



Small Business Incubator Certification Program

2018 Annual Report



Incubator Certification Program Overview

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 – today 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.

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 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.

Oklahoma Business Incubator Association

The Oklahoma Business Incubator Association (OkBIA) was formed more than 20 years ago. The purpose of the OkBIA is to provide information, networking, guidance and assistance to incubator operators, as well as to work with the Legislature to promote and benefit business incubators and tenants.

Standards for Success

The International Business Innovation Association's (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. 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 Services Such As:

- 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
- Financing assistance
- Marketing assistance

Characteristics of Model Business Incubation Programs:

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, 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 startups without such support.

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 the incubator owner to hire managers to manage and market their incubators and provide business services to their tenants.

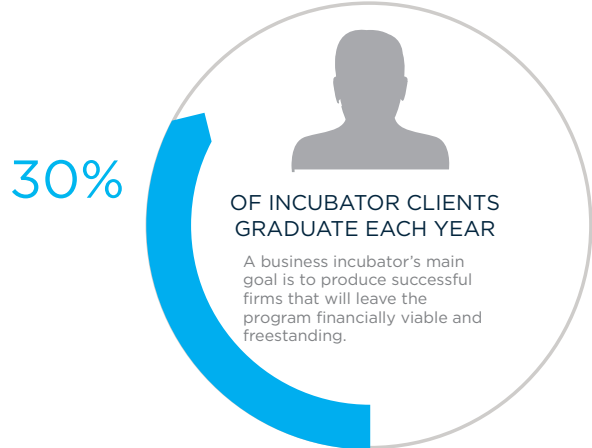
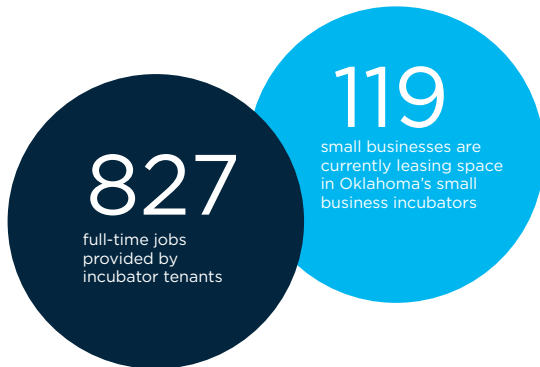
As 2018 began, Oklahoma had 31 certified incubators. We certified one new incubator, Project 3810 in Oklahoma City. One incubator, Pontotoc Technology Center in Ada, closed in 2018 because the school decided to go a different direction with the space. As 2018 comes to a close, 31 certified small business 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 2018, 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, 119 small businesses are currently leasing space in Oklahoma's small business incubators. These incubator tenants provide 827 full-time jobs.

Throughout the life of Oklahoma's Certified Small Business Incubator Program, a total of 979 small businesses have located in a small business incubator. Of those, 503 have graduated from the program and relocated to a larger facility and 257 of those companies have remained in the state. The businesses that remained in the state report they currently employ 2,122 people. Commerce believes the incubator program will continue to contribute significantly to Oklahoma's economy.

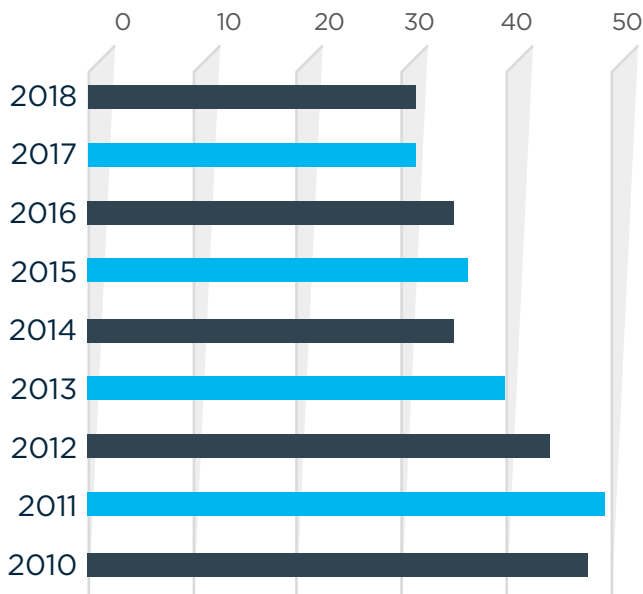
Oklahoma Incubator Program Growth

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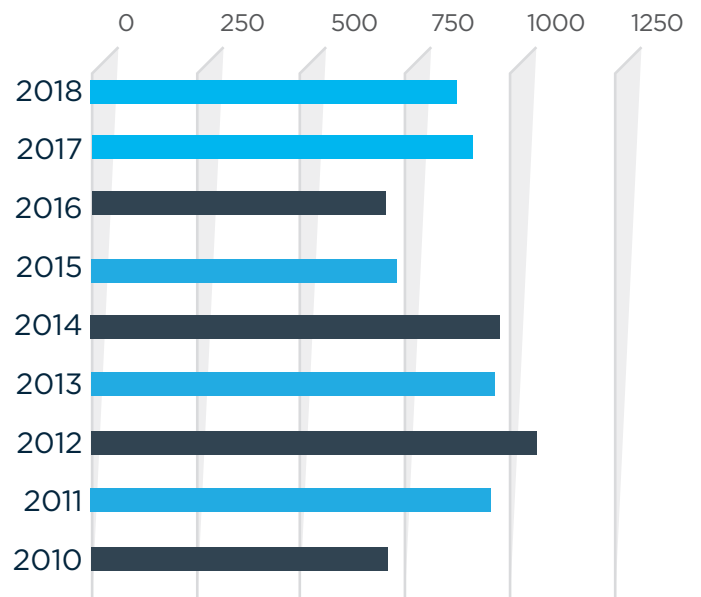


These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies.

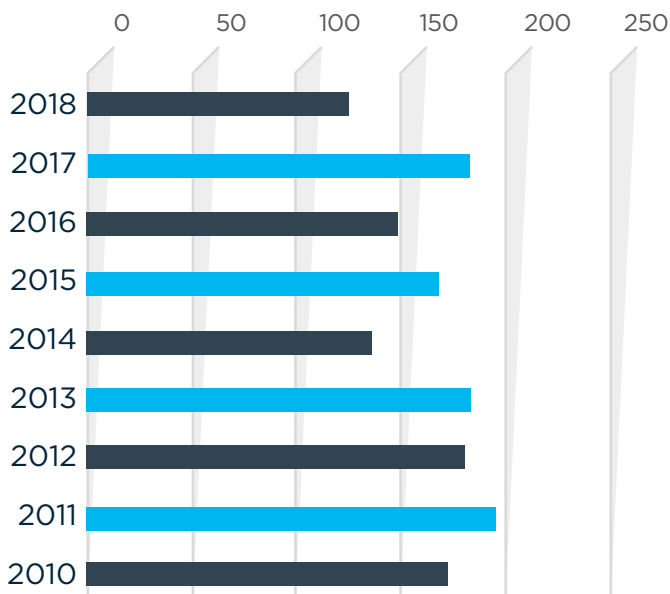
NUMBER OF INCUBATORS



NUMBER OF JOBS CREATED BY INCUBATOR CLIENTS



NUMBER OF SMALL BUSINESSES LOCATED IN INCUBATORS



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Success Stories

Oklahoma's incubators have many success stories. The examples below are just a few for 2018.

Purse Power, Inc.

*Launch Pad FT
Edmond, Okla.*

Purse Power is a resident client of Launch Pad FT which is a business incubator at the Francis Tuttle Career Technology Center in Edmond. Purse Power's mission is to help women use their massive purchasing power to create greater economic equality and safety for females of all ages. Their directory of women-owned and women-led businesses is rapidly becoming one of the largest of its kind in the world. By helping consumers find and buy from companies that actively support women and by working to create one of the largest funding streams in the country to reduce domestic violence, Purse Power is poised to shatter glass ceilings and change lives.

Since their admission into Launch Pad FT, Purse Power continues to define the market on how purchasing power can be used to drive positive change. During the summer of 2018, Purse Power participated in the Carnegie Mellon University MSIT eBusiness Technology Program. During this program, a team of some of the top e-commerce students in the country worked to help Purse Power identify ways to implement their mission as well as develop the initial prototype of their technology platform. The program was a tremendous success and led to the creation of a Purse Power Google Chrome Extension. This extension easily identifies companies that are women-owned or women-led while a consumer is shopping, from a desktop online. Users simply download the Google Chrome Extension and look for the Purse Power logo beside the companies and products that are led by women CEOs, or are 50 percent owned by women, or have at least 20 percent women on their board.

The creation of the extension provided the opportunity for Purse Power to partner with the National Coalition Against Domestic Violence (NCADV). For every download of the extension completed, Purse Power will send a donation to the NCADV to help provide education, services, and support to those affected by domestic violence.

Purse Power continues to utilize the resources and connections of Launch Pad FT to grow their business. For 2019, Purse Power will continue to refine their technology platform, increase the download and usage rates of their extension and gather data about consumers' ability to drive positive change by using their purchasing power. Their tagline says it all: Purse Power – We have it. Let's use it!

Coast Audio Video

*Center for Emerging Technology and
Entrepreneurial Studies (CETES)
Lawton, Okla.*

Chris Coast, president and CEO of Coast Audio Video, has been a tenant of the CETES business incubator at Cameron University since April, 2016. Coast has more than 20 years of experience in the audio, video, and lighting industry. From the age of 15, Coast attended AV conferences, attained several technology certifications, and used his training to serve his local church. After taking a job at a local music store, he has helped produce local and national music and entertainment acts. Coast has gained knowledge and experience over the years to further his passion.

During its time in the incubator, Coast Audio Video has grown from an ambitious start-up to a now fully-fledged, flourishing company, providing a full range of services including design, service, and audio/video installation, surveillance, as well as pro lighting systems. The team is comprised of certified experts in the AV industry and strive to be on the cutting edge of technology to help achieve the company's mission statement..."Connecting people to your message."

Having matured to capacity within the CETES incubator, Coast Audio Video will now graduate to opening its first brick and mortar office, located in the heart of Lawton.

Next Frontier, LLC

Startup 405

Norman, Okla.

A Norman-based startup company, Next Frontier LLC, received nearly \$1 million dollars in funding from the U.S. Department of Defense through the Small Business Technology Transfer (STTR) program. Next Frontier LLC is focused on developing innovative software relevant to the design of next generation hypersonic vehicles. A hypersonic vehicle is a vehicle that travels at least four times faster than the speed-of-sound, or greater than Mach 4. A hypersonic vehicle can be an airplane, spacecraft, etc. Dr. Prakash Vedula, founder and CEO of Next Frontier LLC, is a professor in the School of Aerospace and Mechanical Engineering at University of Oklahoma (OU). His journey into exploration of high-impact fundamental research and entrepreneurship for the benefit of the local community and the nation at large is sure to inspire other entrepreneurs in the OU community.

His startup focuses on development of fast and innovative algorithms for prediction of complex flow behavior relevant to hypersonic flows. Product innovations relevant to these algorithms will not only enable efficient design of hypersonic vehicles but will also fill an important need in the context of national security. From recent news and events around the world, it appears that there has been increased emphasis to strengthen the U.S. position in global hypersonic battlespace and Dr. Vedula believes that his company's product could be a key player in this context.

At a community level, Dr. Vedula believes there is a great opportunity to make an impact in the state of Oklahoma and the environment for entrepreneurship is promising in Norman. He believes that such an entrepreneurship friendly environment could not have been possible without the visionary efforts of many leaders in the university and local community. His company has close collaborations with the OU Gallogly College of Engineering and Tom Love Innovation Hub, Norman Economic Development Coalition and University of Illinois, Urbana-Champaign.

"Dr. Vedula's intellectual leadership, energy, and enthusiasm are emblematic of the growing innovation

ecosystem we are creating at the University of Oklahoma," said Daniel Pullin, dean of Michael F. Price College of Business OU. "His engagement with the Tom Love Innovation Hub and other collaborators is catalyzing the future economy of Oklahoma and advancing the global competitiveness of the nation."

Next Frontier LLC is part of a business incubator program, Startup 405, operated by the Norman Economic Development Coalition (NEDC).

"It is exciting to see the results of our joint efforts to cultivate entrepreneurial activity materialize through success stories such as Next Frontier LLC," said Maureen Hammond, Vice President of NEDC. "Dr. Vedula's leadership and commitment to research and development of his innovative products will have a considerable impact within the state of Oklahoma and nation, yielding job, knowledge and wealth creation."

Quest RTS

*Meridian Tech. Center for Business Development
Stillwater, Okla.*

Chandler's Acord Transportation dispatches dozens of trucks each day to transport materials across Oklahoma such as fertilizers, propane, butane, asphalt, road oils and more. Until last year, the task of dispatching drivers, logging their deliveries and preparing invoices had been a time-consuming, labor-intensive activity. The firm began using a beta version of a new software called Land Traffic Control developed by Stillwater's Quest RTS specifically to automate the trucking industry's daily dispatch challenge.

Quest RTS – for Remote Technical Services – was founded in 2017 and released a beta version of the Land Traffic Control software in July of that year. The public version of the software went live at the end of July 2018.

"A lot of the smaller trucking companies are pretty analog on how they dispatch," said Tony Payne, Quest RTS founder and CEO. "They have dispatchers receiving calls, writing down loads that customers want transported, then calling truck drivers with their dispatch.' Once the delivery is completed, drivers call back to the

office with the bill of lading on what they delivered, the number of gallons used on the run and the hours they spent on the road. Office staff writes down the numbers, then attempt to create an invoice in a timely manner. When there are so many truck drivers and so few dispatchers, it becomes a bottleneck," Payne said.

Land Traffic Control provides digital alerts to drivers via mobile devices. Payne describes it as an enterprise resource planning (ERP) software.

"They get their loads, we know when they've accepted a load, and as soon as they complete a load and enter the gallons, the back office knows in seconds that the load is complete and has all the information."

"After our first batch went in automatically, we got a call from the CFO at Acord Transportation telling us that we absolutely knocked it out of the park," Payne said. "He was just ecstatic."

Lee Durbin, Acord Transportation's chief financial officer said, "Using Land Traffic Control, we have streamlined our work flow and eliminated a ton of busy work."

For the past year, Quest RTS has been headquartered at the business incubator on the campus of the Meridian Technology Center. Payne describes it as a collegial atmosphere in which he can bounce ideas and challenges off of fellow entrepreneurs.

"This has been amazing for us," Payne said of the incubator experience. "There are so many brilliant and bright people here. It's nice not to be on an island by yourself."

Brad Rickelman is assistant director of the incubator, which is formally known as the Center for Business Development.

"Tony came to us with this great idea and is going gangbusters on it," Rickelman said. "But in terms of being a businessman, he was just flailing."

The incubator staff and fellow entrepreneurs offer assistance and feedback that a small business such as Quest RTS might not otherwise afford.

"We are trying to assist them in becoming a better manager, a better owner, a better business person

and that's what's going to make them successful," Rickelman said.

In addition to the Land Traffic Control software, Quest also developed a companion scanning software and a "dashboard" that permits users to track all their drivers, deliveries and other critical information in real time.

News of the Quest RTS innovation traveled quickly across the trucking industry as people began to hear about the successful beta test and automation features built into the software.

"We are actually starting to get cold calls," Payne said. "They are hearing about our software and integration. I just think word-of-mouth and community is going to be great for us."

XRG Technologies

The Forge

Tulsa, Okla.

In 2017, XRG joined The Forge business incubator in downtown Tulsa with hopes of learning how to successfully launch and grow a business.

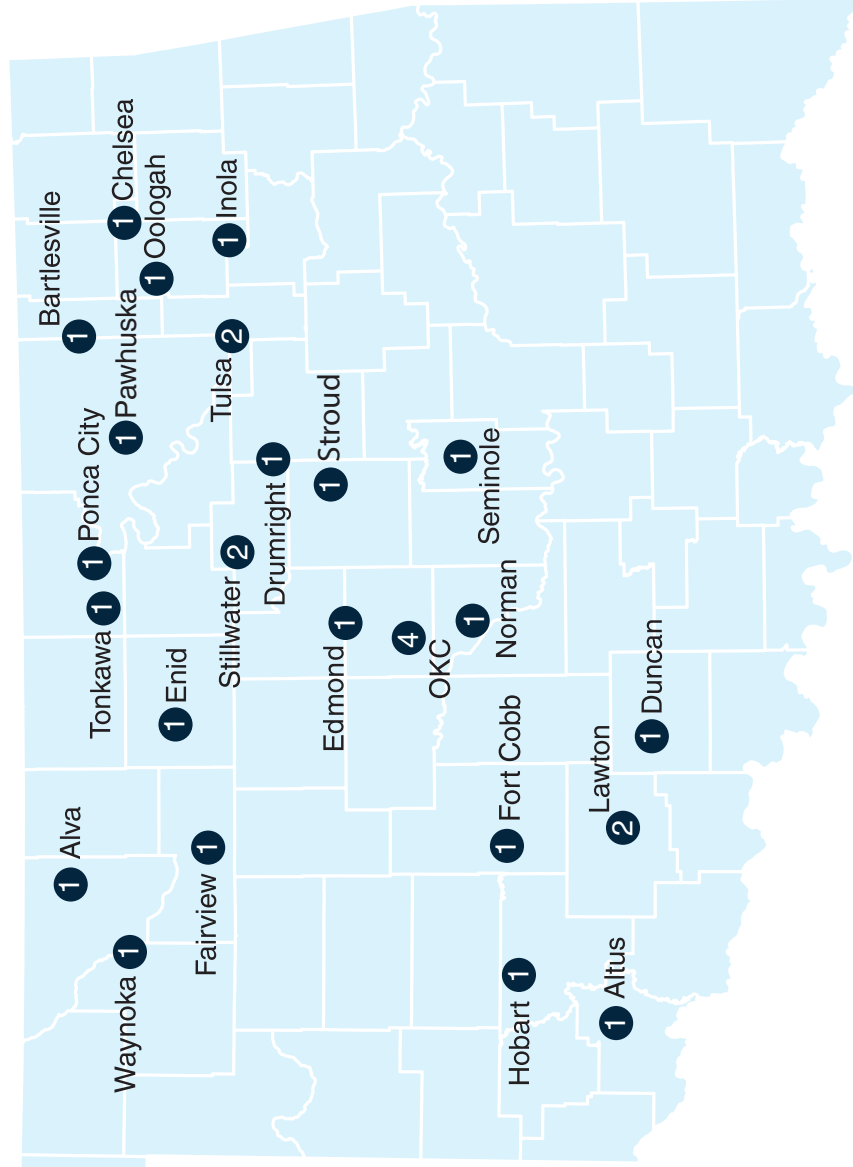
Focusing on fired equipment, XRG delivers advanced engineering and procurement solutions to the power, refining and petrochemical industries.

Since its incubator graduation in 2018, the company has grown by 66 percent in personnel and has acquired business from companies such as ExxonMobil, Chevron, Valero, Suncor and the likes. XRG's first-year revenues reached nearly \$1 million with the help of the Forge and its fantastic mentors. Through the Forge's programming, XRG acquired business acumen and resources that are helping the company grow tenfold over the next few years bringing in millions of dollars to the Oklahoma and Tulsa economy.

XRG now employs 10 engineering professionals and is currently in the process of hiring four more. The company has already outgrown its first office space (outside the business incubator) and is now looking for larger offices to accommodate the anticipated growth.

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					Other Services Provided
					Computer Network	Phone Service	Business Planning	Marketing Assistance	Conference Room	
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 Business Assistance Center	Bartlesville	Mfg./Mixed Use	12	4	X		X	X	X	Internet access, Mail/message service, shared copier and fax, business counseling
RCIDA (Rogers County Industrial Development Authority) NE Tech Business Incubator	Chelsea	Mfg./Mixed Use	1	1			X	X	X	Training, safety classes through NE Tech
Central Oklahoma Business & Job Development Corporation	Drumright	Mfg./Mixed Use	2	1			X	X	X	
Duncan Center for Business Development	Duncan	Advanced Mfg.	22	7	X	X	X	X	X	
Francis Tuttle The Launch Pad	Edmond	Mixed Use	12	7	X		X	X	X	
Strate Center for Business Development	Enid	Mixed Use	12	6			X	X	X	Coaching, training and government contracting assistance
Major County Economic Development Business Incubator	Fairview	Mfg./Mixed Use	6	3	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	2	X	X	X	X	X	OBAN coordinator on site
Artist Incubation, Inc.	Guymon	Artists	2	1	X	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
RCIDA / NE Tech Business Incubator	Inola	Mfg./Mixed Use	6	2			X	X	X	Shared fax and copier
Center for Emerging Technology and Entrepreneurial Studies - Cameron University	Lawton	Technology-based	8	7	X	X	X	X	X	Students, interns, faculty, video conferencing, printing, printer/copier/scanner

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
Great Plains Technology Center	Lawton	Mixed Use	24	15			X	X	X	Business strategy financial management
Startup 405 (formerly eTec)	Norman	Technology-based	6	3	X		X	X	X	
Acorn Growth Companies	Oklahoma City	Aerospace & Defense	10	3	X	X	X	X	X	Financial planning, business development and capital
Moore Norman Technology Center Business Development Center	Oklahoma City	Mfg./Mixed Use	7	4		X	X	X	X	Business guidance and support, event promotion, financing, conference center
Project 3810	Oklahoma City	Mixed Use	6	2	X		X	X	X	Paint Booth
The Catbird Seat UCO	Oklahoma City	Mfg./Mixed Use	6	0		X	X	X	X	Business guidance and support, event promotion, financing, conference center
RCIDA / NE Tech Business Incubator	Oologah	Mfg./Mixed Use	2	2			X	X	X	Training, safety classes through NE Tech
Tri-County Technology Center Pawhuska Incubator	Pawhuska	Mixed Use	12	5	X		X		X	Business guidance and support, event promotion, financing, conference center
Pioneer Technology Center	Ponca City	Service and LightMfg.	7	3			X	X	X	Color copier, fax machine, receptionist on site management counseling, free business classes
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	15	15	X	X	X	X	X	Website development, seed capital assistance, mentoring shared receptionist and clerical
Accelerate OSU	Stillwater	OSU Student-Led Ventures	20	11	X	X	X	X	X	Accounting and legal services, grant writing assistance and offer funding assistance.

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Central Oklahoma Business and Job Development Corp	Stroud	Mfg.	1	1			X	X		
Tonkawa Business Incubator LLC	Tonkawa	Mfg./Mixed Use	4	1	X	X	X		X	
Hemphill Create	Tulsa	Mfg.	10	6			X	X	X	Industrial warehouse / manufacturing space and services such as cutting steel and forklift operating for tenants
The Forge	Tulsa	High Growth Mfg./Energy/Tech	6	3			X	X	X	Milestone management, mentoring, business coaching
Northwest Tech Small Business Incubator	Waynoka	Mfg.	2	1			X	X	X	



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