

OKLAHOMA SMALL BUSINESS INCUBATOR CERTIFICATION PROGRAM

2009 ANNUAL REPORT



INTRODUCTION

Successful business incubators operate as a business, have a positive impact on a community, have an effective board of directors, provide a nurturing environment, hands-on assistance and a variety of services for start-up and fledgling firms during their most vulnerable years.

Small business incubators vary in the way they deliver their services, in their organizational structure and in the types of clients they serve. As they are highly adaptable, incubators have differing goals, including diversifying rural economies, providing employment for and increasing wealth of depressed inner cities, and transferring technology from universities and major corporations. Incubator clients are often at the forefront of developing new and innovative technologies – creating products and services that improve the quality of our lives in communities around the world.

The earliest incubation programs focused on a variety of technology companies or on a combination of light industrial, technology and service firms – today referred to as mixed-use incubators. However, in more recent years, other types of incubators have emerged targeting industries such as food processing, medical technologies, space and ceramics technologies, arts and crafts, and software development. Incubator sponsors have also targeted programs to support microenterprise creation, the needs of women and minorities, environmental endeavors and telecommunications.

Typically, 30 percent of incubator clients graduate each year. National Business Incubation Association members report that 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors.

Business incubation catalyzes the process of starting and growing companies. A proven model, it provides entrepreneurs with the expertise, networks and tools they need to make their ventures successful. Incubation programs diversify economies, commercialize technologies, create jobs and build wealth. As of October 2006, there were over 1,400 incubators in North America, up from only 12 in 1980. Of those, 1,115 were in the United States, 191 were in Mexico and 120 were in Canada.

In 1988, the Oklahoma Legislature passed the Oklahoma Small Business Incubators Incentives Act. The Act enables the tenants of a certified incubator facility to be exempt from state tax liability on income earned as a result of occupancy for up to five years. In 2001, the Legislature amended “the Act” to extend the tenant’s tax exemption from five to 10 years. The exemption remains in effect after the tenant is no longer an occupant in an incubator. In order to qualify for the tax exemption from the sixth through the 10th year, the tenant must make at least 75 percent of its gross sales to out-of-state buyers, to buyers located within the state if the product or service is resold to an out-of-state customer, or to the federal government. In addition, the Act enables the sponsor of a certified incubator facility to be exempt from Oklahoma income taxes for a period of 10 years.

Since the inception of the Act, the State of Oklahoma has benefited from increased revenues and increases in the number of start-up and expanding small businesses. These businesses have created jobs and enhanced economic activity in the Oklahoma communities in which they are located.

COMMERCE’S ROLE

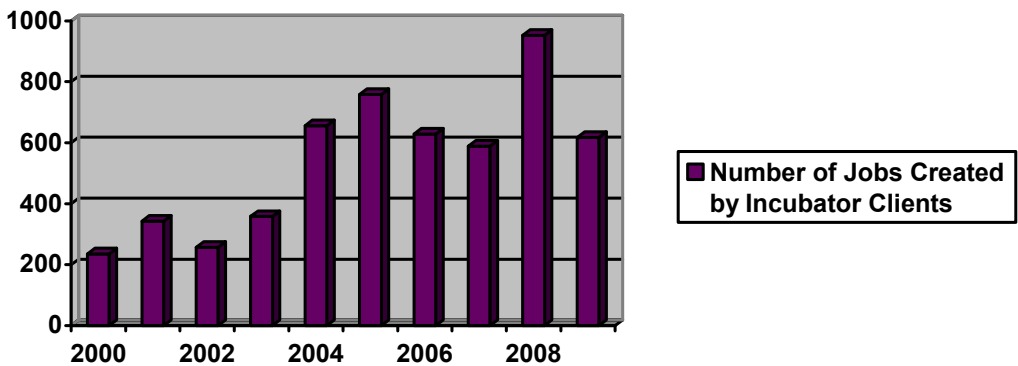
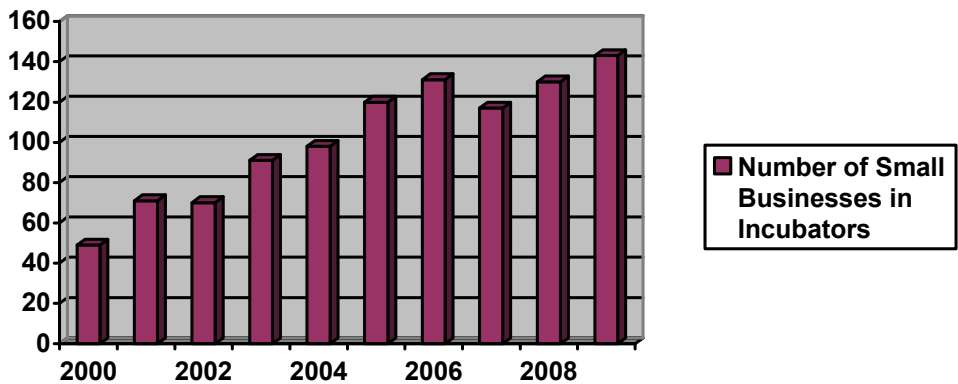
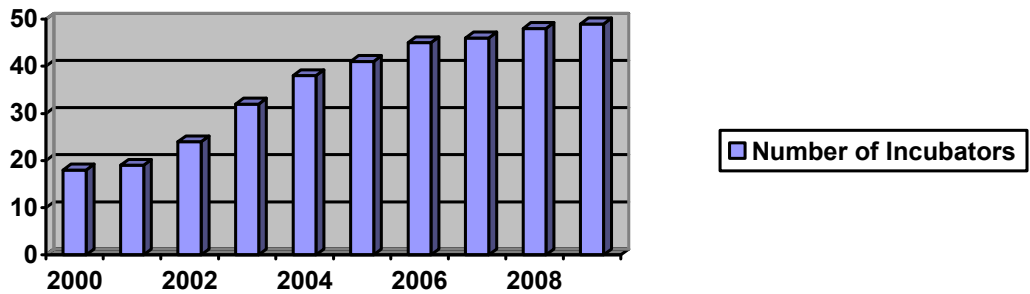
The role of the Department of Commerce in the incubator process is to certify the incubators pursuant to O.S. Title 74 Section 5071-79 and convene critical partners to assure standards of excellence. It is the responsibility of the incubator owner to hire managers to manage and market their incubators and provide business services to their tenants.

There are currently 49 certified small business incubators operating in Oklahoma (see Appendix). As 2009 began, Oklahoma had 47 certified incubators. Six incubators were approved for certification during 2009 including locations in Duncan, Durant, Norman, Sapulpa, and two in Oklahoma City. Four incubators closed this year for various reasons. Acorn Growth Companies’ location in Shawnee closed because they no longer have the building. The Leflore County Development Coalition incubator in Poteau is no longer being utilized as an incubator. Located in Oklahoma City, the Northeast Business Resource Cen-

ter's certification expired. The incubator jointly operated by RSU and NEO in Miami closed this location due to a lack of tenants. Tenants in the 49 existing incubators range from small service companies to high-tech research and development to manufacturing entities.

In 2009, 143 small businesses leased space in Oklahoma's small business incubators. These incubator tenants provide 618 full-time jobs. The charts below show the growth in the incubator program throughout the last nine years.

OKLAHOMA INCUBATOR PROGRAM GROWTH



Throughout the life of Oklahoma’s Certified Small Business Incubator Program, a total of 427 small businesses have located in a small business incubator. Of those, 242 have graduated from the program or relocated to a larger facility and 202 of those companies have remained in the state. The businesses that remained in the state report they currently employ 1,331 people. Commerce believes the incubator program will continue to contribute significantly to Oklahoma’s economy.

OKLAHOMA BUSINESS INCUBATOR ASSOCIATION

The Oklahoma Business Incubator Association (OBIA) was formed nearly 20 years ago. The purpose of the OBIA is to provide information, networking, guidance and assistance to incubator operators, as well as working with the Legislature to promote and benefit business incubation in general and tenants specifically.

NATIONAL STANDARDS FOR SUCCESS

In 1996, the National Business Incubator Association’s (NBIA) board of directors developed a set of industry guidelines to help incubator managers better serve their clients. Since that time, NBIA research has consistently shown that incubation programs that adhere to the principles and best practices of successful business incubation generally outperform those that do not. The following industry guidelines are replicable and broadly applicable to incubation programs around the world, regardless of their focus or mission.

Two principles characterize effective business incubation:

1. The incubator aspires to have a positive impact on its community’s economic health by maximizing the success of emerging companies.
2. The incubator itself is a dynamic model of a sustainable, efficient business operation.

Model business incubation programs are distinguished by a commitment to incorporate industry

best practices. Management and boards of incubators should strive to:

- Commit to the two core principles of business incubation
- Obtain consensus on a mission that defines the incubator’s role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission
- Structure for financial sustainability by developing and implementing a realistic business plan
- Recruit and appropriately compensate management capable of achieving the mission of the incubator and having the ability to help companies grow
- Build an effective board of directors committed to the incubator’s mission and to maximizing management’s role in developing successful companies
- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation
- Develop an incubator facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company
- Develop stakeholder support, including a resource network, that helps the incubation program’s client companies and supports the incubator’s mission and operations
- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program’s effectiveness and allowing it to evolve with the needs of the clients

In summary, successful business incubators operate as a business, have a positive impact on a community, have an effective board of directors, provide a nurturing environment, hands-on assistance and a variety of services for start-up and fledgling firms during their most vulnerable years. Research has shown that incubator companies are much more likely to grow into viable job-creating businesses than startups without such support.

The best incubators provide services such as:

- **Flexible space and leases**
- **Office services and equipment on a pay-as-you-go basis**
- **An on-site incubator manager as a resource for business advice**
- **Exposure to a network of outside business and technical consultants, often providing accounting, marketing, engineering and legal advice**
- **Assistance with financing**
- **Assistance with marketing**

SUCCESSES

Oklahoma's incubators have many success stories. The examples below are just a few for 2009.

**Real Time Rehabilitation, LLC
RSU Innovation Center
Claremore, Oklahoma**

The first place winner of the third annual Tulsa Mayor's Entrepreneurial Spirit Award is a Claremore resident and a Rogers State University Innovation Center incubator client. Jeremy Green, founder of Real Time Rehab, a DVD-based physical therapy program, received the \$30,000 grand prize at the award program. The third-annual contest began in April and included more than 85 entries.

"Winning the Spirit Award gives us immediate funding for some new opportunities and a little bit of breathing room," Green said. His RSU Inno-

vation Center office is full of DVDs, notebooks, computers and lots of energy. A graduate of Sequoyah High School and Oklahoma State University, Green lives in Claremore and enjoys working close to home.

Green came up with the idea for the company when he was in school for physical therapy and decided to defer his education to create Real Time Rehab. Instead of giving patients a piece of paper with descriptions of prescribed exercises to be completed at home, Real Time Rehab allows physical therapists to design a DVD for each patient. The patient can then watch someone demonstrate the required exercises in the comfort of their own home. "If I am a therapist I might be able to help 30 or 40 people a week, this way I could help millions," Green said.

With the help of his brother-in-law, Jason Reed, who owns Martini Shot Productions, Green was able to record demonstrations of many of the exercises commonly prescribed by physical therapists. He consults with several physical therapists, as well as an occupational therapist, to create a product to fit the industry and the patient's needs.

Green has been an RSU Innovation Center client for more than three years and a part of the incubator program since the spring. Jeri Koehler, RSU Innovation Center business development specialist, helped Green with a business plan several years ago and continues to work with him as an incubator client.

"Jeremy Green has worked tenaciously to get Real Time Rehab where it is today," Koehler said. "He is an ideal client because he is passionate about his business and does whatever it takes in order to succeed. With his success in the Tulsa Spirit Awards, his business is geared to grow exponentially as he provides solutions to physical therapists and physicians throughout the United States."

Green said the staff and resources at the RSU Innovation Center helped him succeed with his business. "They are smart and good to work with," he said.

RSU established the Innovation Center in 2002 to foster economic development and address the educational needs of business and industry in

northeastern Oklahoma. The Innovation Center does this by focusing on business and technology incubator services, entrepreneurial training and business counseling. The Innovation Center features a business and technology incubator program geared toward growing early stage technology, light manufacturing, and professional service-based companies.

“Real Time Rehab was a perfect fit for the Innovation Center incubator program because of the nature of Green’s technology-focused business,” Koehler said.

Clients pay a fee each month to lease the space and have access to services and support. The monthly fee is often less than it would be for other commercial office space.

“Jeremy is an outstanding entrepreneur with a very promising business model,” said Dr. Ray Brown, RSU vice president for economic and community development. “The Innovation Center is very proud to have an incubator client recognized for its achievements and potential.”

Fence Solutions, Inc.
James W. Strate Center for
Business Development
Autry Technology Center
Enid, Oklahoma

Fence Solutions, Inc. was started by an inventor trying to get his product, Quick Brace, into production.

Working in conjunction with the Autry Technology Center and Fence Solutions, the OSU New Product Development Center is helping develop and test the Quick Brace product. In the process of bringing the Quick Brace to market, two additional products were discovered. The Fence Fork and Fence Fork Clip are innovative fence building tools that can cut wire fencing time by 30 percent. The two products significantly reduces the amount of time needed to secure the wire/panels to the post.

Bringing these products to market involved a great deal of planning, training, and effort. Autry Technology Center was able to use many resources such as Career Tech’s Training for Industry Program training funds, Business and Industry Services Safety Training, and help from many other programs to get Fence Solutions products

on the market. This is a great example of how all aspects of Oklahoma business development efforts can work together to produce small companies to stimulate the regional economy.

Sooner Heating and Air, LLC
Pioneer Technology Center
Ponca City, Oklahoma

Sooner Heating and Air, LLC is one of Ponca City’s newest heating and air conditioning contractors and an independent Trane dealer. Sooner is a “start-up” business housed in Pioneer Technology Center’s Business Incubator facility. The company started with one employee, and has now increased in size to provide work for three employees. Co-owners of the company are Walter Eaton, licensed mechanical contractor, and Chad Dollarhide, licensed journeyman. Amy Acklin manages Sooner’s business office.

In addition to providing service and repair for all makes and models of heating, air conditioning and refrigeration equipment, Sooner Heating and Air specializes in Trane warranty work and Trane equipment sales and installation. Sooner’s recent projects include work for Integris Blackwell Regional Hospital, in addition to several residential jobs.

“Pioneer Tech was a great step in starting our business,” said Acklin. During the first year in the incubator program, Bonnie, the incubator manager, guided us on start-up issues and how to do business wisely. All of Pioneer Tech’s business staff has been very helpful. We have learned so much regarding QuickBooks, taxes, marketing, and business basics.”

The Physician’s Agency
Meridian Technology Center for Business
Development
Stillwater, Oklahoma

When Dr. Jeff Scott, a local Stillwater physician and his partner David Lamb came to the Center for Business Development (CBD), they had a very interesting idea for a business: they wanted to be agents for doctors. Much like an athlete, a doctor is trained for one thing – practicing medicine – not developing a business. A new doctor needs help in locating an ideal practice, including assis-

tance in negotiating their contract. Their business, The Physician's Agency, serves as an advocate for doctors who are just entering their first practice or those who may be considering a move to a new practice.

Being new to starting a business, the two men came to the CBD for help. Traditionally the CBD has been focused on technology businesses, but because the business concept of Physician's Agency was such an interesting and innovative approach to an important issue, they were admitted as resident tenants.

An additional positive from their business is that they are helping the State of Oklahoma retain and attract doctors. Oklahoma has one of the worst retention and recruitment rates for doctors and this program, by matching the right doctors to the right practice, will help with those retention efforts. A happy doctor is going to stay in his/her practice.

"Our experience with the CBD has been great," said Scott. "It has allowed us to focus on our business and not worry about all the other things, the nuts and bolts, which the center already has in place. The CBD has made it much, much easier for us to get our business going."

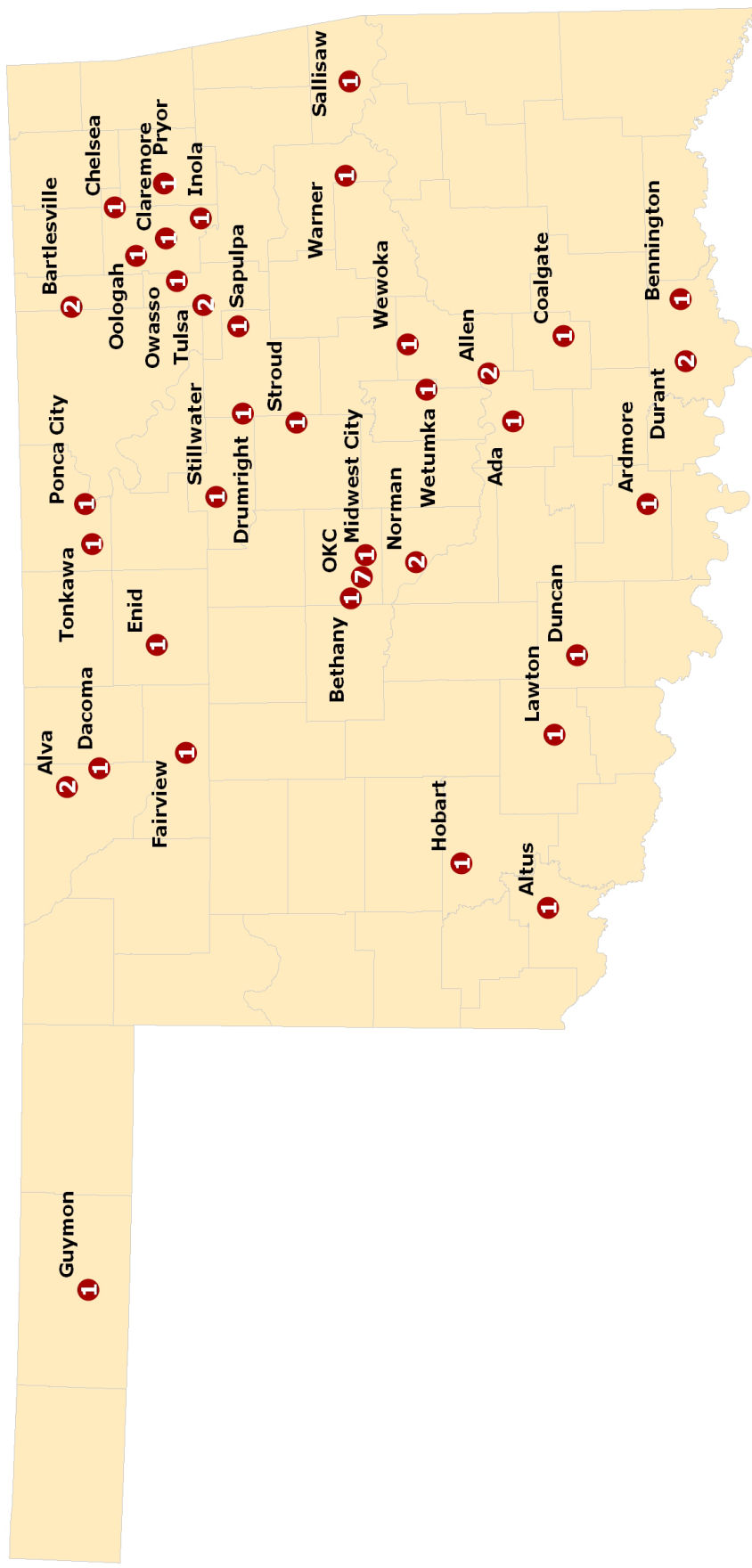
Since moving in, the Physician's Agency has signed their first client and is working towards expanding their offerings.

SUMMARY

The Oklahoma Small Business Incubators Incentives Act is an economic development tool intended to assist communities in attracting, retaining and accelerating the growth and expansion of local small businesses in Oklahoma. The mission of business incubators is to create jobs, provide economic diversification and expand the local tax base of the communities they serve.

Businesses that elect to enter one of Oklahoma's certified incubators increase their chance of success, due in large part to the customized services offered within the incubator. For incubator tenants, general start up risks and initial outlay of capital associated with traditional business start ups are minimized. The assistance incubator tenants receive helps break down usual barriers found in business ownership and entrepreneurial endeavors. Successful home grown businesses are more vested in the community, increasing the odds of the business remaining in the community after exiting the incubator. Business incubators are a critical link to community growth and sustainability. In today's economy, growing your own businesses is an essential component of any economic development strategy. Incubators provide a cost effective path to develop a local economy and decrease risks associated with traditional business start ups.

OKLAHOMA BUSINESS INCUBATOR LOCATIONS



APPENDIX: 2009 OKLAHOMA CERTIFIED BUSINESS INCUBATORS

Incubator	Location	Types of Businesses Targeted	Tenant Capacity	Current Number of Tenants	Support Services Offered						
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided	
Pontotoc Technology Business Development Center	Ada	Mfg/Mixed Use	1	1			X	X	X		
Allen Community Development Authority Business Incubator – REI	Allen	Mfg/Service/Technology	1	1	X		X	X			Partner resources, referrals, financing, engineering, international trade, government contracting
Allen Community Development Authority Business Incubator #2 – REI	Allen	Mfg/Service/Technology	3	1	X		X	X			Partner resources, referrals, financing, engineering, international trade, government contracting
Southwest Technology Center Business Incubator	Altus	Aviation Mfg and General Use	2	0	X		X	X		X	
Northwestern Oklahoma State University Business Incubator	Alva	Service/Technology	6	3	X		X	X		X	Print shop, wellness center, food service provider
Northwest Technology Center Small Business Incubator ¹	Alva	Mfg/Mixed Use	5	1	X		X	X		X	
Ardmore Technology Transfer Center ²	Ardmore	Knowledge based	4	1	X		X			X	Administrative assistance, video conferencing ability, training, receptionist, etc.
Tri-County Technology Center Business Assistance Center	Bartlesville	Mfg/Mixed use	16	5			X	X		X	Internet access, mail/message services, shared copier and fax services, business counseling services
Rogers State University – Bartlesville Innovation Center	Bartlesville	Technology based	8	0	X		X	X		X	Financial planning, loan preparation assistance, patent search, accounting assistance and video conferencing

¹ Joint effort between Northwest Technology Center and the Woods County Economic Development Committee

² Joint effort between the Southern Oklahoma Technology Center and the Ardmore Development Authority

Incubator	Location	Types of Businesses Targeted	Tenant Capacity	Current Number of Tenants	Support Services Offered						
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided	
Bennington Industrial Center - REI	Bennington	Mfg/Service	3	1	X	X	X	X			Partner resources, referrals, financing, engineering, international trade, government contracting
Synergy Enterprise Development * ³	Bethany	Professional/Office	6	0	X		X	X	X		
Rogers County Industrial Authority Business Incubator ⁴	Chelsea	Mfg/Mixed use	1	0			X	X	X		
Rogers State University Innovation Center	Claremore	Technology based	6	1	X	X	X	X	X		Receptionist, office equipment including fax, scanner, computer, copy machine, printer
City of Coalgate RevTech Incubator - REI	Coalgate	Technology based	4	0	X		X	X	X		Partner resources, referrals, financing, engineering, international trade, government contracting
Dacoma Business Advantage Center	Dacoma	Kitchen/General Business	10	2	X	X			X		Food processing info through OSU
Central Oklahoma Business & Job Development Corp.	Drumright	Mfg/Mixed use	4	1			X	X	X		Shared fax and copier
Duncan Center for Business Development ⁵	Duncan	Advanced Manufacturing	15	2	X	X	X		X		
REI Food Enterprise Development Center	Durant	Food preparation	8	1	X		X	X	X		
Rural Enterprises of Oklahoma Business Incubator	Durant	Mfg/Service/Technology	7	7	X		X	X	X		Partner resources, referrals, financing, engineering, international trade, government contracting
James W. Strate Center for Business Development	Enid	Mixed Use	12	9			X	X	X		Strategic planning, government contracting assistance, other career and technology education training as appropriate.

³ Private Incubator - Building being renovated

⁴ Joint effort between the Rogers County Industrial Authority and Northeast Technology Center

⁵ Grand Opening was in December

Incubator	Location	Types of Businesses Targeted	Tenant Capacity	Current Number of Tenants	Support Services Offered						
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided	
Major County Economic Development Business Incubator	Fairview	Mfg/ Mixed use	6	2	X	X	X	X	X	X	Business guidance, legal and insurance advice, fax, copy, secretarial assistance
Artist Incubation, Inc. ⁴	Guymon	Artists	2	1	X	X	X	X	X	X	Gallery space / Openings
Hobart Economic Development Authority Business Incubator	Hobart	Mfg/ Mixed use	5	2	X	X	X	X	X	X	
Rogers County Industrial Authority Business Incubator ⁵	Inola	Mfg/ Mixed Use	3	2			X	X	X	X	
Center for Emerging Technology and Entrepreneurial Studies – Cameron University	Lawton	Technology based	12	7	X	X	X	X	X	X	Access to university resources like student interns and faculty, video conferencing, shared printing/faxing/scanning facilities
Acorn Growth Companies*	Midwest City	Aerospace and Defense	6	6	X	X	X	X	X	X	Financial planning, business development, and capital
Moore Norman Technology Center Business Development Center	Moore	Mfg/ Mixed use	11	8		X	X	X	X	X	Business guidance and support services, event promotion, financing assistance and use of conference center
Emerging Technology Entrepreneurial Center (eTec) ⁸	Norman	Technology based	21	15	X		X			X	
Emerging Technology Entrepreneurial Center (eTec) ²	Norman	Technology based	5	5	X		X			X	

⁶ Incubator for artists in the Guymon area. It was designed for the art students/graduates from Panhandle State University.

⁷ Joint effort between the Rogers County Industrial Authority and Northeast Technology Center. Tenant must be enrolled in their Small Business Management program.

* Private Incubator

⁸ Managed by the Norman Economic Development Coalition

⁹ Managed by the Norman Economic Development Coalition

Incubator	Location	Types of Businesses Targeted	Tenant Capacity	Current Number of Tenants	Support Services Offered						
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided	
Fred Jones Business Development Center ¹⁰	Oklahoma City	Light Manufacturing	5	0	X	X	X		X		
Greater Oklahoma City Hispanic Chamber Foundation	Oklahoma City	Service	3	1	X	X		X	X		
Metro Technology Centers Business Development Center – South	Oklahoma City	Hispanic Community	4	2	X	X		X	X		
Metro Technology Centers Business Development Center – North	Oklahoma City	Service Sector	5	0	X	X		X	X		Customer service, receptionist, business coach
Presbyterian Health Foundation Research Park Incubator – i2E	Oklahoma City	Bio-Tech and Bio-Medical	22	22	X	X		X	X		Business planning and funding sources thru i2E.
Synergy Enterprise Development *	Oklahoma City	Professional office	13	7		X		X	X		
Rogers County Industrial Authority Business Incubator	Oologah	Mfg/ Mixed Use	2	2		X		X	X		
City of Owasso Business Incubator	Owasso	Technology based and Research	4	1				X	X		
Pioneer Technology Center	Ponca City	Service and Light Manufacturing	6	6				X	X		Color copier, fax machine, receptionist, on site management counseling, free business classes
OSU-Mid America Industrial Park Small Business Innovation & Incubation Center	Pryor	Advanced Manufacturing	4	1	X			X			
Sallisaw Improvement Corp. Business Incubator	Sallisaw	Information Technologies	1	1	X				X		

¹⁰ Building in transition

* Private Incubator

Incubator	Location	Types of Businesses Targeted	Tenant Capacity	Current Number of Tenants	Support Services Offered						
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided	
Central Oklahoma Business & Job Development Corporation	Sapulpa	Light manufacturing, technology and service	2	1			X	X	X	X	Shared fax and copier
Meridian Technology Center for Business Development	Stillwater	Technology or innovative process/service	12	6	X		X	X	X	X	Website development, seed capital assistance, mentoring, shared receptionist and clerical
Central Oklahoma Business & Job Development Corp.	Stroud	Mfg/ Mixed use	1	0		X	X	X	X	X	Connection to seed capital and funding sources
Tonkawa Business Incubator, LLC	Tonkawa	Mfg/ Mixed use	4	2	X		X			X	
Greenwood Business Resource Center	Tulsa	Service	6	4			X	X	X	X	Management and technical assistance, financial assistance, copier and fax service, telephone answering, centralized mail pick-up/drop
The Tulsa Enterprise Center – i2E	Tulsa	Technology based	4	0	X		X	X	X	X	Internet access, video conferencing
Connors State College Business Incubator - REI	Warner	Service/Technology	2	1	X		X	X	X	X	Access to instructors, partner resources, referrals, financing, international trade, employer assisted housing, government contracting, native American business resource center
Wes Watkins Technology Center Business Incubator - REI	Wetumka	Mfg/ Mixed use	1	0	X			X	X	X	Partner resources, referrals, financing, engineering, international trade
City of Wewoka Business Incubator - REI	Wewoka	Mfg/Distribution Mixed Use	3	2	X			X	X	X	Partner resources, referrals, financing, engineering, international trade, government contracting