

**OKLAHOMA
COMMERCE**

**OKLAHOMA SMALL BUSINESS
INCUBATOR CERTIFICATION PROGRAM**

2007 ANNUAL REPORT



INTRODUCTION

Business incubation is a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. Critical to the operation of an incubator is the provision of management guidance, technical assistance and consulting tailored to young, growing companies. Incubators also provide clients with the appropriate rental space (generally, at less than market rates) and flexible leases, shared basic business services and equipment, technology support and administrative services, and assistance in obtaining the financing necessary for company growth.

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.

A business incubator's main goal is to produce successful graduates — i.e., businesses that are financially viable and freestanding when they leave the incubator, usually in two to three years. 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.

OKLAHOMA BUSINESS INCUBATORS

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 ten 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 tenth 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 ten 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

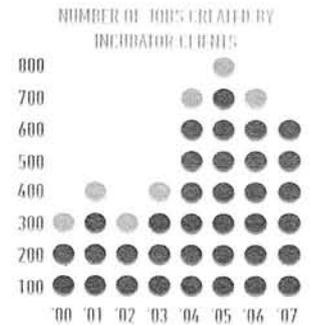
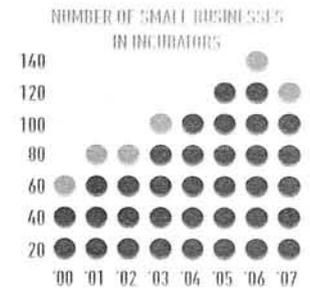
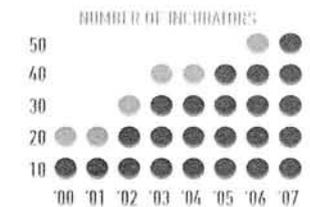
The role of the Oklahoma Department of Commerce in the incubator process is to certify the incubators by the authority found in O. S. Title 74 Section 5071-79 and convene critical partners to assure standards of excellence. It is the responsibility of the incubator owner to hire managers to manage and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

There are currently 46 certified small business incubators operating in Oklahoma (see Appendix). As 2007 began, Oklahoma had 44 certified incubators. Three incubators were approved for certification during 2007 including locations in Enid, Oklahoma City and Poteau. Ada’s incubator, formerly managed by Rural Enterprises, Inc. is in the process of being changed to management by the Ponotoc Technology Center. Tenants in the 46 existing incubators range from small service companies to high-tech research and development to telecommunication entities.

During 2007, Oklahoma incubator managers were asked to complete a questionnaire to document their activities for the current reporting period. Based on the information received from the responding incubator managers, the results are that 117 small businesses are currently leasing space in Oklahoma’s small business incubators. These incubator tenants provide 589 full-time jobs. The charts below show the growth in the incubator program throughout the last eight years.

OKLAHOMA INCUBATOR PROGRAM GROWTH

Throughout the life of Oklahoma’s Certified Small Business Incubator Program, a total of 368 small businesses have located in a small business incubator. Of those, 214 have graduated from the program or relocated to a larger facility and 159 of those companies have remained in the state. The businesses that remained in the state report that they currently employ 898 people. Commerce believes that the incubator program will continue to contribute significantly to Oklahoma’s economy.



OK BUSINESS INCUBATOR ASSOCIATION

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

Commerce is working with the OBIA to adopt the National Standards, as appropriate, for Oklahoma incubators.

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 like:

- 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

SUCCESSSES

Oklahoma's incubators have many success stories. The examples below are just a few for 2007.

LOT-PRO SWEEPING SERVICES GRADUATES

PIONEER TECHNOLOGY CENTER'S BUSINESS INCUBATOR PROGRAM
PONCA CITY, OKLAHOMA

Pioneer Technology Center's Business Incubator Program celebrated the graduation of Brett Bates, owner of Lot-Pro Sweeping Services on August 6, 2007.

Lot-Pro was started in February, 2004 because Brett Bates recognized the need for a parking lot sweeping service. It seemed to Brett that all the parking lots were full of trash and someone needed to pick up that trash and improve the appearance of local businesses.

He started with one small sweeping machine and one customer. Within three years, Lot-Pro grew to include three large diesel sweeping machines and customers not only in Ponca City, but also in Stillwater, Enid and Kansas.

"When I entered the PTC incubator three years ago, I had no idea how important the program would be for the success of Lot-Pro," said Brett Bates.

"The most valuable assistance I received was the one-on-one counseling in solving operational issues as they occurred. For example, the diesel mechanic instructor brought his entire class to assist with the repair of one my sweepers; the maintenance staff provided equipment when requested; and, marketing experts provided assistance in designing business cards, logo, etc." said Bates.

"The overall encouragement and inspiration from everyone on staff was priceless and the reason that Lot-Pro became a financially sound business."

JEAN'S DAY CARE CENTER, INC.

GREENWOOD BUSINESS RESOURCE CENTER
TULSA, OKLAHOMA

It is more than just a truism to state that children comprise society's most valuable resource. "The health, education and well-being of our children during their critical years provide a firm foundation for their growth and development into successful, productive adults," asserts Ava Armstead owner of Jean's Day Care Center, Inc.

Jean's Day Care Center, Inc. was founded in 1993 by the late Jean Franks. Franks, finding herself unemployed after being laid off from Sun Oil Company, decided to start a childcare business. Out growing her first facility which accommodated a limited number of children, Jean's Day Care moved to its present location at 518 E. Pine.

In order to operate her business more efficiently, Ms. Franks moved her administrative office into the Greenwood Business Resource Centre (GBRC). The GBRC assisted Ms. Franks with developing a sound policy and procedure manual as well as implementing an accounting system and creating documents that allowed all aspects of the business to operate in a harmonious fashion. Because GBRC assisted Ms. Franks with implementation of these essential elements of operations, she was able to take her business to the next level.

Jean's Day Care Center, Inc. is now one of the most sought after childcare facilities in North Tulsa. The business operates at full capacity and has a waiting list with inquiries of available space daily.

Jean's Day Care Center provides childcare for children ages newborn to 13 years. The center offers an educational curriculum for children ages 2 and up and a convenient before and after school program. During the summer months school-age children are provided the opportunity to participate in exciting field trips to local recreational and educational facilities such as the Tulsa Zoo and the Oklahoma Aquarium. Additionally, Jean's Day Care has also seen the need to assist others in the field of childcare by offering classes for individuals seeking their Child Development Associate Credential. Classes are provided by the University of Oklahoma and administered by Consulting/Educators at Jean's Day Care Center.

SEISMIC SOURCE

PIONEER TECHNOLOGY CENTER'S BUSINESS INCUBATOR PROGRAM
PONCA CITY, OKLAHOMA

Pioneer Technology Center (PTC) celebrated the graduation of Seismic Source from their business incubator program this May. Seismic Source Company was established in January 2001 and moved into Pioneer Technology Center's Business Incubator in February 2004. Since that time, the business has grown steadily from one employee to 25 employees. Along with this growth, more services have become available both locally and internationally.

According to Kyle Bennett, an engineer for Seismic Source, the business began with one product, the "Boom Box," which measures the seismic activity under the earth. "Now, we are manufacturing four different seismic products," Bennett said.

Bennett added that the Seismic Source Company is a manufacturer of seismic instruments and data acquisition systems. Its products are used in a broad range of applications: Seismology, Structural Monitoring, Seismic Site Evaluation, Civil Engineering, Gas and Oil Exploration, Industrial Vibration Monitoring.

According to Bonnie Cook, PTC's Business Incubator Manager, the Incubator provides a wide variety of services to foster the growth of small start-up tenants, intended to help them grow into a thriving business. The main goal of the incubator is to produce successful and viable businesses within two to three years.

"Seismic Source has done very well since they started in the Business Incubator," said Cook. "I am very impressed with their engineering and design of new products and their efforts to reach a very specific niche market in the oil and gas industry. This type of entrepreneurial spirit and hard work has positively impacted them, PTC, and the economy."

Prior to graduation from the Incubator, Seismic Source constructed their own building and in May relocated all operations to that facility.

"While in the Business Incubator, the incubator staff was very instrumental in providing day-to-day assistance to us including the WorkKeys assessment, lean manufacturing methods and workflow improvement processes," said John Giles, President of Seismic Source.

ENGIUS, LLC

MERIDIAN TECHNOLOGY CENTER
STILLWATER, OKLAHOMA

Unlike many companies just starting out, Engius already had a successful product - *IntelliRock*, a concrete maturity and temperature profiling system, based on original sensor technology research done by Nomadics in Stillwater. Notable uses of *IntelliRock* were in the rebuilding of the I-40 Bridge in Eastern Oklahoma, shaving 10 days off the expected completion date of the project.

Engius LLC was spun off from Nomadics in January 2004. But when it was spun off, Engius needed two things to keep growing: time and space. Time: to allow it to grow from a startup with three employees to a self-sustaining company. Space: because Engius was rapidly outrunning the available space at the Nomadics facility in the Technology Park - choking off its ability to grow. Engius needed the ability to add space rapidly as the business grew, without forcing the entire company to move.

That is where the local business incubator - the Center for Business Development at Meridian Technology Center - stepped in. Moving into the Center for Business Development allowed Engius to grow from a single office into 3000 square feet of space and over 20 employees in two years.

The combination of time and space, in conjunction with management and business growth services offered by the business incubator, is what makes the partnership between incubator and client companies strong.

Engius graduated from the incubator environment mid-2007 and now leases industrial space from OSU's Center for Innovation and Economic Development. Engius certainly fulfilled the role of the incubator client - to become a self-sustaining organization adding high paying jobs to the local Stillwater economy. Amy Polonchek, Director of the Center for Business Development says, "Engius is exactly the kind of high-tech, high-growth company that we need to foster. Without the willingness of local entrepreneurs to strike out on their own, we cannot expand the regional economic base."

Much like the *IntelliRock* sensor tests whether the concrete is ready or not, the local business incubator at the Center for Business Development tests the mettle of new companies, ensuring that they are ready to compete when they graduate.

SUMMARY

The Oklahoma Small Business Incubators Incentives Act is an economic development vehicle by which communities can attract, retain and accelerate the growth and expansion of local small businesses in Oklahoma. The mission of these entities is to create jobs, provide economic diversification and expand the tax base of the communities in which they are located.

Tenancy in an incubator leads to success because the incubator helps break down traditional barriers found in business ownership and entrepreneurship. With a focus on technology, manufacturing and service companies, Oklahoma is positioning itself to attract and grow better paying jobs while simultaneously building communities from the inside out. Successful businesses generally stay in the community when they leave the incubator. Incubators, therefore, are a critical link to community growth and sustainability.

OKLAHOMA CERTIFIED INCUBATORS



APPENDIX: 2007 OKLAHOMA CERTIFIED BUSINESS INCUBATORS

INCUBATOR	LOCATION	TYPES OF BUSINESSES TARGETED	TENANT CAPACITY	CURRENT NUMBER OF TENANTS	SUPPORT SERVICES OFFERED					OTHER SERVICES OFFERED
Allen Community Development Authority Business Incubator – REI	Allen	Mfg/Service/Technology	1	1	COMPUTER NETWORK	PHONE SERVICE	BUSINESS PLANNING	MARKETING ASSISTANCE	CONFERENCE ROOM	Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Allen Community Development Authority Business Incubator #2 –REI	Allen	Mfg/Service/Technology	3	1						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Allen Insurance Agency Business Incubator - REI	Allen	Mfg/Mixed use	1	1						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Southwest Technology Center Business Incubator	Altus	Aviation Mfg and General Use	2	0						Government bid assistance
Northwestern Oklahoma State University Business Incubator	Alva	Mixed Use/Service	7	3						Print shop, wellness center, food service provider
Northwest Technology Center Small Business Incubator ¹	Alva	Mfg/Mixed Use	13	1						
Ardmore Technology Transfer Center ²	Ardmore	Technology based	2	1						Administrative assistance, Video conferencing ability, Training, Receptionist, etc.
Atoka Kiamichi Technology Center Business Incubator - REI	Atoka	Mfg/Service/Distribution	1	0						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting

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

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Tri-County Technology Center Business Assistance Center	Bartlesville	Mfg / Mixed use	16	3						Mail/message services, Shared copier and fax services, Business counseling services
Rogers State University – Bartlesville Innovation Center	Bartlesville	Technology based	8	0						Financial planning, loan preparation assistance, patent search, accounting assistance and video conferencing
Bennington Industrial Center - REI	Bennington	Mfg / Service	3	1						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Rogers County Industrial Authority Business Incubator ³	Chelsea	Mfg / Mixed use	2	2						
City of Coalgate RevTech Incubator - REI	Coalgate	Technology based	4	0						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Rogers State University Innovation Center	Claremore	Technology based	6	3						Financial planning, loan preparation assistance, patent search, and accounting assistance
Dacoma Business Advantage Center	Dacoma	Kitchen / General Business	13	2						Food processing info through OSU
Central Oklahoma Business & Job Development Corp.	Drumright	Mfg / Mixed use	4	1						High speed internet
Rural Enterprises of Oklahoma Business Incubator	Durant	Mfg / Service / Technology	8	4						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting

³ Joint effort between the Rogers County Industrial Authority and Northeast Technology Center

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James W. Strate Center for Business Development	Enid	Mixed Use	4	0	COMPUTER NETWORK	PHONE SERVICE	BUSINESS PLANNING	MARKETING ASSISTANCE	CONFERENCE ROOM	Access to locally maintained loan fund
Major County Economic Development Business Incubator	Fairview	Mfg / Mixed use	4	2						Business guidance, legal and insurance advice, fax, copy, secretarial assistance
Tillman Producers Coop Business Incubator - REI	Frederick	Mfg / Mixed use	2	0						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Artist Incubation, Inc. ⁴	Guymon	Artists and Art Galleries	2	1						
Healdton Business Incubator - REI	Healdton	Light Mfg, Service and Technology	6	0						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Hobart Economic Development Authority Business Incubator	Hobart	Mfg / Mixed use	7	3						Shared consultants – tax, legal, finance
Rogers County Industrial Authority Business Incubator ⁵	Inola	Mfg / Mixed Use	3	1						
Center for Emerging Technology and Entrepreneurial Studies – Cameron University	Lawton	Technology based	12	4						Campus resources
Rogers State University – Northeastern Oklahoma A & M College Innovation Center ⁶	Miami	Technology based	2	0						Financial planning, loan preparation assistance, patent search, accounting assistance and video conferencing

⁴ Incubator for artists in the Guymon area. It was designed for the art students/graduates from Panhandle State University.

⁵ Joint effort between the Rogers County Industrial Authority and Northeast Technology Center. Tenant must be enrolled in their Small Business Management program.

⁶ This incubator is a partnership between Rogers State University and the Northeastern Oklahoma A&M College

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					COMPUTER NETWORK	PHONE SERVICE	BUSINESS PLANNING	MARKETING ASSISTANCE	CONFERENCE ROOM	
Moore Norman Technology Center Business Development Center	Moore	Mfg / Mixed use	12	8						Business guidance and support services, event promotion, financing assistance and use of conference center
Acorn Growth Companies *	Midwest City	Aerospace and Defense	8	6						Financial planning, business development, and capital
Emerging Technology Entrepreneurial Center ⁷	Norman	Technology based	21	12						DSL, furniture, parking, interns, mentors
Fred Jones Business Development Center *	Oklahoma City	Light Manufacturing	5	4						Administrative assistance
Greater Oklahoma City Hispanic Chamber Foundation	Oklahoma City	Service	3	0						
Northeast Business Resource Center *	Oklahoma City	Light Industrial and Bio-Medical	4	4						Copier and fax
Presbyterian Health Foundation Research Park Incubator - i2E	Oklahoma City	Bio-Tech and Bio-Medical	20	15						Common area autoclave and glassware washers
Synergy Enterprise Development *	Oklahoma City	Professional office	23	15						Copier and fax
City of Owasso Business Incubator	Owasso	Technology based and Research	4	1						
Pioneer Technology Center	Ponca City	Service and Light Manufacturing	6	4						Strategic planning, secretarial, lean mfg, Workkeys, Key Train

* Private Incubator

⁷ Managed by the Norman Economic Development Coalition

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					COMPUTER NETWORK	PHONE SERVICE	BUSINESS PLANNING	MARKETING ASSISTANCE	CONFERENCE ROOM	
LeFlore County Development Coalition Business Incubator	Poteau	Mfg / Mixed Use	2	1						
OSU-Mid America Industrial Park Small Business Innovation & Incubation Center	Pryor	Light Manufacturing and Technology based	4	2						Free legal, accounting and tax assistance, financial assistance, mentoring, fax, copier and break room facilities
Acorn Growth Companies *	Shawnee	Service	4	2						Financial planning, business guidance, capital
Stigler Kiamichi Technology Center Business Incubator - REI	Stigler	Mfg / Mixed use	2	1						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting
Meridian Technology Center for Business Development	Stillwater	Technology based	6	6						Website development, seed capital assistance, mentoring, shared receptionist and clerical
Central Oklahoma Business & Job Development Corp. ⁸	Stroud	Mfg / Mixed use	1	1						Connection to seed capital and funding sources
Greenwood Business Resource Center	Tulsa	Service	6	6						Business guidance, financial assistance, copier, fax, receptionist services
The Tulsa Enterprise Center – i2E	Tulsa	Technology based	3	3						Internet access, video conferencing
Wes Watkins Technology Center Business Incubator - REI	Wetumka	Mfg / Mixed use	1	0						Partner Resources, Referrals, Financing, Engineering, International Trade
City of Wewoka Business Incubator - REI	Wewoka	Mfg / Mixed Use	3	0						Partner resources, Referrals, Financing, Engineering, International Trade, Government Contracting

8 Managed by Central Tech

