



Growing Oklahoma's Entrepreneurial Economy
Annual Report 2010

FY2010 Highlights

- Provided commercialization services to 101 Oklahoma technology-based start-up companies.
- Assisted 30 companies in raising \$31.4M in private capital.
- Awarded proof-of-concept funding to the 100th company in the history of the OCAST Technology Business Finance Program.
- Filled the pipeline for Oklahoma Seed Capital Fund opportunities with 15 companies positioned for equity investment.
- Closed the first investment by the SeedStep Angels group, which in its first year grew to almost 30 members.
- Received a \$1 million grant from the Federal Economic Development Administrations and \$1.2 million in matching funds from local partners to provide new services to entrepreneurs in the Oklahoma City area. Local partners included the City of Oklahoma City, Presbyterian Health Foundation, the Greater Oklahoma City Chamber, the Oklahoma Medical Research Foundation and the Oklahoma Business Roundtable.
- Profiled for the second consecutive year by Inc. Magazine in a two-page spread that highlighted innovative economic development initiatives around the nation under the heading "Where Great Ideas are Born."
- Honored with a Best Practices Award by the International Economic Development Association for providing comprehensive commercialization services.

i2E's role in nurturing high growth companies in Oklahoma continually evolves to support the needs of entrepreneurs and researchers to create jobs, develop new advanced technology products and services and advance the state's knowledge-based economy.

During the past year, we provided business and advisory services, access to capital and entrepreneurial development programs while achieving significant "firsts" for our organization.

We celebrated the milestone of the 100th Oklahoma company receiving proof-of-concept financing through the OCAST Technology Business Finance Program. This program has invested nearly \$10 million in early stage advanced technology companies enabling them to raise more than \$220 million in private equity investments. In addition, financing recipients report employing almost 300 people at an average annual wage double the state's average wage.

For the first time, Oklahoma entrepreneurs had the opportunity to connect to private equity investment through the Oklahoma SeedStep Angels, a group founded and managed by i2E. This past spring, i2E facilitated the first investment in an Oklahoma company by SeedStep Angel members.

In just 12 months of existence, the SeedStep Angels has become one of the largest angel groups in the region with members who seek high-return on investments and the opportunity to contribute to the success of new Oklahoma businesses.

An even brighter future for tech-based economic development in Oklahoma dawned in June when the federal Economic Development Administration awarded i2E a \$1 million grant that was matched by five local partners: the City of Oklahoma City, Presbyterian Health Foundation, the Greater Oklahoma City Chamber, the Oklahoma Medical Research Foundation and the Oklahoma Business Roundtable.

The new funding complements the state support we receive from the Oklahoma Center for the Advancement of Science and Technology and will allow us to create a suite of new services that promise even more positive impact on the state's knowledge-based economy.

We take great pleasure in presenting our 2010 accomplishments and the stories of entrepreneurs who are making a great impact to our state.

Thank you for your interest and support and we look forward to tremendous developments for high growth companies in Oklahoma for years to come.

Sincerely,



Tom Walker
President and CEO

Our Mission

Home grown economic development by nurturing the growth of advanced technology companies in Oklahoma.

We are growing Oklahoma's entrepreneurial economy by providing **Business & Advisory** expertise, investment resources through targeted **Access to Capital** initiatives, and increasing the number and capacity of start-ups through **Entrepreneurial Development**.

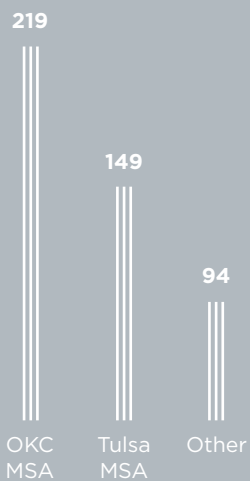
It takes experience...

Business and Advisory Services

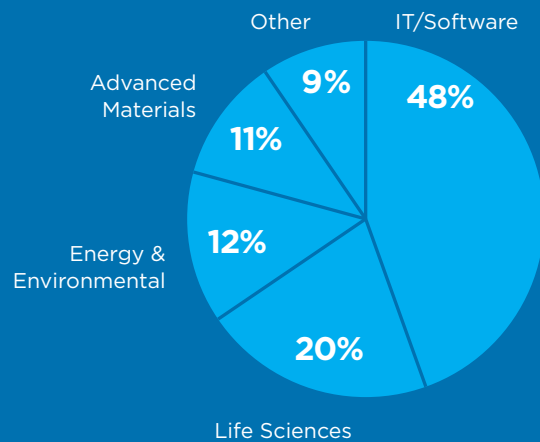
For the past eleven years, Oklahoma entrepreneurs have received hands-on coaching and advice by our seasoned executive advisors who guide them through the process of creating business plans, analyzing risk, pitching to investors and providing networking opportunities with business professionals.

We have worked with over 460 high growth small technology-based businesses that are developing a wide range of technology across our state.

Portfolio Companies
by Geography



Portfolio Companies
by Industry



FY2010 Portfolio
Economic Impact

- **\$125M** in annualized revenues
- **79%** of revenues obtained outside the state
- **\$66M** in annualized payroll
- **966** current full time equivalent employees
- Average wage of **\$64,566**
- **67** patents filed and **27** issued

In the past year, we mentored more than 100 Oklahoma startup companies that are providing high-paying jobs, bringing new revenue to the state and creating wealth as they build a knowledge-based economy.

JBARA SOFTWARE

PONCA CITY – There is a feel of déjà vu to the work of serial entrepreneur Jim Eberlin as he builds Ponca City-based JBara Software into a market leader that provides cloud-based software applications to its clients.

Before founding JBara Software, Eberlin grew another cloud-based software company – Host Analytics – into a venture-capital backed success from this same northern Oklahoma community of 25,000 people.

Host Analytics provides clients with corporate performance management software and quickly became the market leader in the industry niche. Two California venture capital firms invested \$6 million in the company in 2008 and two additional firms have invested in later rounds.

Support from Ponca City business leaders, the proximity of an educated workforce from Oklahoma State University and a low cost business environment all contributed to the success of Host Analytics, Eberlin said.

“We hired out of OSU and other local universities, and then trained them until we created a critical mass of employees,” Eberlin said. “Now we have a substantial part of our team in Ponca City.”

Today, Host Analytics employs more than 100 people worldwide, including about 20 in Ponca City that provide implementation and application support services.

JBara Software is following the same business model, drawing on the experience of the first company.

“We are very much emulating what we did with Host Analytics,” Eberlin said. “We will get additional investment for the company because we are after market leadership like Host Analytics is doing.”

JBara Software deploys a suite of software-as-a-service applications for what Eberlin calls “social crm” for client companies. Because of Host Analytics’ initiatives, a core critical mass of cloud computing talent has developed in Ponca City. JBara Software can draw from that expanding pool of talent.

“We’ve got a good team to start off the company,” he said. “There are some of the best cloud-based computing experts in Ponca City, because they were there helping pioneer this new way of computing.”

JBara Software also has established a strong relationship with i2E as a startup.

“i2E had a great role in Host Analytics when I went after my A round,” Eberlin said. “i2E is going to be doing the same thing with JBara Software as far as preparing us when we are ready to go out for venture capital. And there will be a little more assistance on the operations of the business this time.”

Oklahoma is not Silicon Valley, but appeals to a tech-based startup with a low-cost, business friendly environment with an educated, loyal workforce.

Eberlin has a phrase for that. He calls it the “Silicon Prairie.”

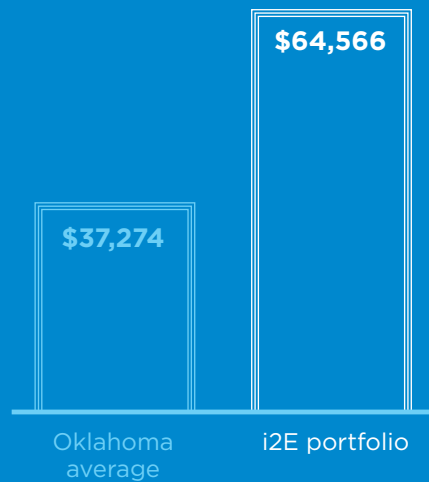


It takes talent...

Our portfolio employs a highly educated workforce, with **60%** of employees possessing a bachelor's degree or higher, compared with **22.5%** of the state's workforce.

They are true small businesses, with **75%** employing 10 people or less and averaging **\$64,566** in annual wages paying **73%** higher than the state average of **\$37,274**.

**FY2010 Portfolio Companies
Average Annual Wage Comparison**



AMETHYST RESEARCH INC (ARI)

ARDMORE – The clean room in the infrared materials laboratory on the campus of Amethyst Research Laboratories buzzes with activity as scientists in white lab coats, caps and booties focus on a delicate procedure.

They are implementing a process called hydrogenation, which enhances the performance of infrared sensors used by the military, law enforcement and Homeland Security agencies.

“We help provide a value-add to these sensors,” said Dr. Terry Golding, co-founder and Chief Technology

Officer of Ardmore-based ARI. “The processes we use allow the yield rates to be improved, the performance to be improved. The technology is unique to ARI, with multiple patents pending and in-house know-how.”

Dr. Golding has assembled a team of 17 employees – including 10 Ph.D.-level scientists – to perfect the hydrogenation process at ARI’s Ardmore headquarters. The company operates out of approximately 10,000 square feet of space in an Oklahoma community of approximately 25,000.



“Many of our staff have welcomed the extremely high quality of life – affordable housing, recreational facilities, equestrian facilities – that southern Oklahoma provides,” said Dr. Golding, whose wife and co-founder, Sallie Reddy, is a Tishomingo native. “There is also ready access to both DFW and Oklahoma City airports, which is important for a lot of our work.”

Ardmore has served as the company’s headquarters since it was founded in 2004.

ARI quickly established a relationship with i2E that included a 2006 Governor’s Cup competition team that wrote a business plan developed around ARI’s concept. Team member Rob Kuester, ARI’s Manager of Facilities, became the company’s first full-time employee after graduating from the University of Central Oklahoma.

In 2007, ARI received a \$150,000 proof-of-concept award from i2E, and ARI has drawn interest and dollars from government agencies into Oklahoma. ARI’s research and development has been funded with \$7 million in contracts from the National Science Foundation, the U.S. Army, the Air Force and Navy, as well as the Defense Advanced Research Projects Agency, better known as DARPA.

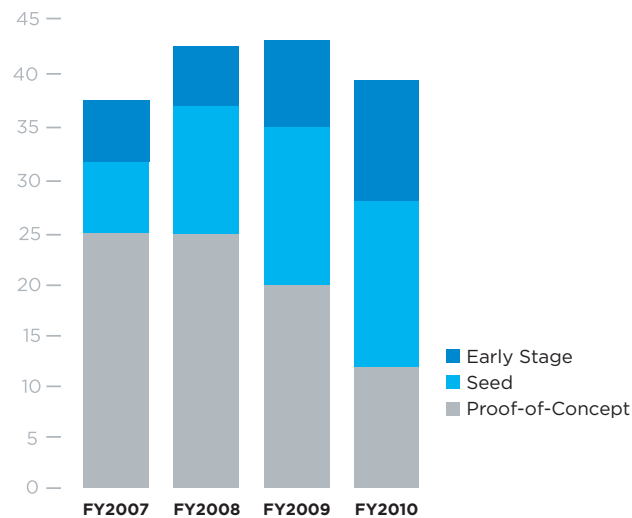
State funders are on board, too. ARI was awarded a \$1.5 million EDGE grant last year in collaboration with Oklahoma State University and the University Multispectral Laboratory, as well as \$500,000 from the Oklahoma Nanotechnology Applications Project through OCAST.

It takes patience...

We focus on companies from various funding stages that range from proof-of-concept to the Growth stage.

In FY2010, we helped position 39 companies for funding, with 77% of these companies securing \$31.4 million in private equity. Over the past fiscal year, companies positioned for funding were distributed across several funding stages.

Portfolio Companies Positioned for Funding by Funding Stage



Our funding resources, proof-of-concept, seed and angel, are targeted to help companies move from one development stage to the next.



BENEFIT INFORMATICS



TULSA - The future of Benefit Informatics was very much in doubt in 2004 when founder and CEO Philip Kurtz called his employees together for an emergency meeting. Its business model as a third party health plan administrator was failing because a company to which it outsourced key payment functions could not meet the demand.

"We were within days of closing down the business," Kurtz recalled. "I called the meeting and let everyone know that next week we may have to close the doors and file for bankruptcy. Bankruptcy never happened.

Kurtz negotiated deals with creditors to keep the doors open, then changed the company's direction. Benefit Informatics, which had received \$100,000 in proof-of-concept funding from i2E early in its history, began selling technology it developed to provide health care data analysis to self-insured employers.

"We had to have a lot of patience to keep plugging away and create something successful," Kurtz said. "We had very little money to do that, so we had to bootstrap our way to being successful."

Slowly, the company began to grow and acquire new clients, despite financial limitations. By 2010, Benefit Informatics provided a suite of Web-based data analysis software to more than 2,000 customers nationwide and employed

20 people at its Tulsa headquarters.

"We were very successful in moving in that other direction," Kurtz said. "We were bootstrapping and growing a little bit every year, building a good-sized company, but we had to do that with very little capital."

The payoff came in August 2010 when the company was acquired by Benefitfocus, a bigger company that provides health care plan enrollment software to 300,000 employer groups nationwide.

Benefit Informatics will continue to operate from its Tulsa headquarters as a stand-alone subsidiary of the new owner. The products of the newly merged companies complement each other and open up a vast new market for Benefit Informatics.

"With our product in the hands of their sales organization of 40 people, we expect that will quadruple the size of our company over the next three years and create substantial employment opportunities," Kurtz said. "We've got 20 people in the company and are currently recruiting for five new positions." Patience and persistence was rewarded for Kurtz and his investors.



"We started in a hole and had to dig our way out."

It takes time...

Seventy percent of our portfolio companies reported that their involvement with i2E led to the creation of new jobs. In fact, in the previous 12 months they experienced a **20%** growth rate and added **159** jobs in Oklahoma.

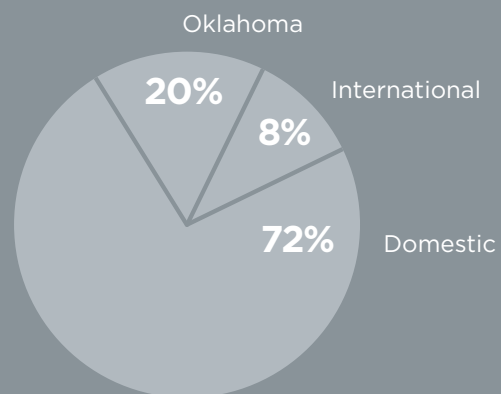
FY2010 Portfolio Companies' Job Growth

	2008	2009	2010
State Average	1.4%	-1.9%	-0.1%
i2E Portfolio Companies	34%	36%	20%

Over the past three years, i2E's portfolio has consistently outperformed the market in job growth rate.

i2E's portfolio is producing technology focused products and/or services targeted at large domestic and international markets. Our portfolio companies report that almost **80%** of their revenue is generated from sales outside Oklahoma.

FY2010 Portfolio Companies Sales Distribution



SOLARC

TULSA – As startups go, SolArc, Inc., is hardly the new kid on the block.

SolArc was co-founded by CEO Brad Anderson and two others almost 20 years ago and will generate about \$60 million in revenue this year from the sophisticated commodity trading and risk management software it developed and sells worldwide.

"We are often classified as a startup company, but we are a 20-year-old startup," Anderson says with a laugh. "When you are trying to do something that is big and complex and is going to change an industry, it takes time."

Created as a Tulsa-based IT consulting firm, SolArc quickly recognized challenges energy companies faced in commodity trading and risk management. SolArc created what became its flagship software product - RightAngle - in 1994 and carved out a large - and growing - niche.

SolArc expanded beyond energy to industries that trade or consume any commodity - investment banking, transportation and food and beverage companies. It also relocated its headquarters to Houston while maintaining about 85 employees in its Tulsa office that continues to serve a vital role.

"Tulsa is still home to the heartbeat of our company and houses our development, customer support and training departments," said Anderson, an Oklahoma City native who earned a degree in electrical engineering from Oklahoma State University.

SolArc also has expanded beyond U.S. borders with offices in Singapore and London. About 40 percent of its sales to roughly 90 Fortune 500-level companies with 7,000 RightAngle users is now generated outside of North America.

The company's expansion was fueled in part by a capital round in 2003 when California-based Technology Crossover Ventures invested more than \$25 million in SolArc.

Anderson cited a relationship with i2E as beneficial to the company through business advice, shaping its investor presentation and networking opportunities.

"i2E is always helpful in introducing people, and can help mentor you in understanding the next phase of business you are going through," Anderson said. "If you are going to engender the next generation of business leaders in the local community there, I think you have to have the support infrastructures like i2E in place."

New opportunities and ideas on how to meet them continue to arise for SolArc.

"We spend as much in a year as we used to spend in two or three years on R&D, and we still have more that we can do," Anderson said. "We've got ideas of things that are going to become reality, and it's going to take years to do."

It takes skills...

Entrepreneurial Development

The Donald W. Reynolds Governor's Cup competition and i2E Fellows program are evidence of the grow-your own entrepreneurial philosophy pursued by i2E.

We created these programs to identify and develop young talent that will take its place in the next generation of high-growth companies in Oklahoma.

They competed for nearly **\$200,000** in cash, **\$40,000** in fellowships, **\$15,000** in scholarships and other opportunities.

Governor's Cup Six Year Impact

- **26** campuses statewide
- **800** college students
- **220** Innovative ideas
- **\$900,000** in cash awarded
- **\$30,000** in scholarships
- **\$80,000** in fellowships



The emerging entrepreneurs wrote business plans that outlined strategies for taking the innovations to market and pitched them before panels of business leaders.

Students from college campuses across Oklahoma devised technology-based solutions that solved big problems for large markets.

CASH AWARDS: In-Line Imaging from the University of Oklahoma claimed the **\$20,000** first prize in the graduate division with a business plan that described a new breast imaging technology that produces better images with a lower exposure to radiation.

In the **undergraduate division**, **UniPHI**, also from OU, claimed the **\$20,000** first prize with a plan that outlined a Web-based technology that allows previously incompatible health care databases to communicate and share information with each other.

In the **graduate division, second-place** winner **Zephyrus** from OU won a **\$10,000** prize for its plan to use a software-based technology to more efficiently locate wind turbines for use in power generation.

Winner of the **\$5,000 graduate division third place** was **Novel Water Softening** from Oklahoma State University, which described plans to use special filters that eliminate chemicals from water used by the dry cleaning industry.

In the **undergraduate division second-place** winner **Swaasth** from Oklahoma City University claimed the **\$10,000** prize with a plan to commercialize a chemical assay that determines the potency of vitamins and nutritional supplements sold in health food stores and pharmacies.

Third place winner in **undergraduate division** was **Samson Technologies** from OU, which claimed the **\$5,000** prize with a unique plan to use human hair to reinforce concrete in developing countries such as Haiti.

The first-and second-place winners in each category also competed in the annual Tri-State competition in Las Vegas against teams from Arkansas and Nevada.

UniPHI won **second place** in the **Tri-State event**.

The 2010 Governor's Cup competition also rewarded both individuals and teams with prizes and scholarships in separate competitions.

CONTINUING EDUCATION: Three Governor's Cup participants won Paulsen Award scholarships from the Oklahoma Business Roundtable: Adele Rehm from Oklahoma City University and Daniel Reches and T.J. Moen from the University of Oklahoma each were awarded \$5,000 scholarships to any Oklahoma college or university campus for the fall semester.

POSITIVE ENERGY: In addition to its second place graduate division prize, Zephyrus also claimed a \$5,000 prize in the first OG&E Positive Energy Award, which recognized the best business plan that described technology to enhance energy generation, conservation, new delivery methods or areas to use or generate energy more efficiently.

OFFICE SPACE: The HÄLSA, Inc, team from Oklahoma State University was recognized as the first recipient of the Al Tuttle Business Incubation award. The award brings the winning team a year of rent-free office space and business services in one of four participating Oklahoma business incubators.

Team members Niccole Grimaldi and Megan Horton wrote a business plan around the SecuriteStability Frame, which provides support and balance to patients during physical therapy, rehabilitation and exercise. They both will continue on with the business concept and chose to incubate at the Meridian Technology Center campus in Stillwater.



The i2E Fellows program provides real-world experience for talented young future entrepreneurs through paid fellowships with Oklahoma technology start-up companies. Fellows selected for the program work directly with the entrepreneurs for a period of 10 weeks on specific projects developed for the skills they bring to the company.

Sponsored by the Greater Oklahoma City Chamber, the i2E Fellows program draws students from the Governor's Cup program who apply for the competitive positions.

The 2010 i2E Fellows were selected after a series of interviews with participating companies.

Fellow: Phuong Le is working toward a Master of International Business at Oklahoma State University, where she received her BA in Advertising and Public Relations.

ENB Science, a Ponca City company that incorporates human pharmaceutical quality and technology for use in companion animal nutritional products.

Project description: Phuong contributed to the company's international distribution plans, development of a Web-based community of users and production of promotional and marketing materials.



Fellow: Brie Caywood graduated from the University of Tulsa in May with a Bachelor of Science in Business Administration in Management with Specialization in Entrepreneurship.

ENB Science, a Ponca City company that incorporates human pharmaceutical quality and technology for use in companion animal nutritional products.

Project description: Brie coordinated launches of new products in the feline, pre-biotic and veterinary areas.



Fellow: Bridget Poputa-Clean (Shuck) is a Senior at Oklahoma City University. She is working toward a BSB in Marketing and a BA in Mass Communications.

MediaQuake, the Oklahoma City-based parent company of BuzzVoice, which converts news and blogs into audio files.

Project description: Bridget helped to develop a comprehensive analysis to assess potential areas for market development and resource deployment with a strong focus on promoting BuzzVoice with social media technologies.



Fellow: Adele Rehm graduated in May with a MBA with a finance and international business emphasis from Oklahoma City University. Finance and International Business. She holds a BSB in Marketing, also from OCU.

Otologic Pharmaceuticals, an Oklahoma City company created specifically to commercialize promising technologies that address novel solutions for hearing and balance health.

Project description: Adele worked directly with the company's CEO, focusing on capital development, project management and competitive intelligence.



It takes presence...

FY2010 Media and Marketing Highlights

- 101 clients positioned for investor presentations.
- Conducted a full-day entrepreneurial workshop for 250 college students and faculty advisors in cooperation with the Oklahoma EPSCoR.
- Offered networking opportunities with three Tech Night Out and four Innovators and Entrepreneurs luncheons in Oklahoma City and Tulsa that connected clients to Oklahoma business leaders and investors.
- Prepared three radio show interviews and one television interview.
- 39 articles on 19 clients appeared in state newspapers and another 69 articles pitched to media were published.
- National and local reporting of i2E's \$1 million matching grant from the Economic Development Administration.
- 35 weekly columns titled Innovation & Entrepreneurs ran in The Oklahoman.
- 19 client stories and 11 articles on Oklahoma entrepreneurial topics were shared through our i&E magazine.



i2E, Inc., established a strong online presence in social media last year, creating a popular Governor's Cup fan page on Facebook and staking out territory on Twitter.

The strategic shift into social media was designed to enhance i2E's mission of fostering successful, technology-based companies and developing entrepreneurs to build wealth for Oklahoma.

Despite the move into new media, i2E continued to maintain strong relationships with traditional media like daily newspapers and local television.

CEO Tom Walker began writing a weekly column in October for The Oklahoman, the state's largest daily newspaper. By year end, he had published 35 of the Innovations & Entrepreneurs columns on sources of risk capital, federal grant programs and profiles of i2E client companies.

i2E worked behind the scenes to help clients tell their stories to the public through Oklahoma media. During the year, 39 articles on 19 clients written by i2E team members were published in state newspapers. Another 69 articles on topics i2E pitched the media were published.



Sometimes, the stories were best told in the i&E Magazine, published by i2E for a nationwide readership of 3,500. Last year, 19 client stories and 11 articles on Oklahoma entrepreneurial topics were shared through the magazine. Entrepreneurs in Ponca City, Tulsa and Oklahoma City were featured on the magazine cover.

i2E made news of its own last year when it received a Best Practices award from the International Economic Development Council Association. i2E also was recognized for the second consecutive year by Inc. Magazine as one of the nation's top 20 economic development initiatives, featured in a two-page magazine spread under the headline "Where Great Ideas are Born."

The year was capped by the announcement in early June that i2E had been awarded a \$1 million

matching grant from the Economic Development Administration to develop an accelerator program that will launch new tech based businesses. The story was widely reported across Oklahoma and beyond.

Whether the communications route took i2E through new frontiers of digital media or through the newsrooms of daily newspapers, the goal remained the same: creating home grown economic development for Oklahoma.

In coming months, i2E will push even deeper into digital media. A redesigned Web site will debut, highlighted by video interviews with entrepreneurs and timely blogs from the i2E team as it fulfills that mission with tools that tell the story of Oklahoma's tech-based economy.

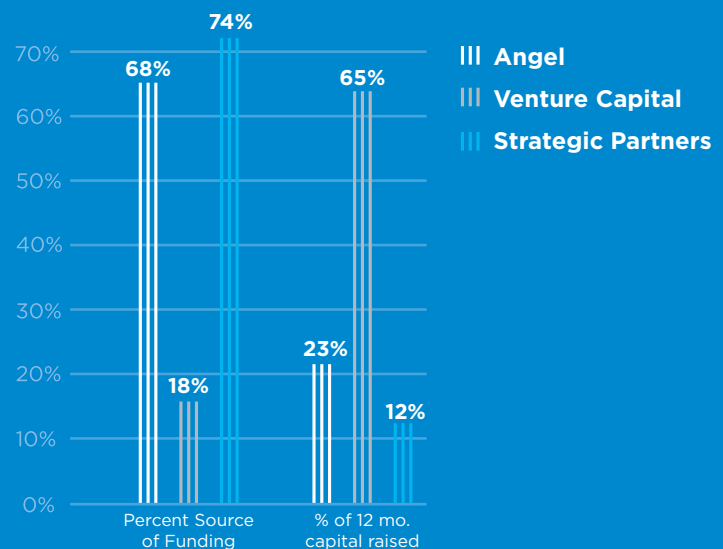
It takes focus...

Access to Capital

i2E knows how essential risk capital is to technology-based start-ups and has provided Oklahoma entrepreneurs access to funding through state-legislated funds, the OCAST Technology Business Finance Program and the Oklahoma Seed Capital Fund. Both of these funds target companies at certain stages of their growth, and are supplemented by the i2E managed SeedStep Angels group of private investors.

Over the past eleven years, **38 of 44** Oklahoma tech based companies that received venture capital investment were i2E clients. These companies received **90%** of all venture capital investment in Oklahoma technology companies during that period.

FY2010 Comparison of Equity Funding for Portfolio Companies



Nearly **68%** of our portfolio companies raised angel capital this past year while the **18%** of companies that accessed venture capital accounted for nearly **65%** of the capital raised.

EXPERT TA

TULSA – Dr. Jeremy Morton's journey down the entrepreneurial path began with a concept to change the way that complex math and engineering problems are graded at the nation's major universities.

Dr. Morton founded Tulsa-based Expert TA to turn his concept into reality, creating the technology, hiring a software developer and raising the capital necessary to complete its development. He became an i2E client early in the life of his company and focused on financial milestones.

"My focus was extremely intense during early fund-raising stages," Dr. Morton said. "I was trying to raise money in a pretty tough economy. The bottom line was that if I didn't focus and make that happen, there wouldn't be a company to build."

Today, Expert TA is poised to launch a commercial version of software that provides human-like partial credit grading for multiple-step problems.

Now those challenging math and engineering problems can be graded by a computer, freeing graduate teaching assistants to spend more time mentoring students, as well as reduce staffing levels.

Dr. Morton began developing the technology while earning his Ph.D. in Mechanical Engineering at North Carolina State University. He then took a teaching position with Oklahoma State University and brought the still-in development technology with him.

i2E contributed to Expert TA's development through a proof-of-concept funding award, business mentoring and launch space at its Tulsa office. Dr. Morton successfully raised capital from the SeedStep Angels group, and is positioning the businesses for additional investment from the Oklahoma Seed Capital Fund as well as follow-on investment from the angel group.

"i2E has been extremely supportive throughout this process," Dr. Morton said. "They facilitated the first \$100,000 that I raised for the company. In addition, Richard Gajan and David Thomison have been extremely helpful."

Expert TA employs a director of sales and marketing, a full time programmer and four contract employees to complete development of the software. Potential customers have indicated an eagerness to put Expert TA's technology to work.

"We have received confirmation that our software will serve a need not currently being met by other providers of educational software," he said.

Bottom line for Morton: the journey has been challenging but worthwhile.

"What could be more fun than taking something that you have made and that you are proud of to the rest of the world," Dr. Morton said. "And what could be more challenging than making it happen in a tough market?"

All it took was focus.

Proof-of-Concept Fund

Since 1999, a total of 102 Oklahoma companies have received \$9.5 million in critical proof-of-concept funding through the OCAST Technology Business Finance Program. (TBFP)

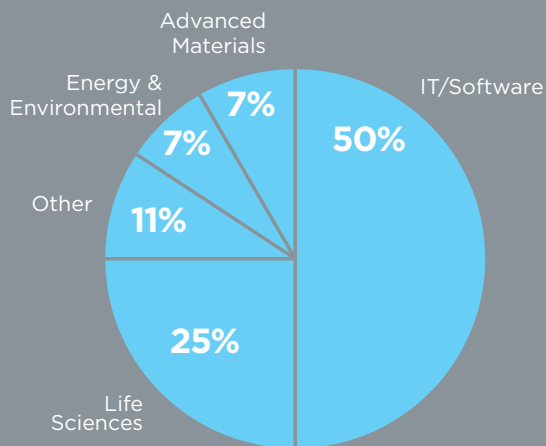
The fund has also proven to be a success in collecting and reinvesting repayments. Over \$3.4 million, or almost 40%, of capital available for new investments has been provided by repayments from award recipients.

102
Companies Funded

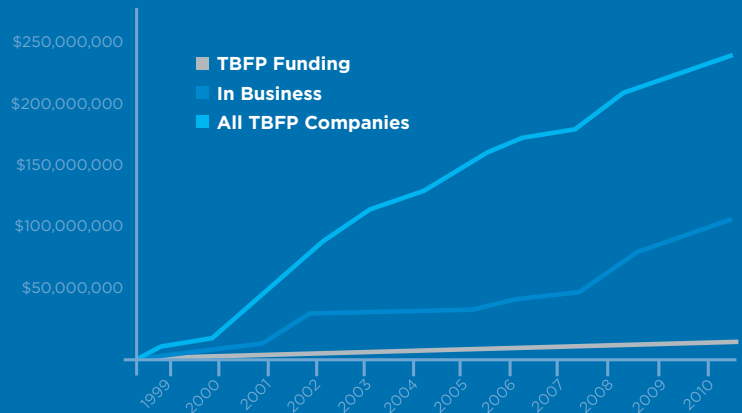
37%
Entrepreneurs Funding
Entrepreneurs

72%
Survival Rate

Portfolio Companies by Industry
1999-2010



Private Equity Investment
1999-2010



Over its history, TBFP funding has helped companies subsequently raise **\$223 million** in private capital, creating a leverage ratio of **23:1** for the state's investment and with **69%** of our portfolio receiving true venture capital.

“Access to organized risk capital early in a company’s life greatly increases the survivability”

– U.S. Small Business Administration

Proof-of-Concept Fund

In the past year, we reached a milestone in the 100th company to receive our proof-of-concept funding, which has been shown by an independent academic study to significantly increase the likelihood that recipients will raise equity-based capital in the future.

FY2010 Proof-of-Concept Portfolio Economic Impact

- **\$29M** in annualized revenues
- **90%** of revenues outside state
- **\$18M** in annualized payroll
- **298** full time employees equivalent
- **74%** of jobs: Bachelor's or higher
- Average wage of **\$68,558**
- **24** patents filed, **18** issued

In FY10, results were released on an independent impact study conducted on Oklahoma companies that received proof-of-concept funding as compared with Oklahoma companies that did not.

The study, by Dr. Lowell W. Busenitz, Price College of Business, University of Oklahoma and Dr. David M. Townsend, College of Management, North Carolina State University, found that companies that receive TBFP funding are:

- "Significantly more likely" to raise equity-based capital.
- Raised almost \$550,000 more in seed/early-stage capital.
- Yielded almost \$800,000 more in seed/early-stage funds.
- More likely to receive capital from funds outside the state of Oklahoma.

FY2010 INVESTMENTS

A3Environ is commercializing a patented wastewater treatment technology, CLEANFRAC H2O, to optimize recycling of flowback water from hydraulic gas well fracturing. It will manufacture and lease mobile treatment units to field service companies.

ENB Science LLC, has entered the animal health arena with innovative products designed to improve quality and convenience. True-Dose dietary supplements are easy to use, accurate and dosed to match the weight and need of pets.

Expert TA is an educational software company that has tackled the never before solved problem of partial credit grading of complex equations, such as those found in engineering. The company will provide a Software as a Service (SaaS) homework assessment tool to engineering, physics, and math departments at colleges and universities.

EZVein is a medical device apparatus which will revolutionize the vein access market. It solves a very difficult problem with its simplistic design and possesses the capability to become the “standard of care” in the industry by saving lives, time, and costs.

Innovative Equine Technologies (IET) focuses on bringing new technology to the veterinarian market. The direction will be a combination of building new technology from science as well as adapting existing technology in the medical field and launching it into the animal health industry.

Next-Gen Wind, LLC is a startup alternative energy design company seeking to commercialize a new wind to electric power conversion technology that has three advantages over traditional tower-mounted wind turbine platforms: (1) reduction in construction costs, (2) generation of scalable electric power in a lower spectrum of wind velocities and (3) reduction in long-distance visual and environmental impact.

Otologic Pharmaceuticals, Inc. (OP) is an Oklahoma headquartered organization formed specifically to commercialize promising technologies that address novel pharmacological solutions for hearing and balanced health. The combined research and business experience of the Hough Ear Institute, (“HEI”), Oklahoma Medical Research Foundation, (“OMRF”) and American BioHealth Group, (“ABG”), have aligned under Otologic Pharmaceuticals, Inc. to discover and commercialize therapeutic agents to combat the debilitating effects of sensorineural hearing loss (SNHL).

uVizz is the first platform for user-generated advertising designed specifically for social networks. Their proprietary network allows for the distribution and management of user-generated content on behalf of advertisers, tracking views, gathering demographic information, and compensating both the ad creators and the users who successfully further the distribution of the content.



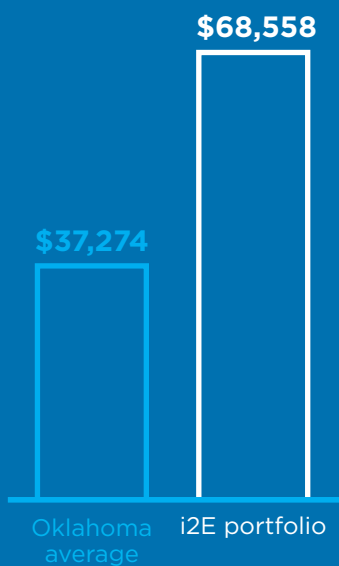
It takes intellectual property...

Proof-of-Concept Fund

Proof-of-concept funded companies are creating new intellectual property, with 109 patents issued and 73 new products developed.

In FY2010, these portfolio companies reported their employees earned an average of \$68,558 annually, almost double the average annual wage of all Oklahomans.

FY2010 Fund Portfolio Average Annual Wage Comparison



SOUTHWEST NANOTECHNOLOGIES



NORMAN – Imagine a world in which the circuitry for LED lighting is printed onto a piece of paper. Or the electronics for energy storage devices, RFID tags, sensors, touch screens and much more are not etched into silicon but applied to paper or fabric with nothing more than printers' ink.

That's the world imagined by Dave Arthur, CEO of SouthWest NanoTechnologies (SWeNT). The company is making it happen today with the patented carbon nanotubes it produces in its 18,000-square-foot production plant in Norman.

"It's a disruptive technology," Arthur said.

The carbon nanotube (CNT) ink technology provides flexible, transparent and inexpensive electronics that promise to reduce costs and expand capabilities. Carbon nanotubes are the strongest known materials, yet are highly flexible, making them appropriate for many commercial applications.

SWeNT was founded in 2001 to commercialize breakthrough CNT manufacturing technology invented by Dr. Daniel Resasco at the University of Oklahoma. The technology is protected by 23 U.S. and foreign issued patents with seven additional foreign patents to be issued this year.

The strong IP portfolio surrounding SWeNT's technology has contributed to its success in pursuing capital and in development of strategic alliances in the commercialization

of new nanomaterial products, Arthur said. SWeNT is a partner with Boston-based Chasm Technologies, Inc., in the development of innovative CNT inks and pastes.

"The strength of SWeNT's IP portfolio and our proven ability to develop customized CNT solutions are significant factors as we successfully engage collaboration partners," Arthur said. "A significant portion of SWeNT's valuation is derived from the strength of its IP portfolio."

SWeNT established a strong relationship with i2E early in its history, which has yielded both business advice and capital in the form of a \$100,000 proof-of-concept award.

"Early in SWeNT's formation years, i2E was an invaluable partner, providing both financial resources along with counsel as the company moved from an R&D activity to a legitimate manufacturing concern," Arthur said.

By the end of 2010, SWeNT expects to employ 26 people at its Norman headquarters and generate revenue growth of more than 300 percent over 2009. Meanwhile, the first commercial applications using its CNT ink product should be launched early in 2011.

"A strong IP portfolio is an imperative as SWeNT moves to penetrate this highly competitive industry segment," Arthur said.

SouthWest NanoTechnologies' growing portfolio of intellectual property ensures that Arthur's vision of a nano-powered future will become a reality.

It takes multiple sources of capital...

Seed Capital

The Seed Capital Fund provides Oklahoma entrepreneurs with the capital and support needed to move a technology from proof-of-concept to product launch.

The Fund has invested almost **\$4 million** in **seven companies**. These companies attracted more than **\$17 million** of co-investment.

FY2010 Seed Capital Fund Economic Impact

- **47** full time employees
- **27%** job growth rate
- Average Annual wage of **\$97,626**
- **48** patents filed, **23** issued
- **\$5.9M** in revenue
- Nearly **\$5M** in federal grants



SELEXYS PHARMACEUTICALS

OKLAHOMA CITY – There is a famous line from Samuel Taylor Coleridge’s epic “Rime of the Ancient Mariner” that says “water, water everywhere, nor any drop to drink.”

Dr. Scott Rollins can relate to the dilemma faced by the fictional ancient mariner.

As CEO of Oklahoma City’s Selexys Pharmaceuticals, Dr. Rollins has celebrated the award of the two largest SBIR grants ever awarded an Oklahoma company, totaling more than a combined \$6 million. Yet, restrictions on the use of those federal grant dollars required that Selexys search for multiple sources of capital to advance the company.

“It will cost approximately \$15 million to move our two drug candidates through Phase I clinical trials,” Dr. Rollins said. “We have raised almost \$12 million in grants and seed funding and need an additional \$3-4 million to cover manufacturing costs and supplies to meet the key Phase I milestones.”

Selexys expects to begin human clinical trials in 2011 on two drugs to treat Sickle Cell and Crohn’s disease.

In 2009, the Company was awarded a \$3.2 million SBIR grant from the National Institutes of Health to advance the Sickle Cell drug and in mid-2010 was awarded a \$3.2 million SBIR grant for its Crohn’s Disease drug development from the National Institute of Diabetes and Digestive and Kidney Diseases.

But the grant award monies only cover specific activities such as toxicology studies, salaries and clinical trials. “We have had great success in securing \$8.5 million in grants and will fill the gap not covered by the grants with capital raised from Oklahoma Investors,” Dr. Rollins said.

Selexys’ first private investment came from the \$3.5 million raised from Oklahoma investors, which included i2E’s Oklahoma Seed Capital Fund, the Oklahoma Life Sciences Fund, as well as the Selexys management team and local investors.

In addition, Selexys was awarded \$1.8 million by the Oklahoma EDGE Policy Board and \$300,000 from OCAST to advance its Crohn’s Disease drug.

Dr. Rollins envisions building a “fully integrated” pharmaceutical business in Oklahoma.

“This is an opportunity to put Oklahoma on the map as a state that can support the development of fully integrated pharmaceutical companies,” he said. “The team at i2E played a significant role in our early success as an investor, member of the Board of Directors and supporter of the company in general.”

Dr. Rollins has met with more than 20 venture capitalists in the past year, seeking up to \$20 million to carry Selexys through Phase 2 clinical trials. He is not about to embrace the dilemma of the ancient mariner for Selexys Pharmaceuticals.

SeedStep Angels

The next logical step in creating new sources of risk capital for Oklahoma entrepreneurs was the development of the SeedStep Angels group in mid-2009. The group quickly grew into the largest angel investment network in this region of the U.S.

By fiscal year-end, membership in the Angel group had nearly doubled from its original 15 successful Oklahomans who are seeking investments with large potential returns and opportunities to guide and mentor companies.

The first formal investment by a SeedStep Angels member was placed in Tulsa's Emotion Media, and others quickly followed. Expert TA. Search & Clear.

The group screens approximately four deals monthly and selects two for presentations. While opportunities are presented to the whole SeedStep Angels group, members make investment decisions individually.

The SeedStep Angels fill a funding gap for Oklahoma's tech-based entrepreneurs, who could turn to few in-state sources of potential risk capital to help build their businesses until the angel group was formed. It is part of an overall strategy by i2E to build organized capital in the state and region.

For i2E, the SeedStep Angels added a third funding option for tech-based startups. The angel

group joins the state-funded Technology Business Finance Program and the Oklahoma Seed Capital Fund as sources of capital offered by the i2E team.

Pent-up demand for the angel group is obvious.

Not only are entrepreneurs eager to make their pitch to the angels, but interest from successful Oklahomans who seek the type of investment deals offered the group also is strong. A Tulsa chapter of the group is being formed, and angel investors from areas such as Enid and Ponca City also have shown interest.

We call it a win-win for everyone in Oklahoma.



MEMBER OF



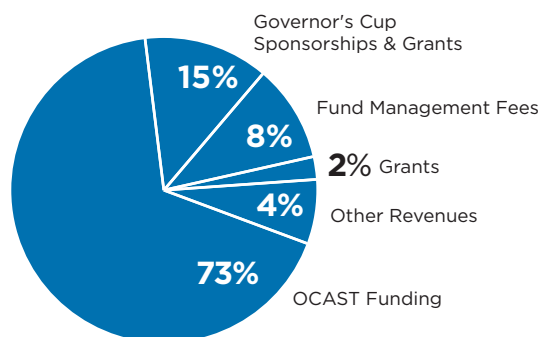
ANGEL CAPITAL ASSOCIATION

i2E FY2010 FINANCIAL REPORTS

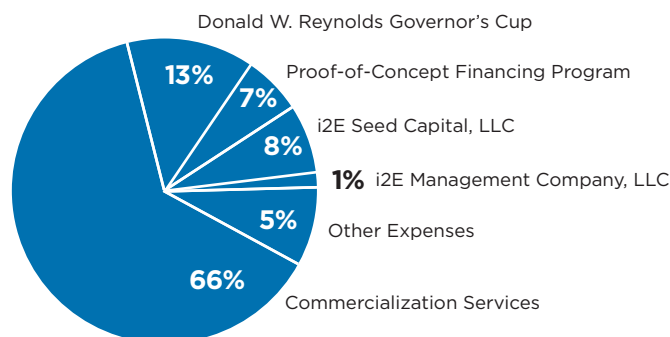
Statement of Financial Position	2010	2009
Assets		
Current Assets		
Cash & Cash Equivalents	295,646	206,127
Accounts Receivable	271,695	417,200
Certificates of Deposit	474,674	400,631
Total Current Assets	1,042,015	1,023,958
Furniture, Fixtures and Equipment, Net	50,557	54,467
Investment in Oklahoma Seed Capital Fund	78,822	57,000
Other Assets	4,551	4,551
Total Assets	1,175,945	1,139,976
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	30,994	65,020
TBFP Awards Payable	-	7,000
TBFP Reinvestment Fund Payable	106	56
Accrued Liabilities	42,172	43,564
Total Current Liabilities	73,272	115,640
Accrued Liabilities, Noncurrent	4,551	4,551
Total Liabilities	77,823	120,191
Net Assets		
Unrestricted	283,418	513,774
Unrestricted - Board Designated	814,704	506,011
Total Unrestricted Net Assets	1,098,122	1,019,785
Total Liabilities and Net Assets	1,175,945	1,139,976

Statement of Activities	2010	2009
Revenues		
OCAST Funding	2,074,782	2,238,575
Governor's Cup Sponsorships & Grants	438,625	414,172
Fund Management Fees	220,093	252,500
Grants	46,864	46,720
Other Revenues	120,784	102,389
Total Revenues	2,901,148	3,054,356
Expenses		
Commercialization Services	1,852,680	2,017,387
Proof-of-Concept Financing Program	203,987	194,487
i2E Seed Capital, LLC	220,024	202,538
i2E Management Company, LLC	28,673	82,606
Donald W. Reynolds Governor's Cup	379,933	347,926
Other Expenses	137,514	146,913
Total Expenses	2,822,811	2,991,857
Excess of Revenues Over Expenses	78,337	62,499
Net Assets at Beginning of Year	1,019,785	957,286
Net Assets at End of Year	1,098,122	1,019,785

FY2010 Revenues



FY2010 Expenses



Sources of State Funding: OCAST provides funding for i2E Commercialization Services, the TBFP Proof-of-Concept Fund and is an investor in the Oklahoma Seed Capital Fund.

BOARD OF DIRECTORS

Roy Williams, Chairman, Greater Oklahoma City Chamber

Michael LaBrie, Secretary McAfee & Taft

Howard Barnett, Jr., Oklahoma State University -Tulsa

Sean Bauman, Immuno-Mycologic, Inc.

James Bode, Bank of Oklahoma, N.A.

Mike Carolina, OCAST

Bob Craine, TSF Capital, LLC

Steve Cropper

Phil Eller, Eller Detrich, P.C.

David Hogan, Hogan Taylor, LLP

Phil Kurtz, Benefit Informatics

Hershel Lamirand, III, Oklahoma Health Center Foundation

Merl Lindstrom, ConocoPhillips, Inc.

Dan Luton, OCAST

Fred Morgan, The State Chamber

Mike Neal, Tulsa Metro Chamber

David Pitts, Stillwater National Bank

Amy Polonchek

Mark Poole, Summit Bank

Stephen Prescott, OMRF

Darryl Schmidt, BancFirst

Craig Shimasaki, BioSource Consulting

Sheri Stickley, OKBio

Wes Stucky, Ardmore Industrial Development Authority

Dick Williamson, TD Williamson, Inc.

Duane Wilson, LDW Services, LLC

Don Wood, Norman Economic Development Coalition

i2E TEAM

Tom Walker, President and CEO

David Thomison, Vice President, Investments

Rex Smitherman, Vice President, Operations

Wayne Embree, Vice President, Entrepreneur Services

Sarah Seagraves, Vice President, Marketing

Tom Francis, Director, Investment Funds

David Daviee, Director, Finance

Richard Gajan, Executive Advisor

Richard Rainey, Executive Advisor

Casey Harness, Business Analyst

Kenneth Knoll, Manager, Concept Funds

Scott Thomas, IT Manager

Grady Epperly, Marketing Manager

Michael Kindrat-Pratt, Coordinator, SeedStep Angels

Jim Stafford, Communications Specialist

Cindy Williams, Investment Assistant

Jennifer Buettner, Executive Assistant

Institutional Governance

i2E Strives to have the highest standards of corporate governance practice and ethical conduct by all board members and staff. Consistent with those intentions, i2E has adopted the following charters for its Board of Directors and Board Committees:

Board of Directors Charter of Governance: Sets and ensures fidelity to i2E's mission. Reviews and approves organizational strategy, goals, plans, and budgets. In addition the board is charged with establishing policies, approving major engagements in public policy, and ensuring that management systems are in place for compliance.

Executive Committee Charter: The function of the Executive Committee is to exercise powers of the Board of Directors on matters which arise between regularly scheduled Board meetings or when it is not practical or feasible for the Board to meet. This Committee also reviews and monitors all compensation, benefit and human resource policy matters, plus monitors and evaluates the performance of the corporation's CEO.

Finance and Audit Committee Charter: The primary purpose of this Committee is to assist the Board of Directors in fulfilling its fiscal oversight responsibilities. It serves as an independent

and objective party to monitor the integrity of the Corporation's financial accounting and reporting processes and internal control system. **Nominating and Governance Committee Charter:** The Committee assists the Board in developing and overseeing the Corporation's policies and procedures regarding Board composition and recommendations of candidates for nomination to the Board.

Investment Committee Charters: The Board engages two Investment Committees, the Technology Business Finance Program Committee and The Oklahoma Seed Capital Fund Investment Committee to consider and approve applications for investment within the requirements of the investment programs.

Code of Ethics and Conflict of Interest

The i2E Code of Ethics and Conflict of Interest Policy outlines principles and standards of honesty and ethical accountability by which all board members and employees agree to adhere to with respect to the company and its associates.

Board Evaluation

The Board completes a board evaluation survey annually. The results of the evaluation are compiled and presented to the full Board for review and discussion.



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i2E is a 501(c)(3) private not-for-profit corporation focused on wealth creation by growing the technology-based entrepreneurial economy in Oklahoma. We are able to accomplish our mission through support from the Oklahoma Center for the Advancement of Science and Technology (OCAST). We would like to thank OCAST and the state of Oklahoma for their ongoing financial support. The success of i2E and our client companies also relies on the contributions of many individuals and organizations who invest their time, expertise, and capital in Oklahoma's start-up technology companies.

The economic impact statistics used throughout this report are based on client company responses to i2E's annual impact survey.