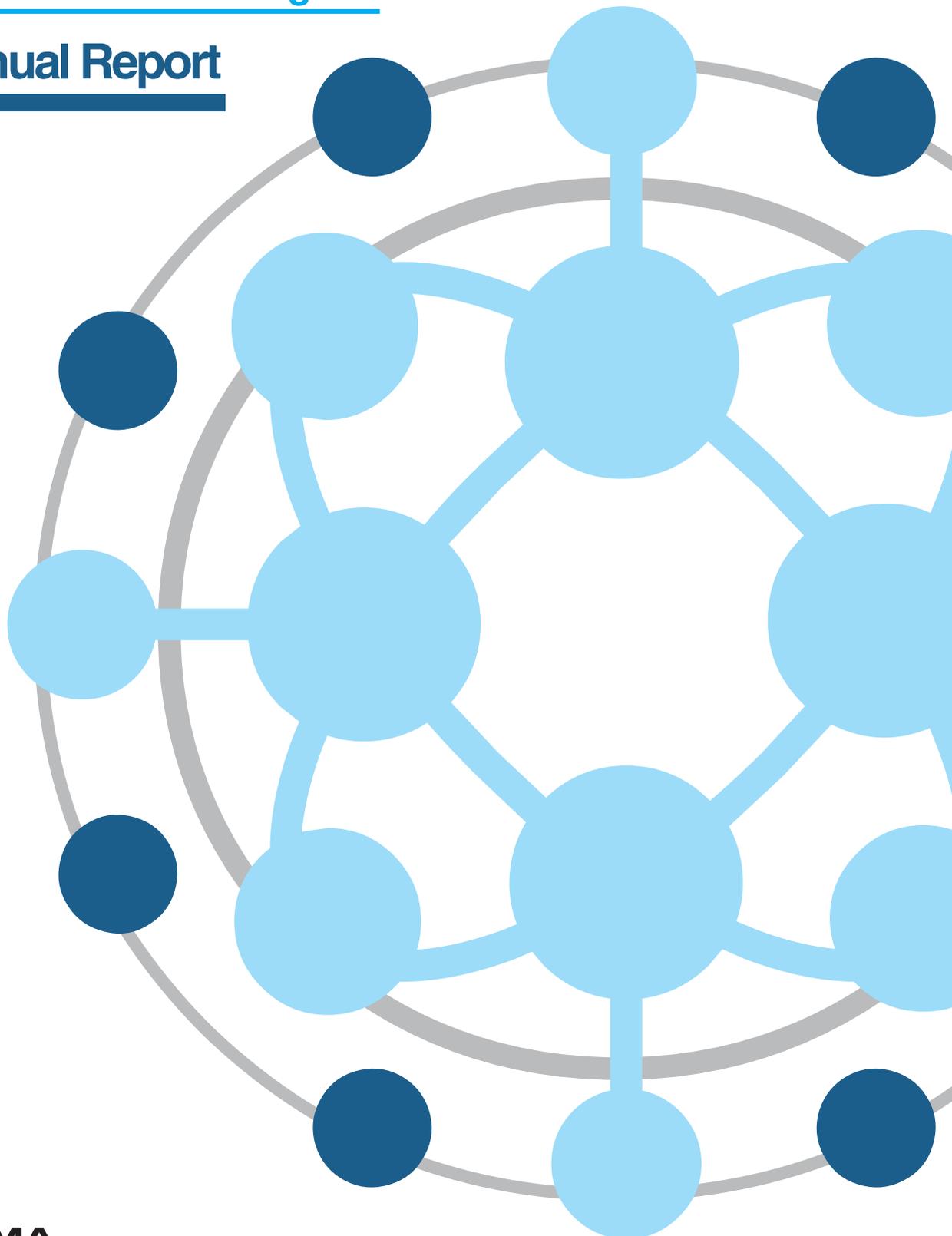


Oklahoma

Small Business Incubator Certification Program

2014 Annual Report



Small Business Incubator Certification Program

Introduction

Business incubation is a business support process that accelerates the successful development of startup 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 a network of providers. 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 and flexible leases (generally at a cost lower than market rates), shared basic business services and equipment, technology support and administrative services, and assistance in obtaining the financing necessary for company growth.

Incubators vary in organizational structure, the types of clients they serve, and the way they deliver their services. Incubators are highly adaptable and can 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 often are at the forefront of developing new and innovative technologies, creating products and services that improve the quality of life 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, these programs are referred to as mixed-use incubators. In more recent years, incubators have emerged that target such industries as food processing, medical technologies, space and ceramics technologies, arts and crafts, and software development. Incubator sponsors also have targeted programs to support microenterprise creation, the needs of women and minorities, environmental endeavors and telecommunications.

A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding, usually in two to three years. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies and strengthen local and

national economies. 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 is a proven model for catalyzing the process of starting and growing companies. 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 2012, there were more than 1,250 incubators in the United States, up from only 12 in 1980. NBIA estimates there are about 7,000 business incubators worldwide.

Oklahoma Business Incubators

In 1988, the Oklahoma Legislature passed the Oklahoma Small Business Incubators Incentives Act, which 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 incubator occupant. In order to qualify for the tax exemption from the sixth through the tenth years, 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 act's inception, the state of Oklahoma has benefited from increased revenues and increases in the number of startup and expanding small businesses. These Oklahoma businesses have created jobs and enhanced economic activity in their communities.

Oklahoma Department of Commerce and Incubators

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 incubator owners to hire managers to oversee and market their incubators and provide business services to their tenants.

As 2014 began, Oklahoma had 40 certified incubators. Three incubators, located in Ada, Pawhuska and Tulsa, were approved for certification during the year, and seven others, located in Allen, Ardmore, Stillwater, three in Oklahoma City and one in Tulsa, closed for various reasons. Of those, Rural Enterprises chose not to continue their management of the Allen Community Development Authority Business Incubator in Allen; the Ardmore Technology Transfer Center reached its 10 year expiration and has moved locations – new application pending; the Morgan Accelerator in the Tech Park in Stillwater transitioned from Meridian Technology Center to OSU managed, therefore a new certification would need to be in place; PHF Foundation Business Incubator and Synergy Enterprise Development in Oklahoma City and Greenwood Chamber Business Incubator in Tulsa reached their 10 year expiration. Metro Technology Center Business Development Center South in Oklahoma City chose not to continue with their incubator.

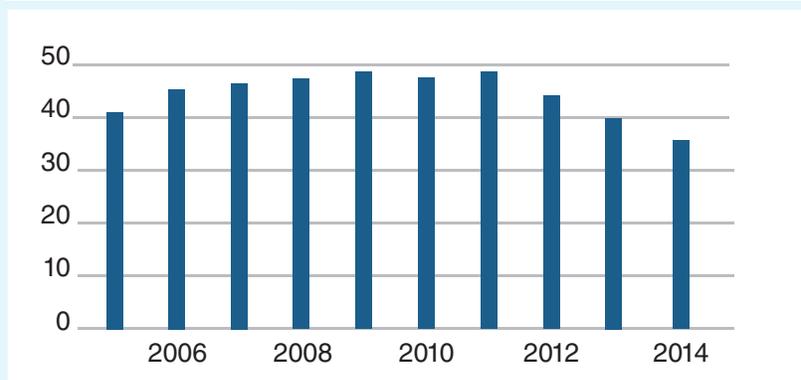
As 2014 comes to a close, 36 certified small business incubators are operating in Oklahoma (see Appendix), with tenants ranging from small service companies to high-tech research and development operations and manufacturing entities.

In 2014, Oklahoma incubator managers were asked to complete a questionnaire to document their activities for the current reporting period. Based on the information from those who responded, 137 small businesses are currently leasing space in Oklahoma’s small business incubators, providing 979 full-time jobs. The charts at right show the growth in the incubator program throughout the past 10 years.

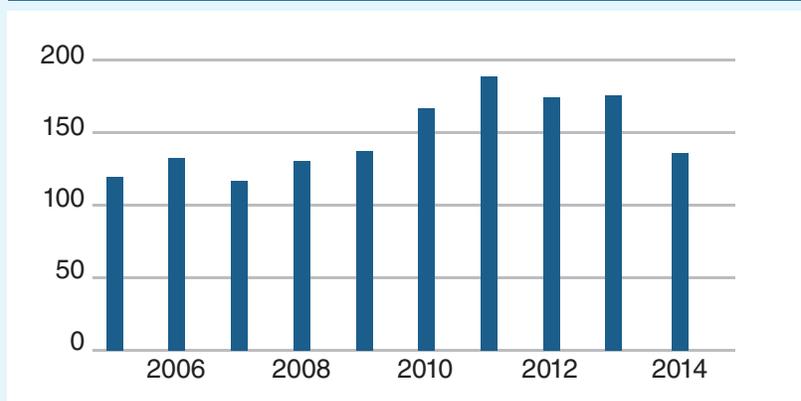
Throughout the Oklahoma Small Business Incubator Certification Program’s existence, a total of 738 small businesses have located in an incubator. Of those, 369 have graduated from the program or relocated to a larger facility, and 257 have remained in the state. The businesses that remain in the state report they currently employ 1,805 people. Commerce believes the incubator program will continue to make significant contributions to Oklahoma’s economy.

Oklahoma Incubator Program Growth

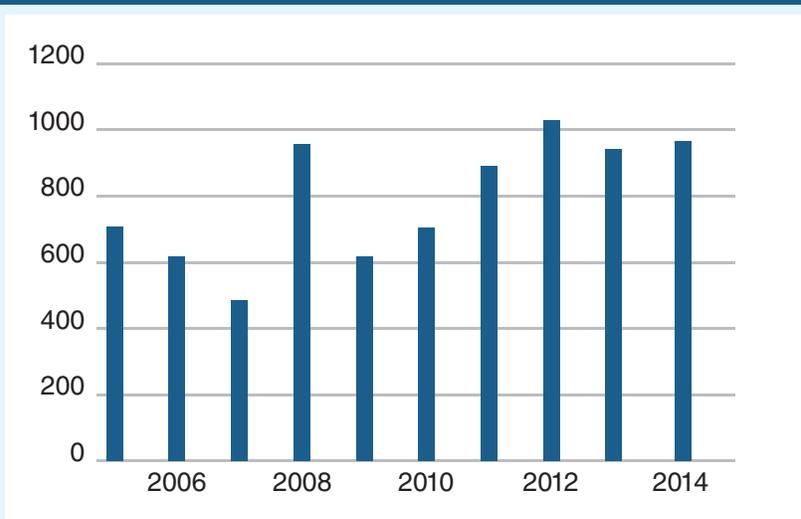
Number of Incubators



Number of Small Businesses in Incubators



Number of Jobs Created by Incubator Clients



Oklahoma Business Incubator Association

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

Standards for Success

The National Business Incubation Association (NBIA) has developed a set of industry guidelines to help incubator managers better serve their clients. 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.

The Best Incubators Provide:

- Flexible space and leases
- Office services and equipment
- 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

Two Principles That Characterize Effective Business Incubation:

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

Characteristics of Model Business Incubation Programs:

Model business incubation programs are distinguished by a commitment to incorporate industry best practices. Management and boards of incubators should strive to:

- Commit to business incubation's two core principles
- Obtain consensus on a mission that defines the incubator's role in the community, then develop a strategic plan containing quantifiable objectives to achieve that mission
- Structure the program for financial sustainability by developing and implementing a realistic business plan
- Recruit and appropriately compensate management capable of achieving the incubator's mission and helping 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, as well as address each company's developmental needs
- 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 effectiveness and allowing the program to evolve with clients' needs

In summary, successful business incubators operate as a business, have a positive impact on a community, have an effective board of directors, and provide a nurturing environment, hands-on assistance and a variety of services for startup 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.

Successes

Oklahoma's business incubators have helped grow many successful businesses in 2014. Here are the stories of four Oklahoma businesses that grew from fledging operations to fully formed companies.

Billy Goat Ice Cream Company

OSU Student Startup Central and Meridian Technology Business Development Center Stillwater, Okla.

Billy Goat Ice Cream Co., makes ice cream from goat's milk rather than cow's milk. With an estimated one-third of all Americans having some degree of lactose intolerance, using goat's milk means that the ice cream can be consumed by people who are lactose intolerant.

Billy Goat Ice Cream Co., is the creation of RaShaun Robinson and Caleb Neil, master's in entrepreneurship students at Oklahoma State University. The business was launched in OSU's Student Startup Central, the program's student accelerator, after placing first in the Riata Center's Big Idea Pitch and Poster Competition. Robinson and Neil received mentoring and support from the Spears School of Business's marketing department along the way.

The business has now transitioned to Meridian Technology Center for Business Development which has an FDA-approved kitchen. The Center offers marketing and networking assistance to clients. It also provides guidance and someone to talk to about business ideas without having to pay a large amount. So far, the business has raised \$95,000 for equipment via a USDA grant.

"When you're a business owner everyone is willing to help you, if you want to write a big check", Brad Rickelman, assistant director of the Center for Business Development, said, "but you can do that with us and as a client that doesn't cost you anything."

There is no fee for entrepreneurs who want to come in and discuss their business and ask questions. Virtual tenants, clients who work with the center regularly but do not rent a physical space, pay a monthly fee of \$150. Residents of the incubator pay the monthly fee plus rent (dependent on the size of the office space) at the center to conduct business.

In order to become a client at the Center, certain criteria must be met, including a business description, an application, background check and interview. Rickelman said it is also important they have a willingness to learn and work together with the center.

"There has to be a desire in some way to work with us on their business, or at least to be able to have us help with their business," Rickelman said.

While Oklahoma City and Tulsa offer ample opportunities and resources for business owners, other cities, such as Stillwater, do not have as many. He describes the Center for Business Development as the oil in the engine of entrepreneurship for local communities.

"One of the things we provide small business owners and a prospective entrepreneur is the ability to talk to someone about their business, who is from the community and has a desire for seeing success in that community," Rickelman said.

Rickelman said Billy Goat Ice Cream Company is innovative and dynamic, which makes it interesting for the community. Robinson said Meridian Technology played a big role in helping the company secure a grant for manufacturing equipment. The equipment will be used to produce their product on a commercial scale.

"That's kind of been one of the larger puzzle pieces of our progress so far and Meridian Tech has assisted us greatly in identifying a nonprofit agency to facilitate that grant," Robinson said.

Billy Goat Ice Cream has also benefitted from being able to bounce ideas off of others and receiving guidance from professionals in the industry. The space was also a perk of partnering with the Center for Business Development – Meridian Technology already had a suite outfitted for commercial food production.

LevelOps Energy

The Launch Pad, Edmond, Okla.

Sid Helms, along with friends Calev Eastman and Jason Wells, were at a point in their careers where they wanted to do something different, challenging and innovative. So the trio, who all had experience working in the oil and gas sector, came together to form LevelOps energy, which provides energy-sector companies and other entities with comprehensive solutions from servers and switches to towers, rank batteries and wellheads.

The company, which started in December 2013, is headquartered at The Launch Pad FT business incubator at Francis Tuttle Technology Center in Edmond. The Launch Pad FT serves the needs of entrepreneurs starting a new venture as well as owners of early stage companies facing struggles in today's economic environment.

"We were all at a point in our jobs where we had a desire to do more with what we feel the Lord has given us as gifts and we chose to throw in anything and everything make a go of it," said Helms, who serves as president and CEO. "Caleb ran across the incubator as an option to get started and that is what really launched us into a place to do our thing."

LevelOps hired its first employee in January 2014 and has now expanded to 30 employees. Helms said the business incubator and its director Fred Green have been invaluable to LevelOps' development.

"When starting a business there is just so much that you are not prepared for," Helms said. "You have no idea what you may be missing. Being here in the incubator, under the leadership of Fred Green, has allowed us to meet with him weekly. They are essentially our mentors and guide us in maturing as a business."

Helms said LevelOps will maintain an office at the Launch Pad for now.

Green said the growth of LevelOps has been impressive in such a short time span.

"The growth has been phenomenal," he said. "From an incubator's perspective, this has been a dream client because they listen, follow the program and they have been able to exceed all expectations on their growth as a company in revenue profit and employees. LevelOps is doing it the right way."

The role of the company has evolved since opening its doors.

"We started as an oil and gas services company and we have grown into other sectors," Helms said. "We mainly deal with technology and putting that technology online so companies can use data to make better decisions."

When looking to start the company he ran into several roadblocks in trying to secure financing.

"I probably went to 40 different banks," Helms said. "Trying to get investment capital was an arduous endeavor."

Helms said the decision was made to pool the partners' money together and grow the company at a feasible pace.

"There was no way for us to forecast the blessing and the wild growth we have experienced," he said. "We have had periods along the way over the past nine months where we have just had to find a way to make it happen. Fortunately, we have been able to make some good decisions with investments in people and tools, and the right timing with contracts, that the business has been able to grow at a rapid clip."

The company has been able to secure contract work with several major oil and gas players in Oklahoma, including Devon Energy and American Energy Partners. He said LevelOps recently secured a multi-year contract with the City of Oklahoma City for its Oklahoma River project. The company will upgrade, configure and maintain technology along the river to help measure and communicate the water condition and river levels.

Of the company's 30 employees, none of them are pure sales people, yet the company has grown from zero to a multimillion dollar enterprise in its first year.

"We have chosen not to hire sales people on purpose and we allow, in general, the quality of our work to speak for itself," Helms said. "That has resulted in a tremendous amount of additional work that been handed to our firm."

They avoid hiring anyone who is not passionate about their job.

"We find when folks are operating within their passion and not just what they are getting a paycheck for, they can be very effective," he said. "We have been blessed to enjoy giving folks the opportunity to do amazing things."

Helms is pleased with how the company has matured.

"It is exciting to see our business grow more than any of us had anticipated," he said. "It is very gratifying to be a part of that growth. A year from now, I hope we can say we have exceeded every expectation and we continue to foster growth, innovation and a place folks are happy to come to work and generate value."

Over the Fence Farms

James Strate Center for Business Development at Autry Technology Center, Enid, Okla.

Linda Beguin found the perfect place to grow her small business, Over the Fence Farms, when she discovered the James W. Strate Center for Business Development at Autry Technology Center in Enid, OK. Beguin and her husband, Jerry, son, Adam, and mother, Betty Radcliff, all pitch in with the business. It has gone from an idea that was validated when Beguin attended the annual Entrepreneurs

Inspire Bootcamp hosted by the Center to a thriving business with two lines of retail merchandise and brand new co-packing branch called The Spotted Cow. Products are prepared in a certified kitchen inside the James W. Strate Center. Over the Fence Farms markets specialty pickles, spreads, spices, baking mixes and refined pickle juice. The main line is retailed in more than 50 stores across the region and the co-packing arm is manufacturing products for multiple Made in Oklahoma food companies.

Over the Fence Farms has been housed in the Center for nearly three years and Spotted Cow was accepted as a new tenant in December 2014. Linda has fantastic peer to peer relationships with our other incubator tenants, mentors a number of start-ups and has embraced all available trainings offered by Autry Technology Center. Over the Fence Farms is a true example of what you picture as a rural small business success. In a culture that is so focused on high tech/high growth, she shines and has developed a business that will not only last, but embraces our local economic ecosystem in an enthusiastic manner. The Center is beginning its seventh year and can accommodate up to ten tenants. The center holds classes for would-be business owners and offers coaching services to small businesses not located in the incubator, as well. After taking classes that help them learn the basics of starting and operating a business, owners can enter the Cherokee Strip Business Model Competition, which awards cash and in-kind service awards. Over the Fence Farms placed second in the competition in 2013 and was able to put winnings toward growing the company. The competition is funded by donors interested in helping build great entrepreneurial leaders and venture. Businesses that are ready to start up can apply for a space in the James Strate Center.

“We have a selection committee that helps pick who gets to come in here,” said Brian Gaddy, director of James Strate Center for Business Development. “Businesses pay discount rent at first, then the rent is increased. By the fourth year, they are paying the same rent they would be paying in the community.”

The selection committee looks at the entrepreneur’s business plan. If it’s not solid and well thought-out, the committee will select someone else. When the committee gives the nod to a potential business, the business representatives are authorized to make an offer. In addition, the Grow Enid program provides sponsorships to fledgling businesses. The program is designed to foster small businesses that won’t pack up and leave-or fold up. “From an economic development standpoint, what we’re doing is a long-term solution,” Gaddy said. “It’s a way to build businesses that don’t go away.”

Green Okie

Moore Norman Technology Business Development Center, Oklahoma City, Okla.

Kevin Sutter didn’t anticipate that his hobby would turn into a small business. In 2010, he built a pergola in his backyard, and then by word of mouth referrals, began making more. He turned to the Moore Norman Technology Center’s business incubator for advice, along with low-rent office and workshop space.

Greg Kieson, business development center coordinator, helped him narrow ideas for a construction business to compressed natural gas conversions. Sutter eventually settled on hardscape – building decks, patios and other outdoor creations. His newly created business, Green Okie, combines his passion for construction and the outdoors.

“I decided I wanted to do something fun because that’s what fuels me and my passion for this business,” Sutter said. “I create something, stand back, look at it, the customer is elated, and that makes me happy.”

Working with the Moore Norman Technology Center helped provide the business basics, such as housekeeping and internet connection, that are out of reach for many startups. The business incubator also provides Sutter with opportunities to talk to other entrepreneurs.

Sutter said a computer software engineer from a technology company gave him advice on marketing brochures.

“Rather than focus on the technical aspects of how things like cedar pergolas and outdoor kitchens are built, he said I should emphasize the experience of spending family time outdoors,” said Sutter.

In addition, Gina Bertoletti, business development center assistant, helps make sure he’s on track for upcoming events, including an upcoming home and garden show. Bertoletti follows up with planning meetings to make sure his brochures are complete and he’s on target for the event.

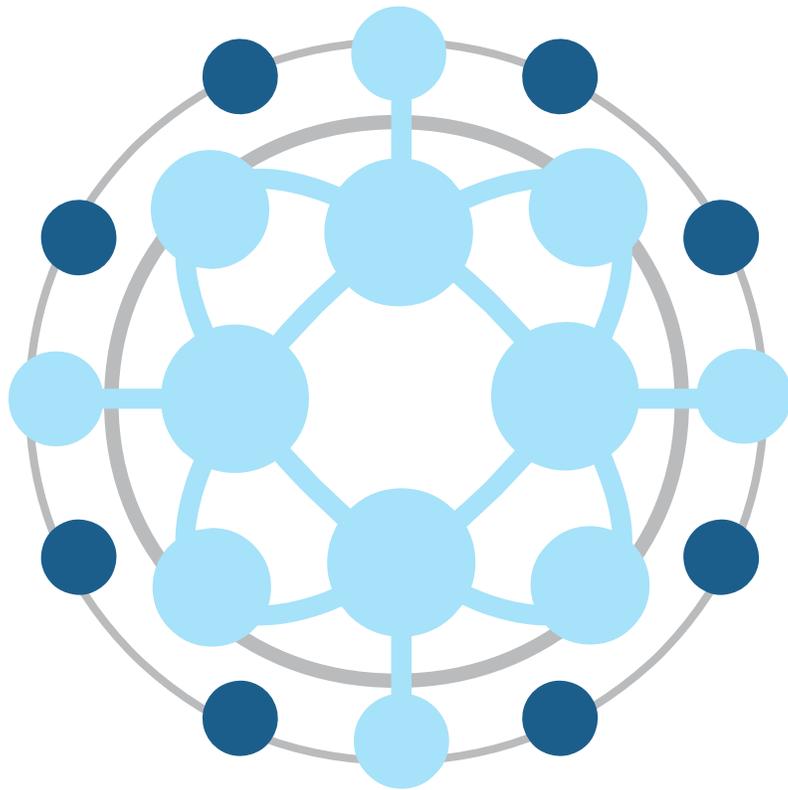
Finding new clients is pretty easy, Sutter said. Most of his business comes by referral from previous clients. Finding qualified employees, however, is a challenge. Sutter said he took a personality profile, so he could understand his own traits which allows him to seek out employees who will complement his personality.

Sutter said he hopes to expand his product line, including masonry products, outdoor kitchens and do-it-yourself kits with pre-cut and stained cedar planks.

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
East Main Enterprise Center and Incubator	Ada	Art/Art Related	4	1			X		X	Fax and copy machine, library of resources
Pontotoc Technology Business Development Center	Ada	Mfg./Mixed Use	2	2			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	X	Print shop, wellness center, food service provider
Northwestern Oklahoma State University Business Incubator	Alva	Service/Technology	6	1	X	X	X	X	X	
Northwest Technology Center Small Business Incubator	Alva	Mfg./Mixed Use	2	1	X	X	X	X	X	
Tri-County Technology Center Business Assistance Center	Bartlesville	Mfg./Mixed Use	16	4	X		X	X	X	Internet access, mail/message services, shared copier and fax services, business counseling services
Synergy Enterprise Development	Bethany	Professional Office	25	2			X	X	X	
Rogers County Industrial Authority Business Incubator	Chelsea	Mfg./Mixed Use	1	1			X	X	X	
Eastern Oklahoma County Business Development Center	Choctaw	Mixed Use	2	1	X	X	X	X	X	Government assistance programs, safety, customized training options, secretarial services
Rogers State University Innovation Center	Claremore	Technology-Based	7	6	X	X	X	X	X	Receptionist, office equipment including fax, scanner, computer, copy machine, printer
Central Oklahoma Business & Job Development Corp.	Drumright	Mfg./Mixed Use	1	0			X	X	X	Shared fax and copier
Duncan Center for Business Development	Duncan	Advanced Mfg.	15	7	X	X	X		X	
The Launch Pad – Francis Tuttle	Edmond	Mixed Use	13	8	X		X	X	X	
James W. Strate Center for Business Development	Enid	Mixed Use	10	8			X	X	X	Strategic planning and government contracting assistance

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	4	X	X	X	X	X	Business guidance, legal and insurance advice, fax, copy, secretarial assistance
Caddo Kiowa Business Development Center	Fort Cobb	Mfg./Mixed Use	3	3	X	X	X	X	X	OBAN coordinator on site
Artist Incubation Inc.	Guymon	Artists	3	2	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	
Rogers County Industrial Authority Business Incubator	Inola	Mfg./Mixed Use	3	1			X	X	X	
Center for Emerging Technology and Entrepreneurial Studies – Cameron University	Lawton	Technology-Based	9	5	X	X	X	X	X	Access to university resources such as student interns and faculty, video conferencing, shared printing /faxing/scanning facilities
Emerging Technology Entrepreneurial Center (eTec)	Norman	Technology-Based	21	20	X		X		X	
Emerging Technology Entrepreneurial Center (eTec ²)	Norman	Technology-Based	5	5	X		X		X	
Acorn Growth Companies	Oklahoma City	Aerospace and Defense	10	4	X	X	X	X	X	Financial planning, business development and capital
Moore Norman Technology Center Business Development Center	Oklahoma City	Mfg./Mixed Use	10	8		X	X	X	X	Business guidance and support services, event promotion, financing assistance, and use of conference center
The Catbird Seat – UCO Small Business Development Center	Oklahoma City	Service Sector	5	4	X	X	X	X	X	Full consulting services via the SBDC consultants
Rogers County Industrial Authority Business Incubator	Oologah	Mfg./Mixed Use	2	2			X	X	X	
Tri-County Technology Center Pawhuska Incubator	Pawhuska	Mixed Use	14	4	X		X		X	
Pioneer Technology Center	Ponca City	Service and Light Mfg.	6	4			X	X	X	Color copier, fax machine, receptionist, management counseling, free business classes

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
Sallisaw Improvement Corp. Business Incubator	Sallisaw	Information Technologies	1	0	X		X	X		
Seminole Business Development Center	Seminole	Mixed Use	2	1		X	X	X	X	
Meridian Technology Center for Business Development	Stillwater	Technology or Innovative Process/ Service	12	11	X	X	X	X	X	Website development, seed capital assistance, mentoring, shared receptionist and clerical
OSU Riata Center for Entrepreneurship/ Cowboy Idea Hatchery/MSE New Venture Lab	Stillwater	OSU Student-Led Ventures	15	8	X	X	X	X	X	Accounting and legal services, grant writing assistance and offer assistance with other types of funding
Tonkawa Business Incubator LLC	Tonkawa	Mfg./Mixed Use	4	1	X	X	X		X	
The Forge	Tulsa	Service	7	7			X	X	X	Management, technical and financial assistance
Northwest Tech Small Business Incubator	Waynoka	Mfg.	2	1			X	X	X	Management, technical and financial assistance
City of Wewoka Business Incubator	Wewoka	Mfg./Distr. Mixed Use	10	3	X		X	X	X	Partner resources, referrals, financing, government contracting



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