



Small Business Incubator Certification Program

2015 Annual Report

OKLAHOMA
DEPARTMENT OF COMMERCE

Small Business Incubator Certification Program

Small business incubators accelerate the success and development of start-ups by enlisting an array of targeted resources, services and professional advice for entrepreneurs.

Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. These programs provide their client companies with business support services and resources tailored to young firms. The most common goals of incubation programs are creating jobs in a community, enhancing a community's entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry, and diversifying local economies.

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 – now referred to as mixed-use incubators. However, in more recent years, new 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.

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. As of October 2012, there were more than 1,250 incubators in the United States, up from only 12 in 1980. The International Business Innovation Association (INBIA) estimates that there are about 7,000 business incubators worldwide.

Standards for Success

The International National Business Innovation Association (INBIA) developed a set of industry guidelines to help incubator managers better serve their clients. INBIA 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.

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 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 start-ups without such support.

Model business incubation programs are distinguished by a commitment to incorporate industry best practices. Management and boards of incubators should strive to meet incubator standards. The following industry guidelines are replicable and broadly applicable to incubation programs around the world, regardless of their focus or mission.

Incubator Standards for Success

Characteristics of Model Business Incubation Programs

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

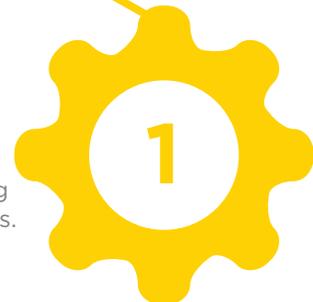
Develop stakeholder support, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations

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

Two Core Principles That Characterize Effective Business Incubation:



The incubator aspires to have a positive impact on its community's economic health by maximizing emerging companies' successes.



The incubator itself is a dynamic model of a sustainable, efficient business operation.

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

Incubator Certification

The role of the Oklahoma Department of Commerce in the incubator process is to certify the incubators and to ensure the incubators meet certain standards for success.

Oklahoma Business Incubator Association

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

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 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 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 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.

Oklahoma Department of Commerce and Incubators

The role of the Oklahoma 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 2015 began, Oklahoma had 36 certified incubators. Three incubators, located in Lawton, Stroud and Oklahoma City, were approved for certification during the year, and two others, located in Alva and Claremore closed because of funding issues.

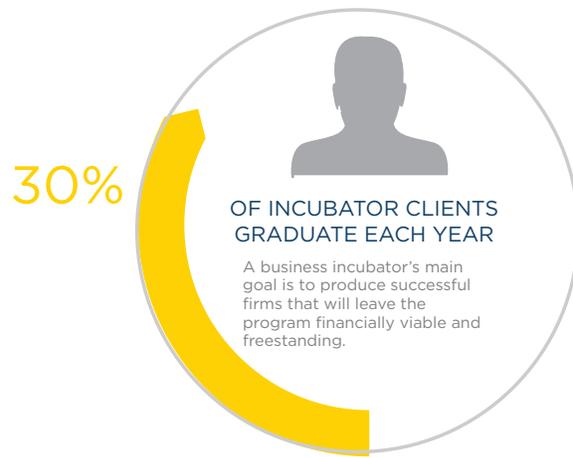
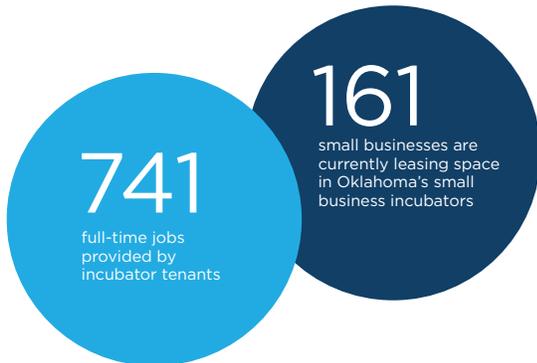
As 2015 comes to a close, 37 certified small business incubators are operating in Oklahoma (see Appendix), with tenants ranging from small service companies to high-tech research and development operations and manufacturing entities.

During 2015, 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, 161 small businesses are currently leasing space in Oklahoma’s small business incubators. These incubator tenants provide 741 full-time jobs.

Throughout the life of Oklahoma’s Certified Small Business Incubator Program, a total of 780 small businesses have located in a small business incubator. Of those, 409 have graduated from the program or relocated to a larger facility and 244 of those companies have remained in the state. The businesses that remained in the state report they currently employ 1,944 people.

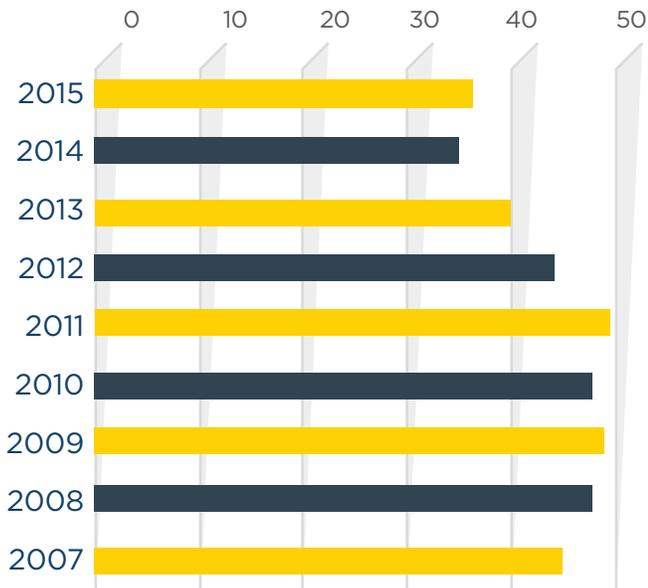
Oklahoma Incubator Program Growth

During 2015, 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:

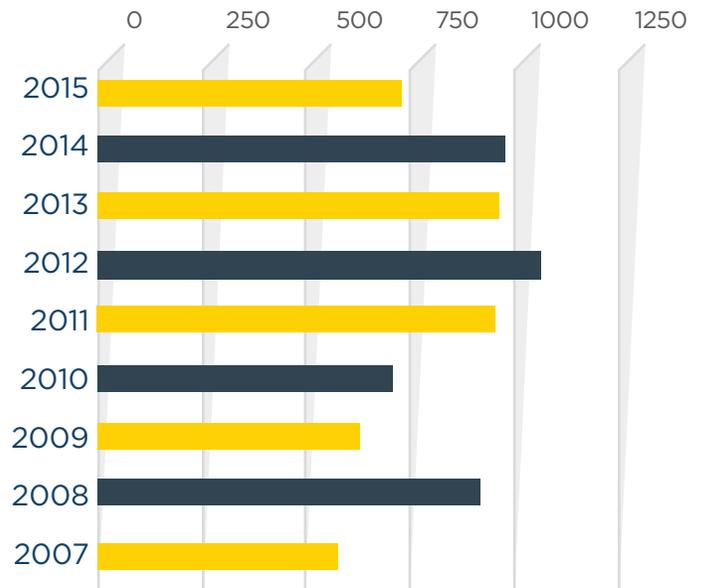


These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies.

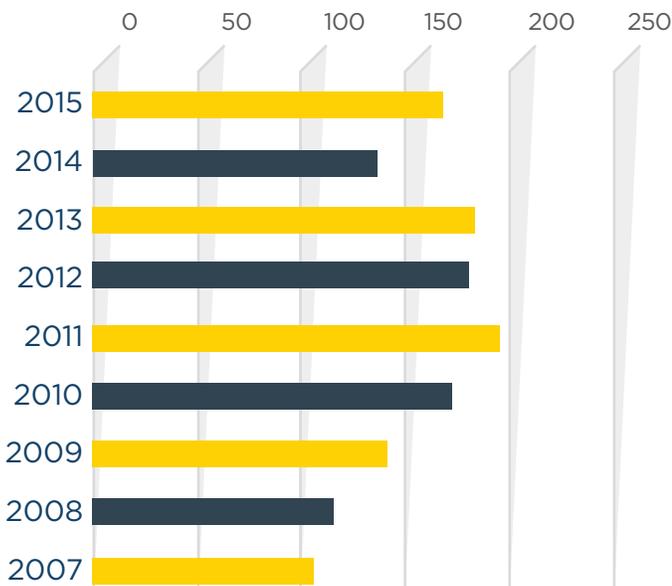
NUMBER OF INCUBATORS



NUMBER OF JOBS CREATED BY INCUBATOR CLIENTS



NUMBER OF SMALL BUSINESSES LOCATED IN INCUBATORS



37 certified small business incubators are operating in Oklahoma, with tenants ranging from small service companies to high-tech research and development operations.

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409 have graduated from the program or relocated to a larger facility.

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Success Stories

Oklahoma's business incubators have helped grow many successful businesses in 2015. Here are a few stories of Oklahoma businesses that grew their operations through incubators.

AISS Technologies

OSU Student Start-up Central and Meridian Technology Business Development Center Stillwater, Okla.

AISS Technologies, a designer and manufacturer of RFID-based electronic access control systems, is a leader in the intrusion, access control and building facilities management industry. With thousands of installations in more than 20 countries worldwide and spanning industries including banks, airports, hospitals and high security prisons, AISS chose Stillwater for its American headquarters and credits the Meridian Technology Center for Business Development for assistance during a critical time in the company's development.

The Meridian Technology Business Development Center provided vital business connection to grow AISS, reaching customers more efficiently and effectively.

A native of Hungary, Endre Ori found his way to Perry, Okla. for an internship in 1992. Ori's passion is creating and customizing technology to enhance and enlarge the buying experience for the customer. One such product is a kiosk-like simulator product that allows customers the ability to compare products, sort among options and greatly diminish time needed in a store to make an informed decision on products such as cell phones, appliances, vehicles and more.

For example, a cellular service provider can use the technology to allow customers to choose a phone based on aspects such as use, cost, storage capacity and plan costs. Product information at the touch of the fingertip—freeing up salespersons' time for the all-important human connection between customer and sales rep.

Tracking customer buying trends increases store profits. AISS technology-based tools allows stores to track the number of visits, sales and utilizes heat

maps to determine the departments most visited within the store.

In order to become a client at the Meridian Technology Business Development Center, certain criteria must be met. This includes a description of the business, an application, background check and interview. Assistant Director Brad 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, Stillwater does 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's from the community and has a desire for seeing success in that community," Rickelman said.

Agriculture Technology Services

Major County Economic Development Business Incubator Fairview, Okla.

Agriculture Technology Services (ATS) is an agricultural based company providing customers with Global Positioning Services for tractors, implements, utility task vehicles and chemical applicators. Krey Nightengale, owner of ATS, grew up in rural Fairview, Okla., graduated from WyoTech in Laramie, Wyo., and worked for a local agribusiness equipment dealer before embarking

on his own business venture at the young age of 28 in August 2014. The business took flight and Nightengale was soon looking for a place to locate his growing company with enough space to warehouse inventory, perform billing and warranty work, and provide in-house installs and consultations.

While growing up in Fairview, Nightengale learned about the Major County Economic Development (MCED) Business Incubator and thought it might be “a perfect fit” for his new business. ATS moved into the Incubator in May 2015. MCEDC views ATS as “a perfect fit” for the Business Incubator: Nightengale is young, local, and adds a growing business to the county that is a major asset to all farming operations in the Fairview area as well as western Oklahoma, Kansas and Texas.

Waldrop Construction, Inc.

*The Catbird Seat at UCO
Oklahoma City, Okla.*

Max Waldrop has spent a career in construction, and his experience in project management with larger companies positioned him for growth. His new company was rapidly outgrowing the family dining room table, and he came to The Catbird Seat incubator in January 2011 for space and business services. At the end of the first year, the company had \$472,000 in gross sales.

As a Native American company, Waldrop Construction successfully completed SBA's 8(a) certification as a minority contractor. The 8(a) certification is specifically designed for companies entering the federal contracting arena. This certification was received while located in the incubator.

In 2013, the company grew too large for the incubator facility. When the company graduated from the incubator in the fall of 2013, the company also purchased and rehabilitated a building in central Oklahoma City. Sales for 2014 were \$4 million, an 855% increase in sales over three years.

The company continues to grow and attributes their growth to being located in The Catbird Seat at UCO. The incubator provided vital business counseling to grow Waldrop Construction.

Fikes Engineering

*Duncan Center for Business Development
Incubator
Duncan, Oklahoma*

Fikes Engineering, LLC, owned by Mark Fikes, was established in September 2010 which is the same year he rented his first office in the Duncan Center for Business Development (DCBD), Duncan's business incubator. Five years later Mark moved into his own facility in Marlow to continue growing his company.

“Mark is doing what all start-ups do that come into our facility are supposed to,” said Lyle Roggow, President of the Duncan Area Economic Development Foundation. “They get established, use the resources provided, and then are at the point where they need their own space. This opens up room for new start-ups to take advantage of the facility.”

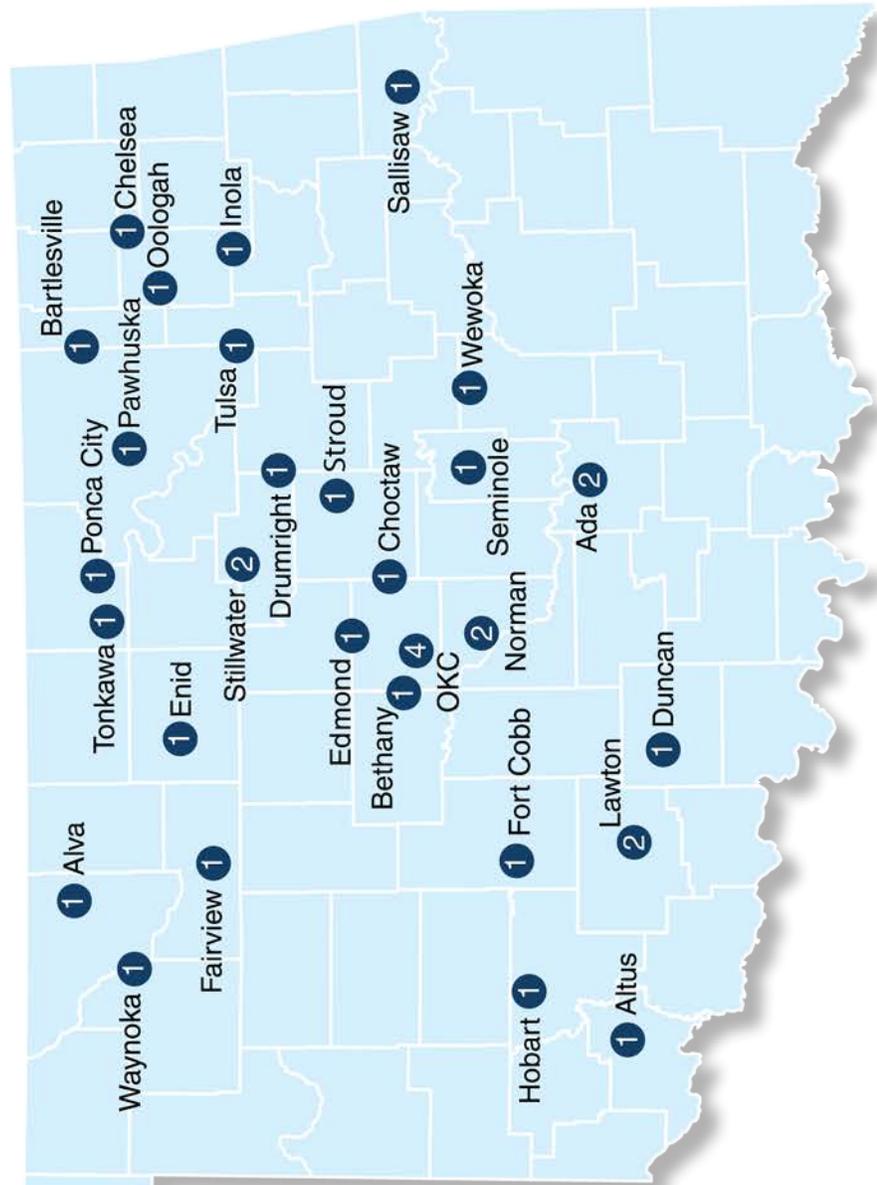
Fikes was previously employed by Halliburton and involved in virtually every detail of the design, construction, and operation of refining stimulation vessels used in offshore drilling. Those 20+ years of experience provided him the expertise to build his own engineering and consulting firm.

“Moving into Duncan's business incubator was extremely beneficial when I was getting started,” Fikes said. “It allowed me the flexibility to drop and add office space as my company grew and, at times, decreased due to the downturn in the oil industry. I didn't have as many initial costs to invest in, such as copy machines, meeting space, or office furniture, because it was all part of renting space in the facility. But, one of the best parts of being in the incubator was having other start-ups and Lyle to go to for advice.”

Since leaving Halliburton in 2010, Fike's goal was to expand his business and take on additional employees while remaining profitable, eventually moving into his own facility. “I had the opportunity to buy a facility in Marlow and it just makes financial sense to move out of the incubator and to my own property,” Fikes said. “It was definitely important to me that I stay in the area.”

1 Guymon

Oklahoma Certified Incubators

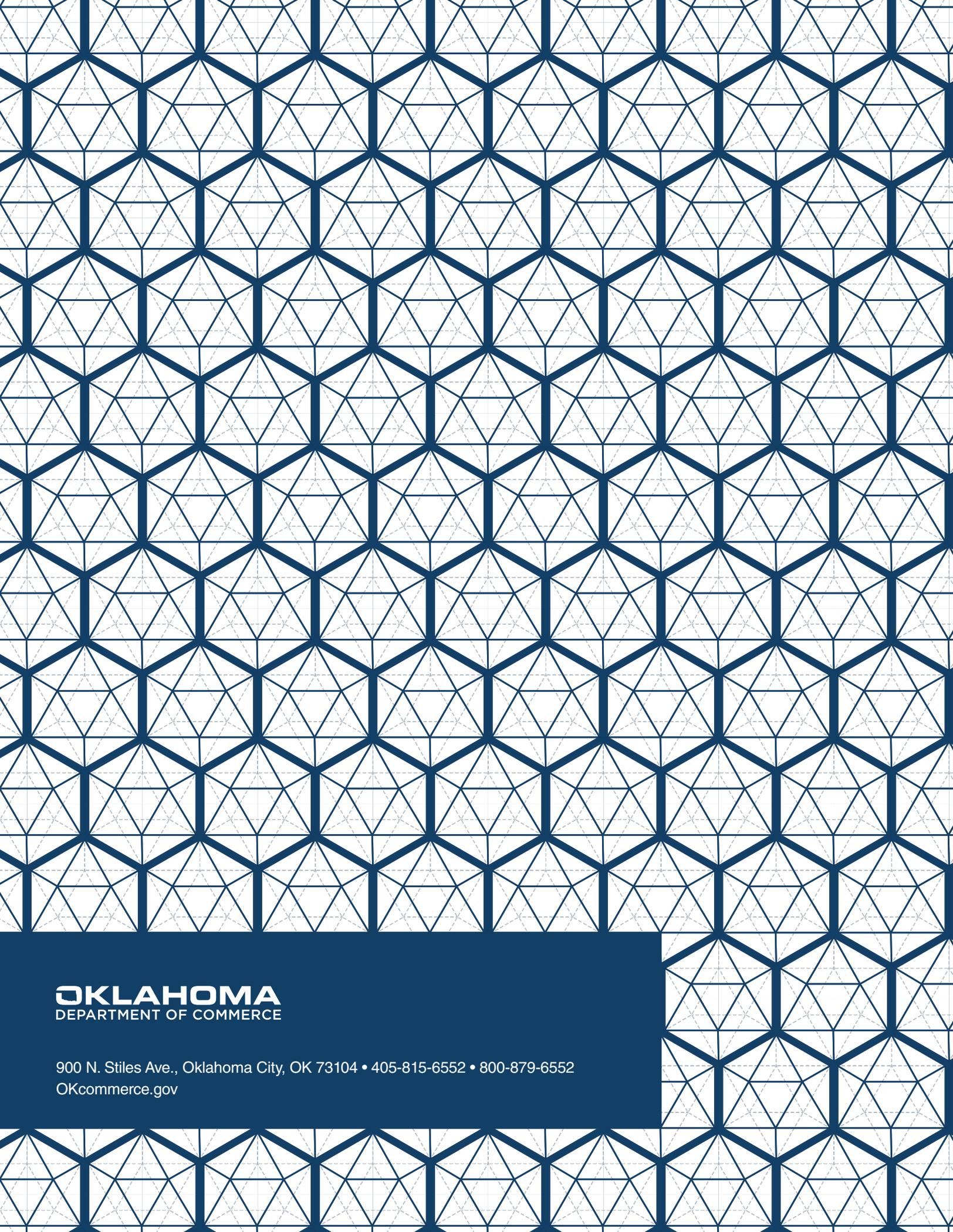


Number of incubators in the area

Incubator	Location	Type 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	X	X	Loading dock access
Southwest Technology Center Business Incubator	Altus	Aviation Mfg. and General Use	1	0	X	X	X	X	X	
Northwest Technology Center Small Business Incubator	Alva	Mfg./Mixed Use	2	0	X	X	X	X	X	
Tri-County Technology Center - The Stategy Center	Bartlesville	Mfg./Mixed Use	16	4	X		X	X	X	Mail/message service, shared copier and fax, business counseling
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, safety, customized training, secretarial
Central Oklahoma Business & Job Development Corporation	Drumright	Mfg./Mixed Use	1	0			X	X	X	Shared fax and copier
Duncan Center for Business Development	Duncan	Advanced Mfg.	22	9	X	X	X	X	X	
Francis Tuttle The Launch Pad	Edmond	Mixed Use	12	9	X		X	X	X	Classrooms, printers, kitchen, coaching
James W. Strate Center for Business Development	Enid	Mixed Use	10	6			X	X	X	Coaching, training and government contracting assistance
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	4	4	X	X	X	X	X	OBAN coordinator on site

Incubator	Location	Type 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
Artist Incubation, Inc.	Guymon	Artists	3	1	X	X	X	X		Gallery space, openings
Hobart Economic Development Authority Business Incubator	Hobart	Mfg./Mixed Use	5	1	X	X	X	X	X	Financing
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	7	X	X	X	X	X	Students, interns, faculty, video conferencing, printing, printer/copier/scanner
Great Plains Technology Center	Lawton	Mixed Use	2	0	X		X	X	X	
Emerging Technology Entrepreneurial Center (eTec)	Norman	Technology-based	21	19	X		X	X	X	
Emerging Technology Entrepreneurial Center (eTec ²)	Norman	Technology-based	5	5	X		X	X	X	
Acorn Growth Companies	Oklahoma City	Aerospace & Defense	10	5	X	X	X	X	X	Financial planning, business development and capital
El Parian at Plaza Mayor	Oklahoma City	Retail	Just Opened							
Moore Norman Technology Center Business Development Center	Oklahoma City	Mfg./Mixed Use	21	3		X	X	X	X	Business guidance and support services, event promotion, financing assistance, conference center
The Catbird Seat - UCO	Oklahoma City	Service Sector	5	2		X	X	X	X	Business guidance and support, event promotion, financing, conference center
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	6	X		X		X	

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					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	Other Services Provided
Pioneer Technology Center	Ponca City	Service/ Light Mfg.	6	4			X	X	X	Receptionist, free business classes
Sallisaw Improvement Corporation Business Incubator	Sallisaw	Information Technology	1	0	X		X	X		
Seminole Business Development Center	Seminole	Mixed Use	2	2		X	X	X	X	
Meridian Technology Center for Business Development	Stillwater	Technology or innovative process/ service	12	9	X	X	X	X	X	Coaching, shared receptionist and clerical
OSU Riata Center for Entrepreneurship/ Cowboy Idea Hatchery/ MSE New Venture Lab	Stillwater	OSU Student-led Ventures	40	40	X	X	X	X	X	Accounting and legal services, grant writing assistance, offer assistance with other types of funding
Central Oklahoma Business and Job Development Corp.	Stroud	Mfg.	1	1	X	X	X	X	X	
Tonkawa Business Incubator LLC	Tonkawa	Mfg./Mixed Use	4	1	X	X	X	X	X	
The Forge	Tulsa	High Growth/ Tech/ Energy/ Mfg.	6	5			X	X	X	Industry connections
Northwest Tech Small Business Incubator	Waynoka	Mfg.	2	1			X	X	X	
City of Wewoka Business Incubator	Wewoka	Mfg./ Distr. Mixed Use	10	2			X	X	X	Partner resources, referrals, financing, government contracting



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