tocqueville Society of United Way. It will be the best $10,000 you have ever invested.

Make things happen. Grow new relationships. Let your employees see your leadership engagement in shaping the agenda for a more prosperous community. Infuse yourself and your workforce with the notion that economic development is everybody's business. Measure everything you do for impact and effectiveness in building a great community in which to live and in sustaining a great company for which to work.

Your employees need your leadership perhaps more than ever before and do does your community. So take action.

Oh, and as for the CEO on whose Board I sit, we gave him a 25% bonus and a 25% base pay raise. He earned every penny.

Accelerating Innovation

Continued from Page 2

Memphis Medical Center, adjacent to the University of Tennessee Health Science Center.

Nebraska Innovation Campus – A business strategy and master plan for Lincoln's second research park, to be located on the 200-acre former State Fairground site, will be completed by early 2010. The Innovation Campus is envisioned to link the commercialization efforts of UNL with other University of Nebraska campuses, and to focus on UNL's strengths in agri-science and food technologies, alternative energy, and water resource management in addition to the Peter Kiewit Institute campus in Omaha focusing on computer sciences and engineering.

Purdue Research Foundation: In early 2009, university officials opened the ***Purdue Research Park at AmeriPlex*** in Indianapolis. The park is Purdue's 3rd satellite location beyond its original research park in West Lafayette, Indiana – one of the country's oldest. It includes a $12.8 million, 55,000 sq. ft. incubator on a 78 acres site within a 1500 acre complex being privately developed by Holladay Properties adjacent to the Indianapolis International Airport. The park will include space for up to six buildings geared to life science or technology firms, a 300-bed hotel and 30,000 sq. ft. conference center, and retail activities.

Lake Nona Science and Technology Park – Also known as "Medical City", this 600-acre park is being privately developed by the Tavistock Group as part of a 7000-acre master planned community adjacent to the Orlando airport. Anchor tenants include the Burnham Medical Research Institute, the new University of Florida College of Medicine, a new Orlando VA Hospital, Nemours Orlando Children's Hospital and the M.D. Anderson Orlando Cancer Research Center.

Elsewhere in Florida: On the heels of the state's successful recruitment of prominent research institutes from across the US and from Germany, Florida has experienced a surge of new research park developments by universities, private developers (with and without university partnerships) and some being proposed by local governments. Up and coming parks in Florida include:

Energy Management

Continued from Page 1

always the winner. We believe there are solutions that can be developed for both markets, but requires an in-depth knowledge of the market, a good working relationship with the utilities, and a customer's willingness to be open-minded and to listen to their advisors.

With energy prices reaching near ten year lows, those customers that are being served by the investor owned utility have several choices for supply, including working with their local utility, and should look to implement transactions that are part of, or modify, their company energy plan. In many cases, customers want to take advantage of the low pricing, but also want to do business with the local utility. We have found that both are achievable and can provide positive results for both the customer and local utility. As an example, we recently assisted in a transaction that enabled a large energy user to save more than $2 million by working with the local utility to take advantage of attractive and competitive market pricing, something that would not have been possible without an independent representation of the customer, market insight, and good working relationship with the customer's local utility.

While municipals and cooperatives can offer attractive economic development transactions, we encourage a multi-year term view be taken, looking at the net present value over a longer term. As an example, while a municipal may offer an attractive two to three year transaction, it is important to know what their long term plans are. That is, your municipality or cooperative may be investing in [expensive] capital intensive green technologies and betting the farm on Renewable Energy Certificates ("RECS")? If so, your company may be paying for the cost today, but the benefit will be for those customers that are being served twenty to thirty years later when the debt is paid off. This risk is elevated should the REC market be less than projected by the utility in its assumptions.

Infrastructure: Utility infrastructure cost and reliability are key factors that must be negotiated and reviewed extensively no matter what utility system you chose; regulated or deregulated, municipal, cooperative, or investor owned utility. As with energy purchases and management, there are pros and cons to each. At a high level, a customer must make sure that it is provided the proper credits for its [projected] energy usage and that the utility is not over building its system to enhance its future revenue growth at the expense of the customer paying for the infrastructure. One of the largest unknown factors to new customers is the Contribution in Aid of Construction ("CIAC") tax that is charged by investor owned utilities. This tax averages about 25%, but we have seen it as high as 59%. That is, if the infrastructure cost to your site is $1,000,000, the investor owned utility will have right to charge you an additional $250,000 (assumes 25% tax rate). The key to lowering the CIAC tax is to increase the customer's credits or lower the construction cost. Using this example, every dollar saved represents $1.25. Not a bad return on investment, especially when this return on investment is created by a reduction in capital spending.

In addition to the initial extension of utility infrastructure for electric power, customers must also evaluate the reliability and whether such reliability should be enhanced by the utility, by the addition of generation, or both. To properly make this evaluation, each proposed site must be evaluated independently, and include things such as tariffs that may be filed with the PUC, tariffs within a municipality, or the rules provided within a cooperative utility. In addition, fuel pricing and other benefits such as any compensation that may be paid by the market for having such capacity available must be taken into consideration.

To summarize, while doing your site selection homework is certainly a task which includes many moving parts, the payoff in utilizing good advisors can be substantial, and can provide a return on investment that exceeds a company's initial estimates. Likewise, not executing an energy plan to maximize opportunities or mitigate risk, can wipe out savings or minimize earnings.

Greg Elam is an affiliate consultant at KMKC. For more information, contact Greg Elam at gelam@stepresources.com or call him at 513-579-6932.

Accelerating Innovation

Continued from Page 3

- **Florida Center for Innovation (FCI)** – a 160 acre research park being developed by Core Communities within Tradition, Florida, an 8200 acre master planned community along the I-95 corridor. FCI is home to the Torrey Pines Institute for Molecular Studies and the University of Oregon's Vaccine and Gene Therapy Institute, and includes a "park within the park" being developed concurrently as the Mann Research Center by medical entrepreneur Alfred Mann. It also will be the site for an expansion of Stuart-based Martin Memorial Healthcare Systems, and is adjacent to hotels, a planned conference center, a village retail center and mixed-income housing options – all connected by bike and walking paths.
- **University of Miami Life Science Park** – being privately developed as a partnership between Baltimore-based Wexford Science and Technology and the University of Miami, the park is envisioned to grow to 1.8 million sq. ft. of laboratory, office and retail space on a 10 acre site in the hub of the city's hospital district and with access to 178 research institutions in the metro area. Building One is on its way with over 200,000 sq. ft. of rentable space planned.
- **Madden Research Loop**: Like Purdue's AmeriPlex, this park announced in 2008 is being developed within the 750-acre Skyplex Commercial Center at the Southwest Florida International Airport in Fort Meyers. Denver-based John Madden Company has launched the project with a 25-acre parcel on which up to 275,000 sq. ft. of space can be developed, with an option of up to 140 additional acres. While not university-owned, Madden's organization cites the nearby presence of ***Florida Gulf Coast University*** and access to research all across Florida as a basis for recruiting medical researchers, pharmaceutical companies and other biotech industries.
- **Treasure Coast Research Park** -- An example of a government-initiated park with a long time horizon for development is this 1600-acre site being planned by St. Lucie County on land partially owned by the local school board. The park's master plan has an agricultural science and alternative energy focus, built around an existing USDA Agricultural Research Service laboratory and the adjacent University of Florida Agricultural Extension Service operations.

BioBusiness Park at Elk Run – Newly announced in 2009, Elk Run will be a 200-acre campus located at Pine Island, Minnesota, near the Mayo Clinic's home in Rochester and part of a 2325-acre master planned community being developed as a joint venture of San Francisco-based Tower Investments and life science VC firm Burrill & Company, in partnership with the Mayo Clinic and the University of Minnesota. Plans for a 40,000 sq. ft. first building are in the works.

Arizona Bioscience Park – The University of Arizona is evaluating developer partnership proposals for the first phase of a 65-acre park focused on life sciences. Phase One includes approximately 660,000 sq. ft of lab and office space, as well as a hotel and conference center., which the development overall has been master planned for over 3 million square feet of space. The University set goals for the park to be well-integrated with surrounding neighborhoods, to promote sustainable development, and to create a "live-work-play" environment within the park that includes a technology high school, housing for faculty and students convenience retail space and substantial open space. This will be the University's second research park, complementing an existing 1345-acre Science and Technology Park that was purchased from IBM in 1994, and that was developed along "corporate campus" lines.

Other Innovative Young or Proposed Parks to Watch:

- Hudson Alpha Institute Campus within the Cummings Research Park (Huntsville, AL)
- North Carolina Research Campus (Kannopolis, NC)
- Harriman Technology Campus [proposed] (Albany, NY)
- University Innovation Park (Calgary, Alberta Canada)
- The Science and Technology Park at Johns Hopkins (Baltimore, MD)
- Florida Energy Research Park (Harmony, FL)
- MaRS Discovery District (Toronto, Ontario Canada)

KMK Consulting members are proud to be part of the team creating the business strategy and master plan for the University of Nebraska Lincoln's Nebraska Innovation Center, as well as providing advisory services to the Florida Center for Innovation.

For further information regarding any of the parks mentioned in this article please contact: James McGraw at jmcgraw@kmklaw.com, telephone (513) 639-3968, or Steven Spalding at sspaldling@bellsouth.net, telephone (502) 744-8115

KMKC New Members

We are excited to introduce you to three outstanding individuals who have joined the KMK Consulting team to work with us on various clients across the country. They will continue to service their Keating Muething & Klekamp law firm clients in real estate, corporate finance and corporate transactions.

Brad Meacham

Brad Meacham focuses on economic development urban and regional organizations, public/private partnerships, strategic planning and leadership consensus building for competitive initiatives to grow innovative companies and opportunities for young professionals.

Mr. Meacham is also an associate with Keating Muething & Klekamp, PLL and practices in the firms business representation and transactions group working with clients in the areas of business planning and formation, private placements and private equity/venture capital. Brad is a graduate of Harvard and William and Mary School of Law.

Brad is a member of the Cincinnati Zoo's Ambassador's Council, a member of the Strategic Advisory Board of The Global Playground, and a member of the Board of Directors of Smart Money Community Services. Brad is proficient in Spanish and lives in downtown Cincinnati.

Sean Suder

Sean Suder serves a variety of KMK Consulting clients in both our corporate solutions and economic development groups focusing on site selection, incentives and related real estate issues. He recently completed an incentives analysis for a Fortune 100 client's realignment of its regional offices across the United States.

He is also an associate at Keating Muething & Klekamp, P.L.L. in the real estate group representing clients in all aspects of real estate, land use and zoning. He has negotiated numerous retail, industrial and office leases for clients and has assisted national and regional clients in the development process from concept to build out.

Mr. Suder is a founding member of KMK's Green Team which focuses on assisting clients with green development issues and retaining carbon reduction incentives. He is a LEED credited professional.

Mr. Suder is active in numerous professional associations and was named an *"Ohio Rising Star"* in 2007. He is an active member in the Urban Land Institute serving on its Young Leaders Group Board and is Vice Chair of its Public Relations and Marketing Committee. He is also Vice Chair of the Board of Building Appeals for the City of Cincinnati, a member and former Committee Chair of the City of Cincinnati Mayor's Young Professionals Kitchen Cabinet and a member of the City of Cincinnati Climate Protection Plan Task Force.

Sean previously worked for a large real estate development/construction company in Washington, DC. He has a degree in urban and environmental planning from the University of Virginia School of Architecture and is also a graduate of the University of Virginia School of Law. He recently published *"Certifying Place With the New LEED – ND Designations"* in the Minnesota Real Estate Journal. He also recently presented *"Sustainability on Trial: Contracting and Litigation Risks with High Performance Buildings"* at the Midwest Real Estate Conference in Indianapolis.

Matt Metzger

Matt Metzger works in the Economic Development and Corporate Solutions groups of KMK Consulting, concentrating on finance solutions and structures for client projects. Matt has experience in equity syndications, mezzanine lending, tax exempt debt and New Market Tax Credits. He is also an associate with Keating Muething & Klekamp, P.L.L. in the firm's commercial finance group, where his work includes capital financing, project finance, mergers and acquisitions, real estate financing, private equity/venture capital and private placements.

Matt is a graduate of the University of Iowa, *magna cum laude*, where he was a varsity gymnast, student athlete scholarship recipient, and Academic and Athletic All American. He is also a graduate of the University of Cincinnati College of Law, *cum laude.*

KMK Consulting Company, LLC
One East Fourth Street, Ste. 1400
Cincinnati, Ohio 45202
(513) 639-3900
www.kmkconsulting.com