

INNOSPHERE VENTURES' REVIEW OF THE
**OKLAHOMA VENTURE CAPITAL
ECOSYSTEM**

2022

Introduction

Innosphere Ventures has been working at the intersection of entrepreneurship, venture capital (VC), and economic development for over two decades. We believe that if we want our local, regional, and national economies to advance, we need to ensure we're doing all we can to support the growth of science and technology startup companies. We believe that with the heavy concentration of venture capital on the US coasts, innovative companies in the Mountain Plains region go unnoticed and economic advancement is diminished.

Innosphere has taken significant strides to position our organization for a more meaningful economic impact by expanding throughout the Mid-America Mountain Plains. Data shows that when science and technology startup companies have the right resources to advance and grow, these firms create net new job growth. Job growth from these firms is the most coveted job creation in the US. We can only be a competitive nation if we increase our ability to innovate at an unprecedented level.

At a national level, venture capital performance has been outstanding over the last several years – with investors and limited partners (LPs) especially keen on investing in the asset class. Coming out of the pandemic, Venture Capital posted record-breaking numbers, with VCs fundraising \$128 billion and VC-backed companies raising nearly \$330 billion.

While this is good news for the U.S., a closer look at VC trends in 2021 reveals challenges for up-and-coming innovation hotspots such as Oklahoma:

- Although the entire US has seen a boom in VC growth, the top 4 regions (Bay Area, New York, Los Angeles, Boston) control half of the deal counts and nearly three-quarters of the total deal value.
- The number of large funds over \$1 billion continues to increase in the count and control a record amount of the total share of fundraising, while funds below \$50 million are experiencing a decrease in total proportion. 2021 was a record year for VC fundraising, yet most of the benefits were not shared by smaller-sized funds, which are essential for first investments in seed-stage startup ventures and are key in emerging ecosystems.
- The US saw a massive uptick in non-traditional investors eager to gain exposure to Venture Capital deals because it has been one of the best-performing asset classes in recent years. Most notably, Corporate VCs (CVC) share of deal value has continued to surge, with CVCs contributing towards 46.6% of all deal value.
- The Oklahoma VC ecosystem posted a nearly all-time high deal value in 2021, while surprisingly experiencing a decline in total deal activity.

We will continue to support the Mountain and Plains region by investing in businesses in the middle of the US and supporting entrepreneurs in building companies and technologies that matter in today's world.

We would like to thank the US Economic Development Administration (EDA) for their financial support, as this report would not be possible without their contributions.

Enjoy the report,

Mike Freeman, CEO & General Partner
John Smith, General Partner



Note on methodology: References to investments and funding at the "early stage" consist of Series A and B funding rounds within the first 5 years of the founding date. Series C and beyond represent late-stage investment activity. Unless otherwise noted, investments refer to venture capital invested in Texas-headquartered companies. Figures for summed investment rounds only represent publicly disclosed transactions. A special thanks to Clayton Castro, Innosphere Associate, for his support in producing this report.

Oklahoma VC Activity

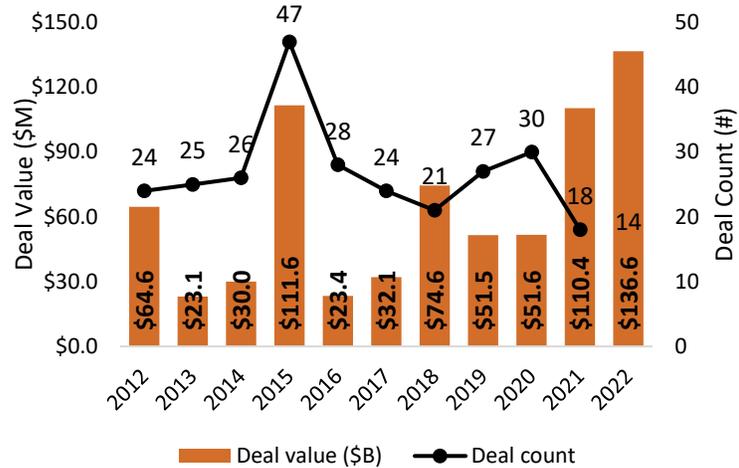
The state of Oklahoma generated varied results as deal value surged past \$110 million, while deal count remained relatively low with 18 different deals. Cumulative deal value nearly reached its all-time VC funding record last year, falling below 2015's total by just \$1.2 million. Positive developments show that year to year funding more than doubled, as deal value in 2020 was only \$51 million in total. However total disclosed deal count nearly halved from 30 deals in 2020, to 18 in 2021. Recognizing the potential impact that a strong early-stage VC ecosystem has on economic development, the state government has acted to increase the investment incentives for accredited investors. In 2021, Oklahoma signed into law multiple bills that are taking aim at increasing avenues that promote significant economic development, and the state recognized venture capital's ability to achieve such goals. [The Invest in Oklahoma Act](#) allows up to 5% of assets from public funds or pensions to be invested into venture capital. In addition, the creation of the Income Tax Deduction for Venture Capital Firm Investment programs, provide an income tax deduction for accredited investors who invest into a local VC fund. The new incentives are aimed at tackling a chronic funding issue in the Oklahoma VC ecosystem, as private Oklahoma headquartered VC firms only raised \$20 million in 2021. Statewide AUM totaled \$94.7 million and venture capital funding per capita came in at \$27.7, significantly below the Mountain-Plains region median of \$162.

Angel and Seed deal value totaled to \$11 million, down more than 50% from 2020. Total deal count also fell from 17 to 9 deals. Early-stage deals, classified as series A or B and occurring within the first 5 years of the startups founding, was the only deal type to increase its annual values. Early-stage deal value exponentially grew from \$5 million to \$87.2 million, more than a 16x increase year to year, while deal count increased by one to reach 5. Nearly 80% of statewide deal value was produced by early-stage startups. Late-stage deals also noticed a dramatic decrease in deal value, resulting in \$12.1 million across 4 total deals.

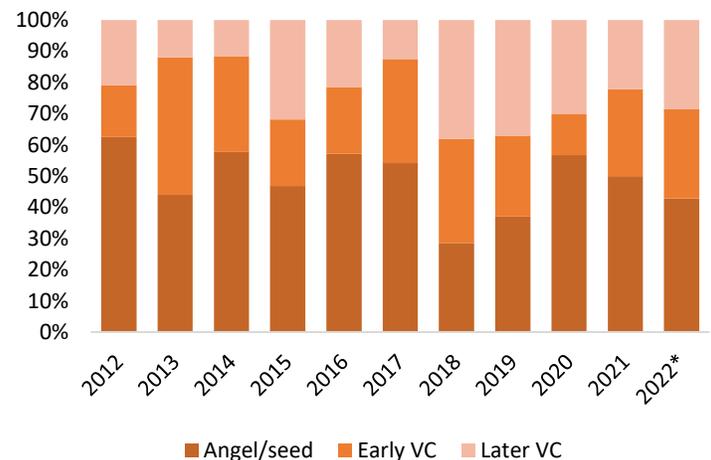
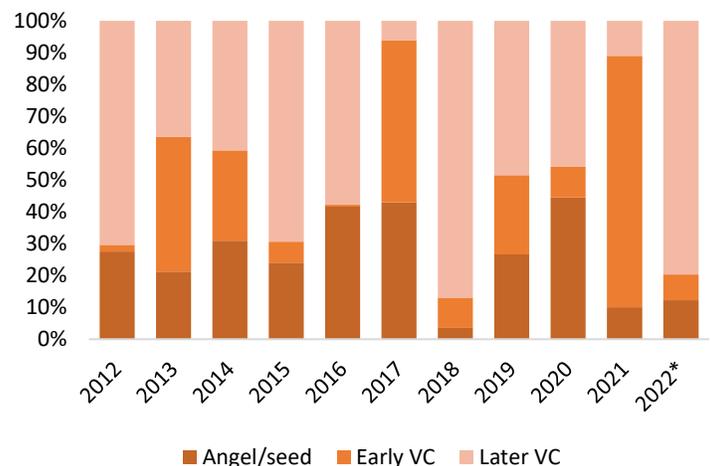
Two startups accounted for roughly three quarters of all deal value. [Stability Cannabis](#) was the largest deal of the year, with \$44 million raised in an early-stage deal. Sydweller Aero also completed a notably large deal, as the makers of perpetual flight vehicles raised a \$40 million round. Giving the company a post valuation of \$75 million.

Oklahoma VC by the Numbers

Oklahoma VC Deal Activity



Oklahoma VC Deal Activity (\$) by Type

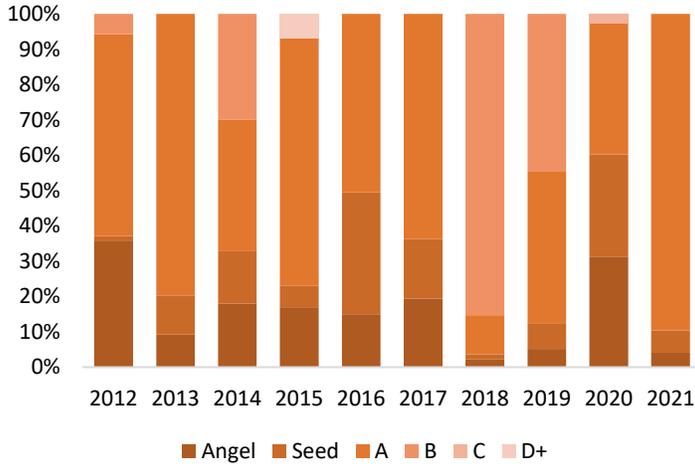


Source: PitchBook | *As of August 10, 2022

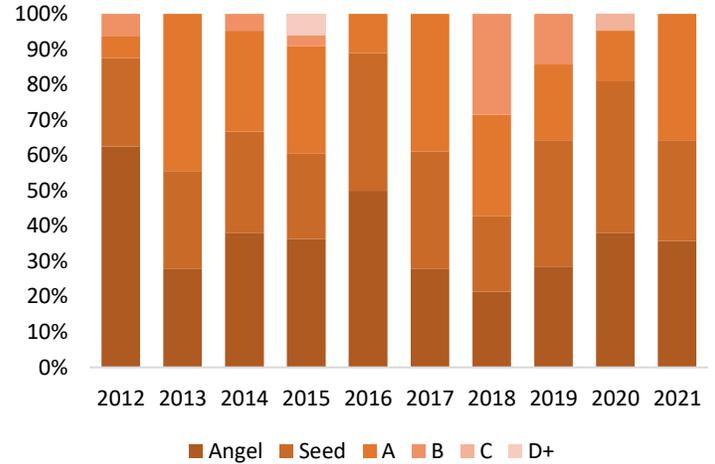
Investment Breakdown by Series

Examining the deal data with rounds disclosed on PitchBook, Series A produced the most deal value with roughly \$100 million, accounting for about 90% of statewide deal value. Angel and Series A were tied for the most common round in 2021, both of which produced 5 deals, with seed rounds just behind at 4. There were not any disclosures of rounds past Series A, however as shown earlier, the data shows that Late-stage investments, which consists of C+ rounds, or Series A and B investments that occurred more than 5 years after the founding of the startup.

Oklahoma VC Deal Activity (\$) by Series



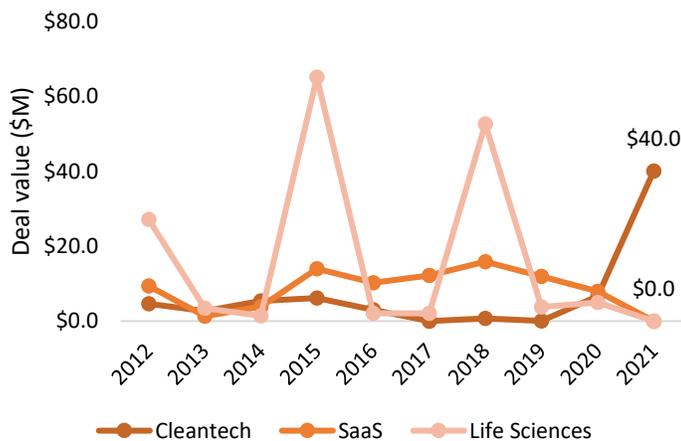
Oklahoma VC Deal Activity (#) by Series



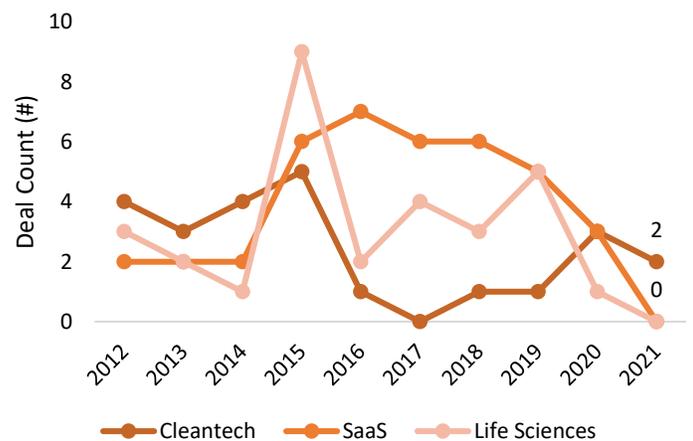
Prominent Verticals in Oklahoma

All of the key verticals experienced relatively low levels of activity in 2021, with Life Science and SaaS-based startups reaching decade lows. Cleantech became the leading vertical within the state of Oklahoma, bringing in \$40 million in venture funding across 2 deals. Lifesciences and SaaS, which have been consistent investment avenues of the past decade, produced zero deals or funding last year. Both Life Sciences and SaaS startups saw deal count peak around 2015-2016 and has trended downward ever since.

Cleantech deal value explodes



SaaS and Life Sciences hit a decade low



Source: PitchBook | *As of August 10, 2022

Local Ecosystem Players

Oklahoma Top Early Stage Investors by Deal Count

Investors	Investor HQ State	Investor HQ City	Deal Count (#)
Alumni Ventures	New Hampshire	Manchester	1
Asymmetry Ventures	California	San Jose	1
Blackhorn Ventures	Colorado	Boulder	1
Infect Health (Vituity Corporate VC)	California	San Francisco	1
Mana Ventures	California	San Francisco	1
Marlinspike	Maryland	Annapolis	1
Pure Imagination Brands	California	Santa Monica	1
Revolution/ROTR	District of Columbia	Washington	1
Rosecliff Venture Partners	New York	New York	1
Struck Capital	California	Santa Monica	1

1/1/2021 - 12/31/21

Oklahoma Top Seed Investors by Deal Count

Investors	Investor HQ State	Investor HQ City	Deal Count (#)
Cortado Ventures	Oklahoma	Oklahoma City	4
Atento Capital	Oklahoma	Tulsa	3
Echo Investment Capital	Oklahoma	Oklahoma City	1
i2E	Oklahoma	Oklahoma City	1
ImpactAssets	Maryland	Bethesda	1
KCRise Fund	Missouri	Kansas City	1
Lightship Capital (Ohio)	Ohio	Cincinnati	1
Mercury Fund	Texas	Houston	1
Presbyterian Health Foundation	Oklahoma	Oklahoma City	1
Revolution/ROTR	District of Columbia	Washington	1

1/1/2021 - 12/31/21

Grants by Government Organizations

Research institutions and universities in the state of Oklahoma received considerable amounts of funding from key government agencies. The University of Oklahoma was the recipient of more than \$75 million from the National Institute of Health, much of which was designated for the OU Health Sciences Center. The University of Oklahoma also was awarded \$21 million from the National Science Foundation. The other major institution in the state, Oklahoma State University received more than \$10 million from NIH and \$15 million from the NSF. The Department of Energy supplied both universities with just over \$1 million each.

University Name	NIH	NSF	DOE
Oklahoma State University	\$ 10,240,702	\$ 15,908,000	\$ 1,011,171
University of Oklahoma	\$ 75,711,266	\$ 21,155,000	\$ 1,177,245

FY 2021*

Research Institutions and Technology Transfer Programs

Oklahoma State University:

[Cowboy Innovations](#) at Oklahoma State University is a multi-armed program focused on ensuring success for inventors and startups. The main areas of the program are the Office of Technology Commercialization, Industry Partners, Brightest Orange Ventures, and the Research Park. All of which come together to maximize growth and opportunities for participants. From 2011 to 2020, participants have disclosed 452 new inventions, 80 patents, developed 22 startups, and generated \$24.7 million in royalty revenue.

University of Oklahoma:

The [Office of Innovation and Corporate Partnerships](#) is the center for faculty and staff to further their inventions and research. The office consists of three parts, technology transfer, venture development, and corporate partnerships. The tech transfer program is the bridge from novel academic research, to successful and viable commercial opportunities, as the program aims to assist OU inventors to help transform their ideas into real world applications. The Innovations Pathway (IPath) program is an ideation and launch program designed to maximize participants business model.

Geographic Analysis of Investments

Leading seed and series A rounds.

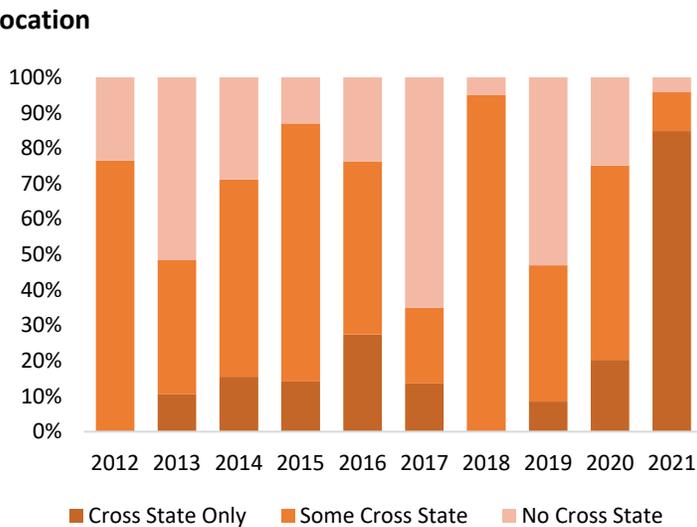
Supporting entrepreneurs building high-tech companies.

Accelerating startup success and the path to a successful exit.

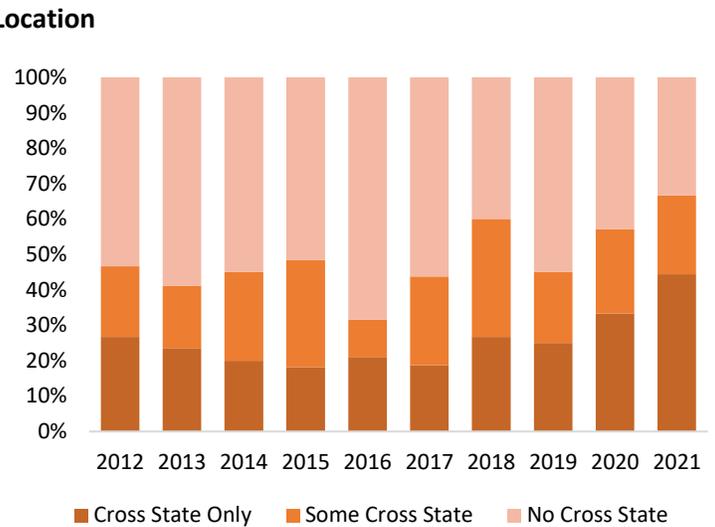


strengthen its VC ecosystem. Deal count on the other hand showed less control from out of state investors, as out of state investors controlled only 45% of total deal share, with some cross state involvement accounting for 22%.

Oklahoma Cross State VC deal activity (\$) by Investor Location



Oklahoma Cross State VC deal activity (#) by Investor Location



Concluding Analysis

The Oklahoma venture capital ecosystem while still small, has shown a few key moments of success over the past decade. While not consistent, the state has reached above \$100 million numerous times and so far in 2022, the state has already produced a record of \$136 million in cumulative deal value over 14 deals. Along with the recent passage of the Invest Oklahoma act and Income Tax Deduction for Venture Capital Firm Investments program, the state is likely to see a sizeable boost into the earlier stages of startup investing, hopefully leading to a more consistent deal flow in the years to come. Such developments are crucial to building the VC ecosystem from the ground up and will hopefully lead to more local high net worth investors to participate in the regional VC funds.

While 2022 is off to a rather slow start for Venture Capital across the nation, the state of Oklahoma seems to be insulated from the broader market affects as it has already surpassed last year's totals. Unsurprisingly, the 14 deals in the first half are on pace to surpass 2021's total. As seen by the recent developments, Oklahoma is setting up a strong VC infrastructure piece by piece, undergoing a necessary transformation of its venture capital ecosystem.

Source: PitchBook | *As of August 10, 2022



VENTURE CAPITAL FUND

Investing from early stage to exit



INCUBATION & COMMERCIALIZATION PROGRAM

Supporting science and technology startups

Innosphere Ventures Fund is a seed and series A venture capital fund leading investment rounds in B2B companies who are driving innovation in SaaS software, Cleantech and MedTech sectors.

Through active management, a proprietary deal flow, and a proven process for supporting early exit returns for limited partners, Innosphere Ventures Fund is positioned to invest in the most promising founders and high-tech companies in the Mid-America Mountain Plains Region.

Innosphere Ventures is a non-profit incubator that continues to grow the region's entrepreneurial ecosystem by supporting science and technology startups with a specialized commercialization program, venture capital, and for entrepreneurs located in Colorado – office and laboratory facilities.

Mike Freeman, General Partner, Innosphere Fund: Mike@innospherefund.com

Startups are encouraged to apply online: www.innosphereventures.org