

Existing Oklahoma businesses need nurturing

Want to buy a business? Sell a business? If so, where do you go? Who do you call? How will it be handled? What will it cost?

Unfortunately for all of us, the answers are not apparent.

Why is this unfortunate? Because it causes a substantial drag on our economy.

How so? Stick with me and I'll explain.

We all want economic growth. To be sure, great effort is made to grow our economy. But to elevate economic vibrancy we have just two levers:

1) Grow the productive asset base (i.e. attract more money, labor, intellectual capital or productive capacity).

2) Increase utilization of the existing asset base.

Most of the economic development efforts focus on lever No. 1. Lever No. 2 is largely left in the hands of our free market system, where productive assets naturally migrate to persons or organizations that are able to maximize their yield. And so, vital



BUSINESS VIEWPOINT

David L. Perkins Jr.

to lever No. 2 and each of us is that this movement occurs efficiently.

For each asset class, the mechanism through which this occurs is a market. An efficient market has four vital characteristics:

▶ **A place** where buyers and sellers can meet and transact.

▶ **Standardization** of process, packaging and timing.

▶ **Skilled intermediaries** who can facilitate the exchange and contribute special knowledge.

▶ **Integrity and trust**. . . without which buyers and sellers will not participate.

During the past 200 years, many

markets have become more efficient, and standards of living have increased.

Take any commodity such as cotton, corn, oil or public securities. If you want to buy or sell you know where to go, how much it will cost, the time it will take and the prevailing price.

Or, if you're an employer and you want to purchase more labor, you know where to look. Ditto if you are selling your labor.

The real estate market also is standardized and efficient.

In all of these cases, assets are sold to persons or organizations that can put them to their highest productive use; wealth is created and it trickles through the economy.

Unfortunately and amazingly, the market for the exchange of private companies valued under \$50 million is incredibly undeveloped.

Why? The list of reasons would include the complexity of buying and selling businesses, related federal securities laws and the fact that

industry pioneers failed to develop goodwill and trust.

Now consider for a minute the value and productive capacity of all of the assets held in private business ownership in Oklahoma. I estimate it to be \$75 billion.

Lacking an efficient market for ownership exchange, these assets are not swiftly migrating to the best owners.

Industry veteran Tom West estimates that, at any point in time, 20 percent of business owners wish to sell. Why is this number so high?

Because owners lack an efficient, low-risk marketplace through which they more easily can find buyers who will pay a fair price.

The economic damage occurs because the owner who wants to sell is not as productive — and not investing as heavily in the long-term growth of the business — as the committed owner. The result is billions of dollars in productive assets underutilized in Oklahoma.

So I ask, why all the attention on

attracting venture capital and labor (lever No. 1)? Shouldn't we also be looking at lever No. 2 and asking, "Are we doing all that we can to maximize the wealth generated from our existing base of productive assets?"

Darn right we should. I am convinced that an efficient and robust market for buying and selling private companies eventually will develop. When it does, the economic benefits will pour out.

The only question is: Will Oklahoma be a leader or a follower?

Tulsa David L. Perkins Jr. consults on the purchase and sale of private companies valued between \$2 million and \$100 million.

To inquire about writing a Business Viewpoint column, e-mail a short outline of the article to Business Editor John Stancavage at john.stancavage@tulsaworld.com. The column should focus on a business trend; outlook for the city, state or industry; or discuss a topic of interest in a particular area of expertise. Articles should not promote the writer's business or be overly political.

Return to profit seen for airlines

By Gillian Wong
Associated Press

SINGAPORE — After six years of losing money, the global airline business is expected to be profitable in 2007, a top aviation official said Wednesday, and Asia will spearhead the industry's future growth.

By 2010, Asia will become the world's largest aviation market, accounting for one-third of the world's air traffic, said Giovanni Bisignani, the International Air Transport Association's director general and chief executive.

"Aviation is the world's most exciting industry and Asia is the region that is going to drive it forward," Bisignani said in a lecture. "Asia's growing importance is clearly defining a new leadership role in all aspects of the industry."

Bisignani said the Geneva-based IATA, which regulates international air transport, expects the global airline industry to make a combined net profit of \$3.8 billion this year.

The industry had suffered six years of losses, amounting to more than \$40 billion, as airlines were hit a lull in travel after the Sept. 11, 2001, terrorist attacks, high jet fuel prices and health scares like SARS.

European airlines would account for \$2.4 billion of the group's profit forecast, while Asia-Pacific airlines would make up \$1.7 billion. The profit is largely due to higher traffic.

But North American airlines would likely lose \$600 million this year, the group said, citing restructuring costs.

Bisignani said Asia can lead the industry by improving its standards in three areas — technology, policy and environmental protection through better fuel efficiency, and urged governments to develop a regional approach to policy-making on issues such as safety and liberalization.

He urged Asia to adopt electronic ticketing faster, noting that the penetration is only 68 percent in the continent, compared to the global average of 78 percent. The slow acceptance of e-tickets in Malaysia and Japan has lowered Asia's penetration despite a 95 percent penetration in China, he said.

According to industry estimates, the use of e-ticketing can save the industry a total of \$3 billion annually.

Bisignani also called for better use of technology to simplify passenger travel and improve air traffic management including biometrics — systems that record a person's fingerprints, retinas or facial patterns, for identification — for immigration processing.

Asia is ahead of the curve in maintaining a younger fleet of aircraft with an average age of 10 years compared to the global average of 12 years, which makes them most fuel efficient and environmentally friendly.



JONATHAN DRAKE / Bloomberg News

International Air Transport Association Director-General and CEO Giovanni Bisignani says Asia will become the world's largest aviation market by 2010, accounting for one-third of the world's air traffic.

LOANS:

At BOK, 2 percent of new mortgages are subprime.

FROM E-1

based lenders specialize in subprime.

Still, Oklahoma borrowers who have turned to subprime loans with interest rates that increase over time have run into as much trouble as borrowers nationwide. The MBAA estimated that 2.46 percent of Oklahoma subprime mortgages would end in foreclosure by the end of March, compared with 2.26 percent for the nation.

An additional 14.01 percent of Oklahomans with subprime mortgages will fall behind on payments, down slightly from the 14.27 percent nationwide.

The organization did not release information on the percentage of Oklahoma borrowers who

obtain subprime loans.

Margo Mitchell, president and CEO of Credit Counseling Services Center in Tulsa, said she's seeing more subprime borrowers come to the center for help, but not in overwhelming numbers.

"Subprime mortgages weren't a cause in the past, but we're seeing it more frequently," she said. "I don't think it'll be as drastic as other areas of the country."

Richard Smith, senior vice president of national production for BOK Mortgage, a division of Bank of Oklahoma, said subprime rates didn't increase as quickly in Oklahoma largely because housing prices remained stable, unlike other parts of the country.

"Housing appreciation has been at a more normal pace here," he said.

Usually, subprime mortgages are issued to borrowers with poor credit scores, or who are unable to borrow as much as they'd like via traditional mortgages, Mitchell said.

"People really, really want to own a home, so they get what they can afford at first without realizing the payment would go up," she said.

Though the amount of subprime mortgages issued by Oklahoma banks remains relatively low, the number has grown somewhat. Smith said BOK Mortgage just started issuing subprime loans because of increased demand in January, though the company takes care to steer customers away from unnecessary risks.

"We want to help a customer improve their position via a non-prime product and not set them up for payment shock or failure in the future, because that doesn't serve either party," he said.

Currently, 2 percent of new mortgages issued by BOK Mortgage are subprime.

Smith said subprime mortgages also grew in popularity due to increasingly loose loan standards brought on by the real estate boom.

"It's a cyclical business. We've

come through a cycle of low interest rates and permissive credit standards, so there might be people placed into mortgage instruments that could have only happened (then)."

Wilson said a cooling real estate market and increasing worries over foreclosures has already caused lenders to make borrowing terms more strict in subprime loans.

"The lenders we're selling these loans to have tightened up their guidelines," he said. "We've had some people with low credit scores find out they can't get it without a down payment anymore, and realize they can't do the loan."

The changes haven't yet resulted in tightened regulations for regular mortgages, Wilson said. But loan administrators could react as subprimes struggle.

"It hasn't had any effect on prime mortgages yet, but I have a feeling it'll come," he said.

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REAL ESTATE LEASES

Firstwave Inc., an aircraft maintenance, repair and overhaul facility, has renewed its lease for 25,600 square feet at 7601 E. 46th St. through CB Richard Ellis/Oklahoma.

Heart Institute of Tulsa, which does business as Diagnostic Health Services, a specialist in mobile X-ray services, has renewed its lease for 5,400 square feet at 6972 E. 38th St. through CB Richard Ellis/Oklahoma.

T.D. Williamson Inc., a provider of pressurized pipeline products, inspections and services, has leased 8,371 square feet in One Summit Plaza at 5727 S. Lewis Ave. through CB Richard Ellis/Oklahoma.

Council Oak Books LLC has leased 11,970 square feet at 7601 E. 46th St. through CB Richard Ellis/Oklahoma.

Viking Packing, a packing and crating company, has leased 8,400 square feet at 1578 N. 105th East Ave. through CB Richard Ellis/Oklahoma.

Salon Avan Garde has leased 2,000 square feet at Vandever Acres, 732 W. New Orleans in Broken Arrow, through GBR Properties.

Solarwinds.net Inc. has leased 2,347 square feet in Southland Tower, 4111 S. Darlington Ave., through CB Richard Ellis/Oklahoma and Commercial Oklahoma Inc.

New Cingular Wireless PCS LLC has leased 1,700 square feet in Wilshire Square, 11018 E. 51st St., through CB Richard Ellis/Oklahoma.

Tracy Tran, optometrist, has leased 975 square feet at Broken Arrow Town Centre, 749 W. New Orleans, through GBR Properties.

Submit area leasing information to Tulsa World real estate reporter Robert Evatt via e-mail at robert.evatt@tulsaworld.com

Metropolitan Tulsa home sales

Figures refer to the sale of existing homes in the metropolitan market.

	FEBRUARY 2007	FEBRUARY 2006	JANUARY 2007
Total units sold	85	916	713
Pending contracts	1,119	1,064	944
Average price	\$148,410	\$138,629	\$142,582
Median price \$1	18,000	\$118,250	\$115,500
Homes on the market	5,559	5,588	5,527
Total value	\$127,335,526	\$126,984,348	\$101,660,634

Source: Greater Tulsa Association of Realtors

Tulsa World

HOMES:

The median price moves up 2.2 percent to \$118,000.

FROM E-1

ed by snow and ice, but wintry weather had less of an impact in February.

"February looked to me like it was back on pace," he said.

March sales appear to have resumed the pace of last year, Sumner said, though he believes it's too soon to determine whether sales can catch up from the slowdown.

Though home closings were off, the 1,966 processed listings, 7,493 homes in inven-

tory and the 1,119 pending contracts were all above January's levels, as well as those of February 2006. The 5,559 active listings fell just short of the 5,588 for February 2006 but above the 5,527 listed in January.

Sumner said the higher demand and relatively level supply contributed to higher home prices. The February average jumped 4.1 percent to \$148,410, while the median moved up 2.2 percent to \$118,000.

Also during February, \$127.3 million in sales were recorded, well above the level of January and that of February 2006. However, the year-to-date total of \$229 million is below the \$240.9 tallied during the first two months of 2006.

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FOREIGN EXCHANGE						
MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO	
USD per British Pound	1.9753	+0.007	+0.04%	1.8864	1.7551	
Canadian Dollar	1.1586	+0.004	+0.05%	1.1263	1.1621	
USD per Euro	1.3367	+0.036	+2.7%	1.2713	1.2258	
Japanese Yen	118.67	+0.00015	+0.18%	117.89	117.42	
Mexican Peso	11.0062	-0.000236	-2.6%	11.0338	10.9000	
EUROPE/AFRICA/MIDDLE EAST						
Israeli Shekel	4.1320	+0.015	+0.62%	4.2637	4.6192	
Norwegian Krone	6.1171	-0.0003	-0.08%	6.6038	6.4170	
South African Rand	7.1473	+0.007	+0.10%	7.9323	6.0122	
Swedish Krona	6.9574	+0.012	+0.18%	7.3461	7.6473	
Swiss Franc	1.2204	+0.012	+0.98%	1.2484	1.2896	
ASIA/PACIFIC						
Australian Dollar	1.2217	+0.057	+4.7%	1.3426	1.3868	
Chinese Yuan	7.7395	-0.001	-0.01%	7.9073	8.0146	
Hong Kong Dollar	7.8164	-0.000	-0.00%	7.7920	7.7591	
Indian Rupee	42.878	-0.000	-0.00%	45.065	44.580	
Singapore Dollar	1.5144	+0.020	+1.3%	1.5845	1.6091	
South Korean Won	936.33	-0.00000	-0.00%	948.90	962.90	
Taiwan Dollar	33.12	-0.000	-0.00%	33.11	32.47	

ENERGY FUTURES						
HEATING OIL (NYMEX)						
42,000 gal. cents per gal						
May 07	186.04	186.65	182.00	186.44	+2.57	
Jun 07	187.11	187.65	182.84	187.44	+2.57	
Jul 07	188.73	189.40	184.97	189.34	+2.52	
Aug 07	190.85	191.52	187.26	191.49	+2.42	
Est. sales Tue's sales 52,425						
Tue's open int. 233,506, -1,371						
LIGHT SWEET CRUDE (NYMEX)						
1,000 bbl. - dollars per bbl.						
May 07	64.22	65.09	63.56	64.38	-2.6	
Jun 07	66.13	66.68	65.29	66.29	...	
Jul 07	67.18	69.48	66.39	67.48	+1.7	
Aug 07	68.05	68.43	67.10	68.33	+3.0	
Est. sales Tue's sales 404,003						
Tue's open int. 1,358,053, -3,998						
NATURAL GAS (NYMEX)						
10,000 mm btu/100 lbs. \$ per mm btu						
May 07	7.516	7.550	7.378	7.515	+0.89	
Jun 07	7.650	7.690	7.515	7.649	+0.85	
Jul 07	7.797	7.814	7.668	7.791	+0.80	
Aug 07	7.907	7.915	7.765	7.887	+0.76	
Est. sales Tue's sales 87,070						
Tue's open int. 739,152, -2,352						
NY HARBOR GAS OLEFINS (NYMEX)						
42,000 gallons - dollars per gallon						
May 07	2.0804	2.1100	1.9889	2.1054	+0.877	
Jun 07	2.0516	2.0810	1.9861	2.0754	+0.672	
Jul 07	2.0375	2.0648	1.9812	2.0574	+0.537	
Aug 07	2.0260	2.0503	1.9754	2.0439	+0.452	
Est. sales Tue's sales 66,865						
Tue's open int. 166,050, +2,176						

AGRICULTURE FUTURES						
CORN (CBOT)						
5,000 bu minimum - cents per bushel						
May 07	362.75	363.75	347	359.25	+13	
Jun 07	374.50	375.25	358.75	371.50	+13.25	
Jul 07	377.25	377.75	362	374	+12	
Dec 07	382	382.75	368	380.50	+13	
Est. sales 291,727, Tue's sales 439,929						
Tue's open int. 1,428,406, -11,559						
COTTON 2 (NYBT)						
50,000 lbs. - cents per lb.						
May 07	52.95	53.50	52.95	53.26	+2.1	
Jun 07	54.40	54.80	54.36	54.74	+3.0	
Oct 07	57.20	57.40	56.90	57.40	+4.0	
Dec 07	58.78	59.20	58.75	59.17	+4.2	
Est. sales 14,796, Tue's sales 27,771						
Tue's open int. 236,275, +3,034						
OATS (CBOT)						
5,000 bu minimum - cents per bushel						
May 07	277.50	281.50	272	276	+3	
Jul 07	283	288	280.25	281.75	+2	
Sep 07	259	259	256	258	+2	
Dec 07	256.25	258.75	254	256.75	+2.75	
Est. sales 1,049, Tue's sales 1,646						
Tue's open int. 19,933, -706						
SOYBEAN MEAL (CBOT)						
100 tons - dollars per ton						
May 07	215.10	216.50	211.70	213.20	-1.30	
Jul 07	220.00	221.50	217.00	218.20	-1.20	
Aug 07	221.10	224.30	220.50	221.00	-1.40	
Sep 07	222.90	226.30	222.40	223.20	-1.10	