

Innosphere Ventures Model

Your path to success begins now.



Technology Commercialization

23-year successful track record



Venture Capital

Seed and A Round Venture Investor



Specialized Facilities

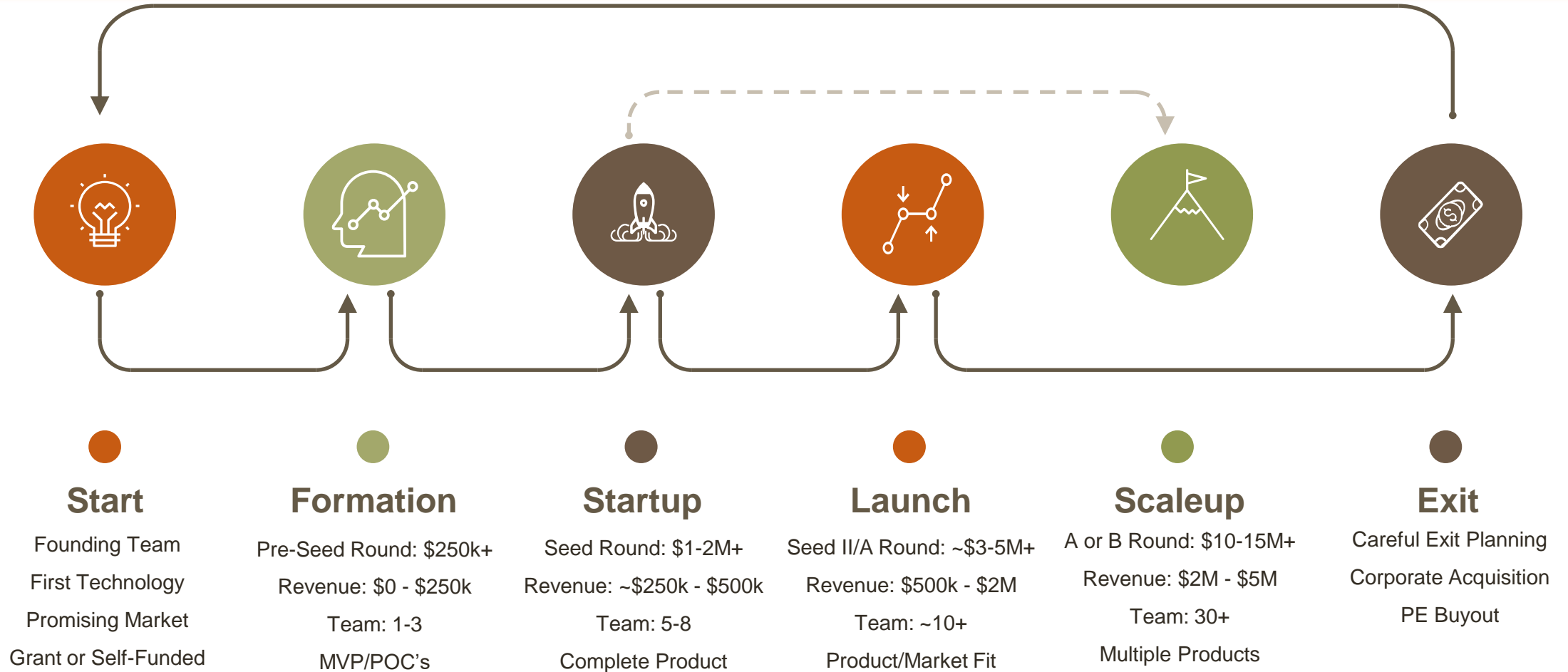
Startup Office & Wetlab in Colorado

Collaborative Partnership



Supporting Technology Transfer and
Catalyzing Economic Development
at the University of New Mexico

Company Building Process



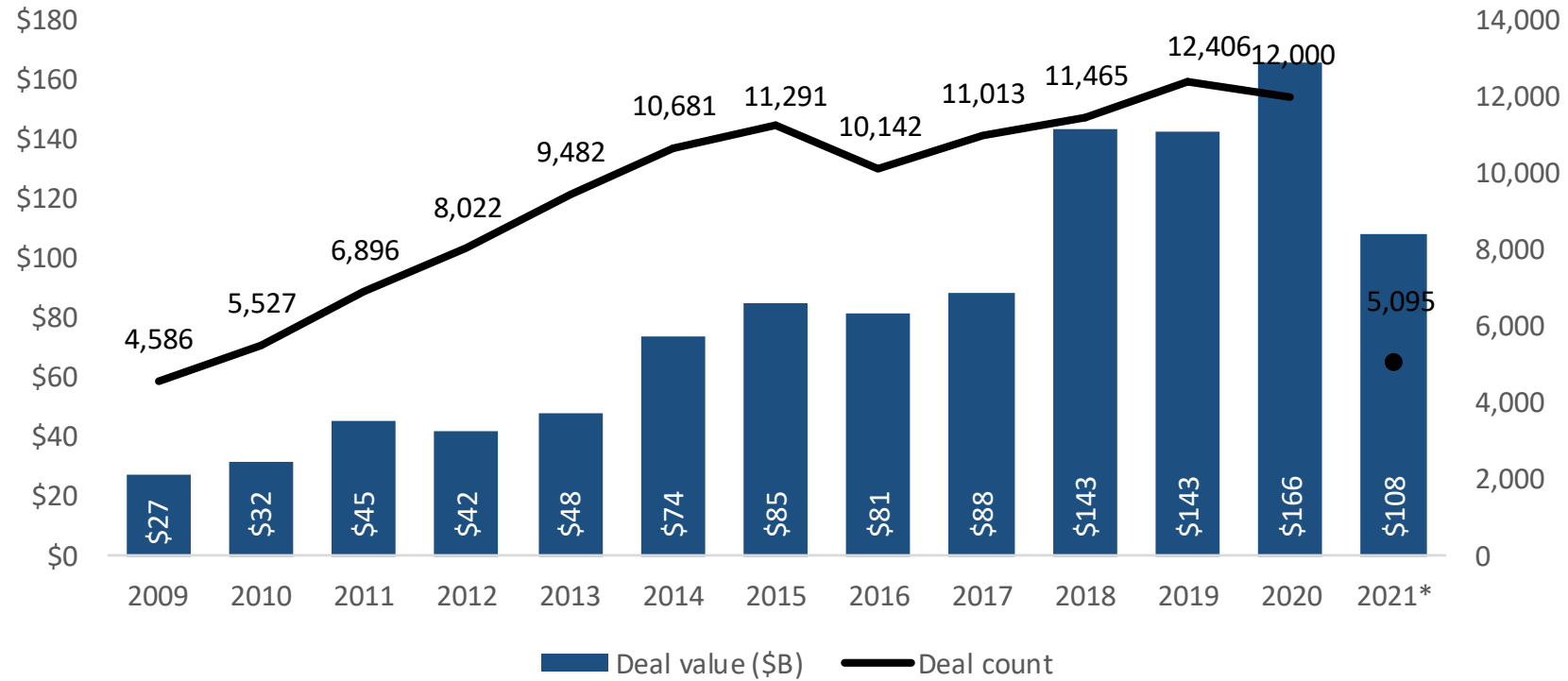
The consistent achievement of business milestones drives growth through each phase

Venture Capital Trends



U.S. VC deal activity

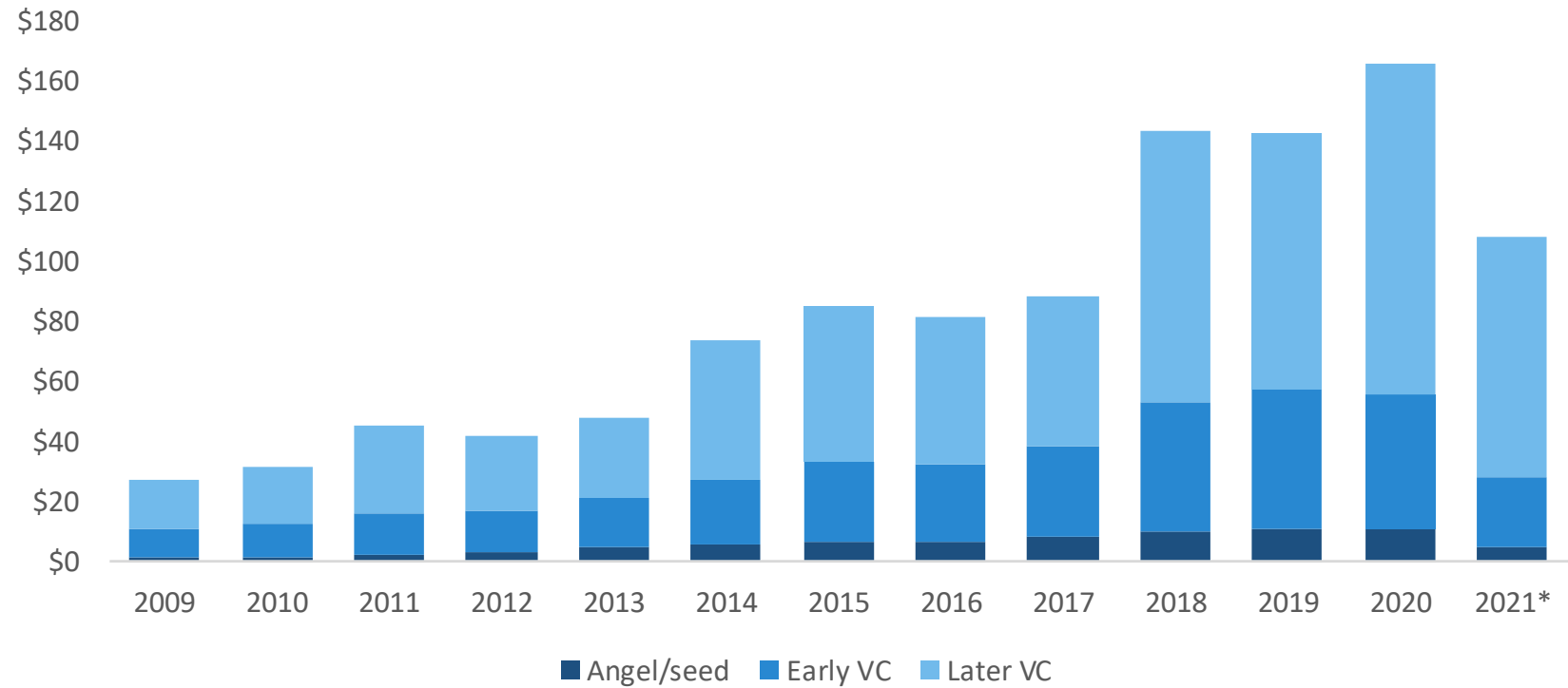
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Deal value (\$B)	\$27.4	\$31.8	\$45.3	\$41.6	\$48.3	\$73.7	\$85.2	\$81.3	\$88.1	\$143.3	\$142.7	\$165.6	\$108.2
Deal count	4,586	5,527	6,896	8,022	9,482	10,681	11,291	10,142	11,013	11,465	12,406	12,000	5,095



2020 Record Deployment of VC in the U.S.

U.S. VC deal activity by stage (\$B)

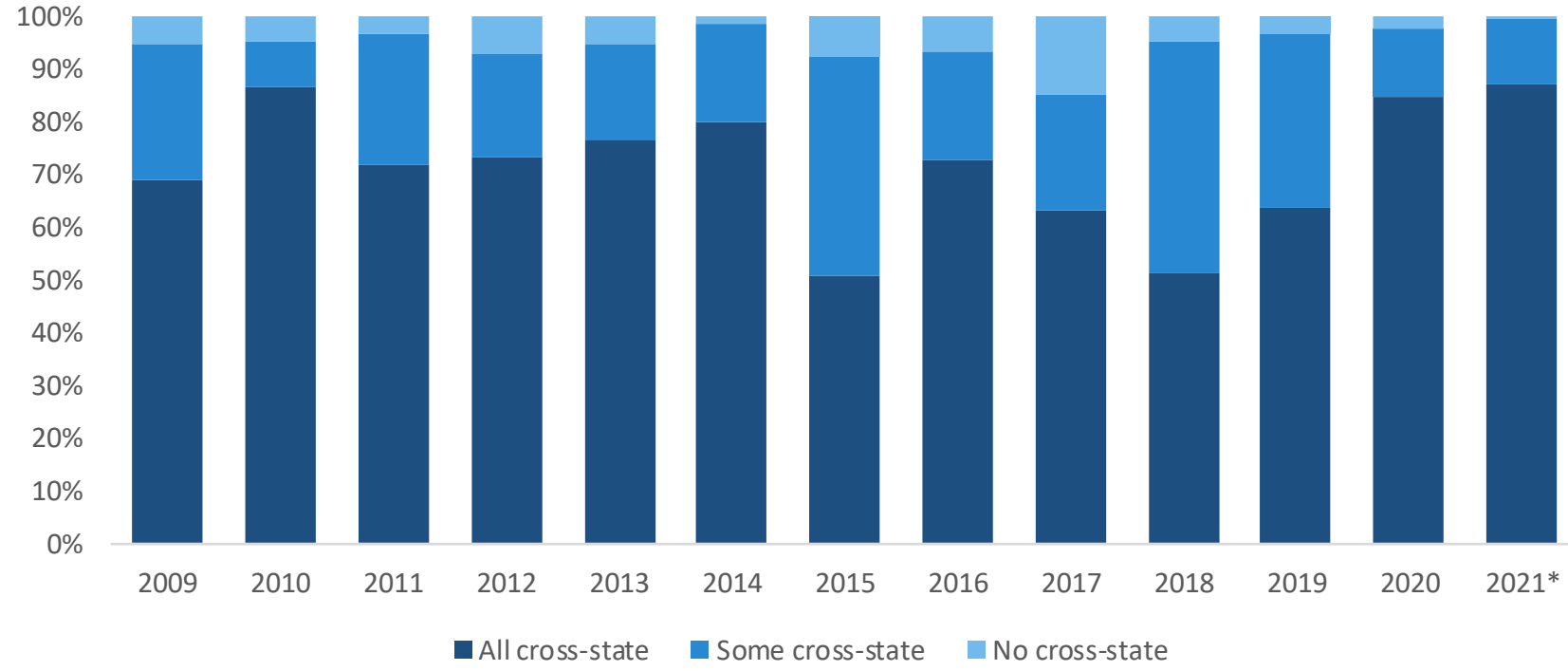
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel/seed	\$1.2	\$1.5	\$2.4	\$3.1	\$4.5	\$5.6	\$6.8	\$6.8	\$8.0	\$10.3	\$10.7	\$10.8	\$4.8
Early VC	\$9.5	\$11.0	\$14.0	\$13.9	\$16.5	\$21.4	\$26.7	\$25.5	\$30.7	\$42.7	\$46.6	\$44.4	\$22.9
Later VC	\$16.7	\$19.3	\$28.9	\$24.6	\$27.3	\$46.7	\$51.7	\$49.0	\$49.5	\$90.4	\$85.4	\$110.4	\$80.6



2020/2021 Later Stage VC Leading the Way

Colorado VC deal activity by cross-state investor involvement (\$M)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
All cross-state	\$423.1	\$496.3	\$677.7	\$651.7	\$673.7	\$1,641.2	\$474.4	\$1,266.0	\$587.7	\$673.7	\$1,393.4	\$1,770.5	\$2,057.8
Some cross-state	\$158.4	\$48.8	\$236.3	\$174.0	\$158.6	\$381.2	\$387.7	\$362.7	\$207.2	\$579.6	\$722.8	\$267.1	\$290.8
No cross-state	\$32.3	\$27.1	\$28.5	\$61.9	\$46.4	\$23.1	\$68.9	\$112.5	\$134.9	\$58.7	\$72.0	\$47.6	\$11.8

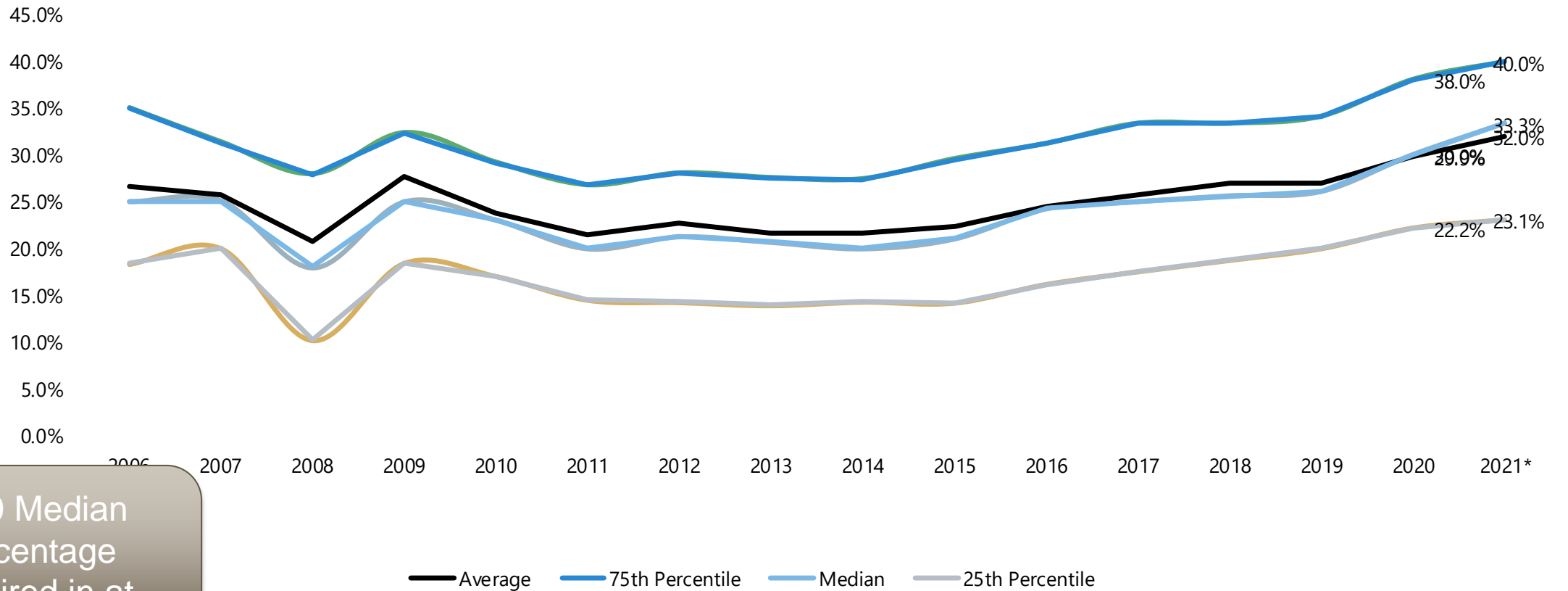


2020 ~95% of All VC from Out of State Investors

Quartile breakdown of % acquired for seed stage

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
75th Percentile	35.0%	31.3%	27.9%	32.3%	29.2%	26.7%	28.0%	27.5%	27.4%	29.5%	31.2%	33.3%	33.3%	34.1%	38.0%	40.0%
Median	25.0%	25.1%	18.0%	25.0%	23.0%	20.0%	21.3%	20.7%	20.0%	21.1%	24.2%	25.0%	25.6%	26.1%	30.0%	33.3%
25th Percentile	18.3%	20.0%	10.2%	18.4%	17.0%	14.5%	14.2%	13.9%	14.3%	14.2%	16.2%	17.5%	18.8%	20.0%	22.2%	23.1%
Average	26.6%	25.6%	20.8%	27.7%	23.8%	21.4%	22.7%	21.6%	21.6%	22.3%	24.6%	25.7%	26.9%	27.0%	29.9%	32.0%
Count	17	27	42	60	148	246	469	698	850	1044	1148	1338	1396	1557	1313	218

*As of 3/31/21



2020 Median Percentage Acquired in at Seed Increasing

Raising Equity Funding



WHAT KIND OF BUSINESS ARE YOU BUILDING?

HQ Company

- Goal is to operate the business on an extended basis (AKA lifestyle business)
- No Exit (Created a life-time job)

Venture Backed

- Goal is to create ultra high growth venture capital backed company
- Exit in 8+ years (Hopefully)

Early Exit

- Goal is to accomplish startup metrics then create a managed early exit
- Exit in 3-5 years (On to the next one)

The Business Reasons Why Startups Fail



Ran Out of Cash/
Failed to Raise New Capital

38%

Cash burn not aligning with early sales traction and fundraising.



No Market Need

35%

Markets don't support the technology and products



Out-Competed

20%

Unknown or known competitors capture market share and create barriers.



Flawed Business Model

19%

Failing to find ways to make money while you scale.

In addition to technology risk, your business faces the risk of failing due to four addressable factors

Addressing these risk factors is the focus of the new client onboarding

The Big Questions to Address in Fundraising Process

- How much money do I need?
- How will I utilize the capital to achieve milestones?
- How will I find prospective investors?
- How do I identify/communicate risk to investors?
- Is this a compelling investment versus alternatives?
- What is the deal structure and terms?

Types of Equity Investors

Less Risk

Higher Valuations

Larger Investment

Higher Dilution

Later Stage Capital: Venture, CVC

High growth companies seeking significant growth capital.

Growth Capital: Venture Capital, Family Office, Private Equity, CVC

High growth potential companies seek growth capital. Significant traction needed and investment size is typically \$4/5M+ with ability to follow-on.

Seed Funding Family Office – Super Angels, Family Office, Micro VC

High net worth individuals and smaller funds. Either professional investors or individual investment. Upper range is \$2.5M.

Pre-Seed Funding – Angels & Individuals

Early equity investors. Individuals and groups of investors. Target ~\$250k+-

Grant Funded

Federal, state, grant programs oriented toward technology companies.

Use a financial model to understand multiple rounds of funding, dilution and exit

Working with Angels

- Angel investors are accredited investors who invest at the early stage. They may invest via convertible note or priced round, usually in a round not in excess of \$500,000.
- Angels are a source of time, talent and treasure; not only investing money but offering expertise, advice and sharing their networks.
- Angels may invest individually, in an informal group or as an organized, professional investment group. There are several such groups in Colorado.

The Angel Group Process – 6-9 months

- Pre-screening, usually through referrals or websites such as AngelList, SeedInvest or GUST
- Screening committee
- Member meeting pitch
- Assess member interest – HAVE to find a lead investor
- Term sheet negotiation
- Due diligence
- Deal closing or decline

Family Office Investors

- Family offices are private wealth management advisory firms that serve high net worth investors. There are single family offices and multi-family offices.
 1. Need an introduction to access these investors
 2. Helps to have technology that resonates with family
 3. Direct investments can be one-off's – may take time
 4. Most family offices will not lead investments
 5. Have capacity to invest amounts similar to a VC & will follow

Micro Venture Capital <\$50M AUM

- Micro Venture Capital is a source of professionally managed funds invested for a high rate of return on behalf of investors, usually institutions. Micro Venture Capital funds are varied and unique.
 - **Focus areas** – usually industry or sector specific where the management team has deep expertise, experience and connections
 - **Management style** – most venture funds are hands-on, active management and may name their own executive team and board
 - **Timeframe** – many venture funds are established with a 10-year investment life and are looking for exits as early as possible
 - **Size of investment** – micro venture funds can range from earlier stage seed funds to later stage equity. The amount, terms and type of funding are unique to each fund

Venture Capital

- Venture Capital is a source of professionally managed funds invested for a high rate of return on behalf of investors, HNWs, Family Office, institutions. Venture capital funds are varied and unique.
 - **Focus areas** – usually industry or sector specific where the management team has deep expertise, experience and connections
 - **Management style** – most venture funds are hands-on, and provide active management, usually require a board seat at investment
 - **Timeframe** – venture funds are established with a 10-year investment life and are looking for exits as early as possible via IPO, strategic acquisition or buy-out
 - **Size of investment** – venture funds can range from earlier stage seed funds to later stage equity funds that appear more like private equity. The amount, terms and type of funding are unique to each fund

Corporate and Strategic Ventures

- Corporate Venture Capital may lead to three outcomes:
 - Paying customer
 - Joint Development Agreement/Joint Venture
 - Acquisition – M&A or Early Exit
- Things to keep in mind:
 - CVC staffs are small
 - After an initial pitch –
 - Go back and screen against strategic priorities
 - Compare to other alternatives
 - Find an internal SME
 - Engage with SME and team
- Corporates/Strategics are typically technology buyers, not financial buyers – your pitch is different

Fundraising Issues Innosphere Commonly Sees

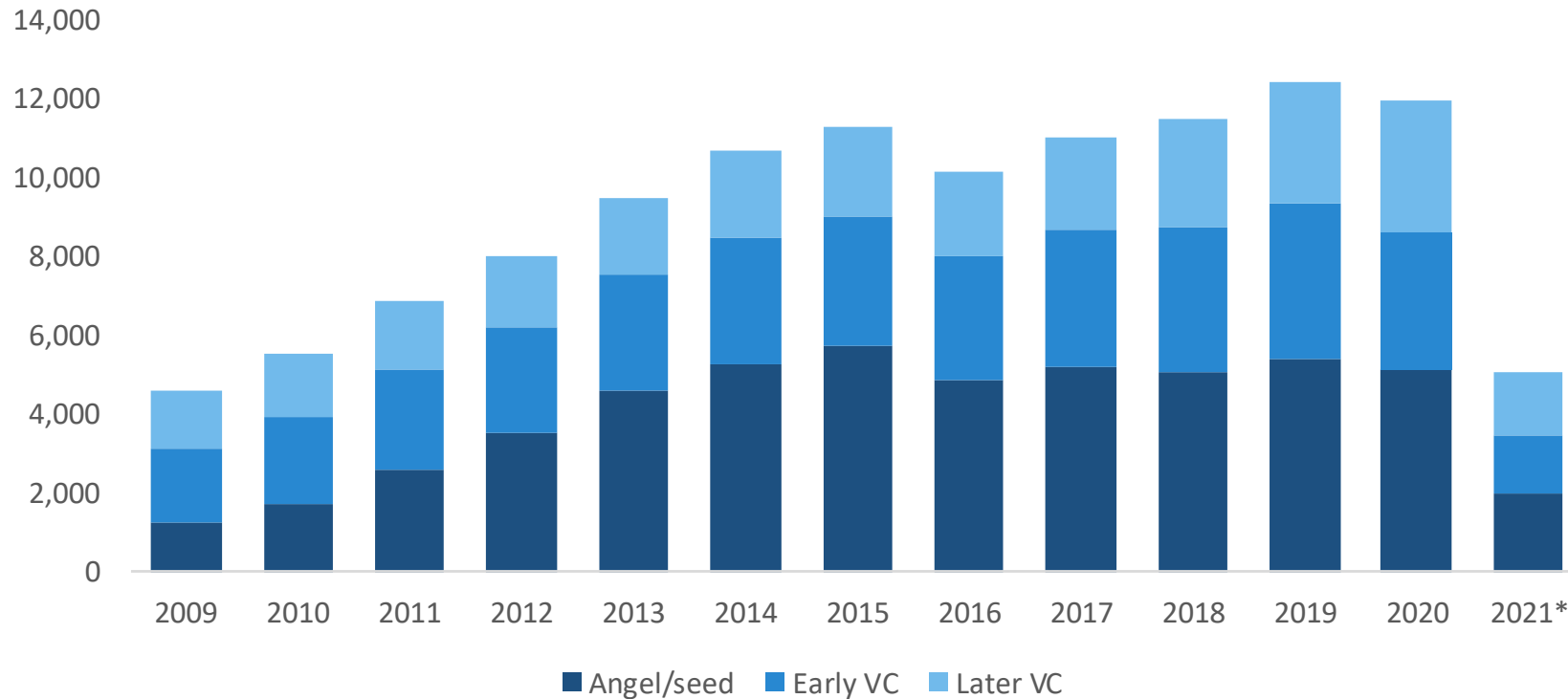
- Companies not appreciating the **timeframe** to raise capital, investor expectations, and the process
- Companies believing, they are **ready** to raise capital – but they are not, critical holes in the story have not been filled
- Companies are not spending enough **time** researching the market, potential investors, and your competitors
- Companies do not understand equity funding **economics**. Valuations out of range, terms not “standard”, seem inexperienced

Closing Discussion



U.S. VC deal activity by stage (#)

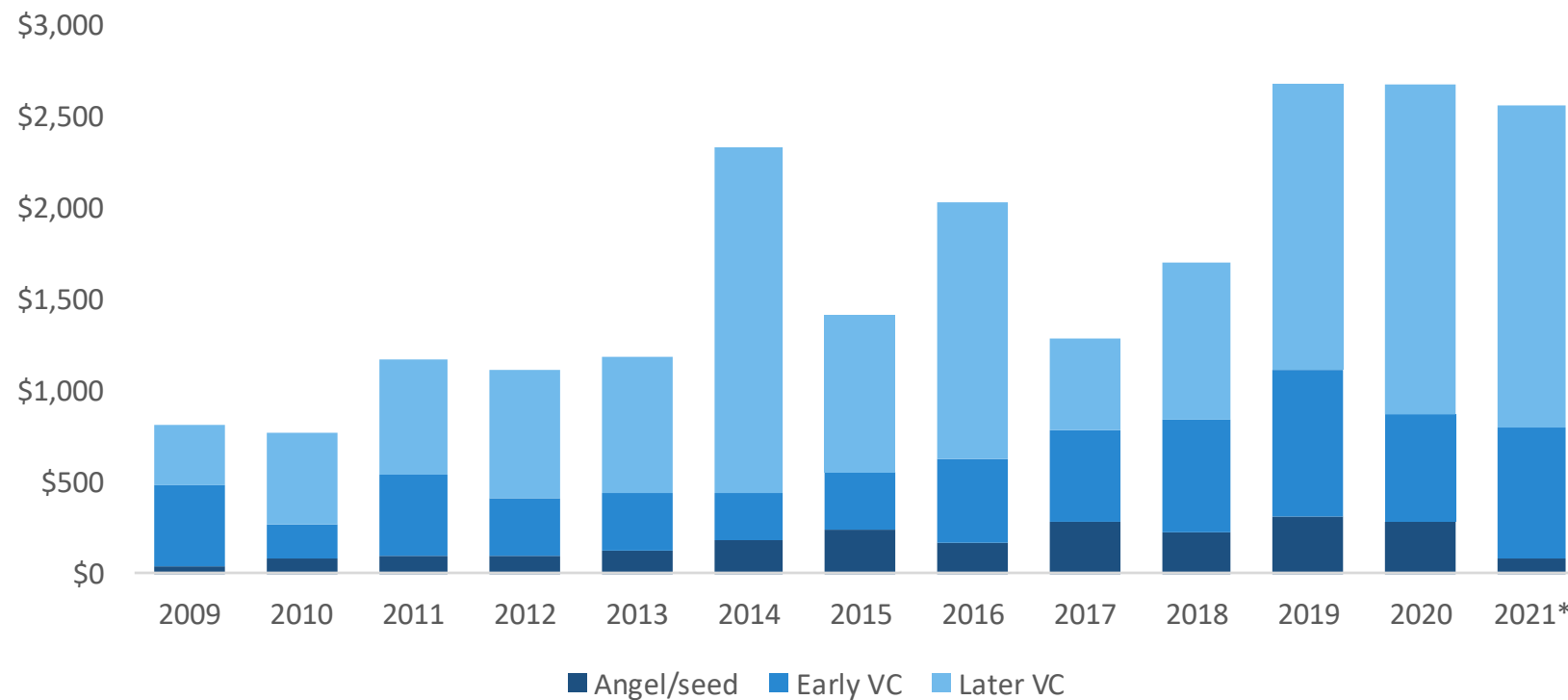
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel/seed	1,225	1,745	2,587	3,505	4,597	5,234	5,706	4,894	5,198	5,055	5,407	5,123	2,002
Early VC	1,868	2,154	2,516	2,676	2,921	3,231	3,342	3,114	3,475	3,679	3,922	3,521	1,429
Later VC	1,493	1,628	1,793	1,841	1,964	2,216	2,243	2,134	2,340	2,731	3,076	3,355	1,664



2020 Normal
Distribution in Deal
Volume

Colorado VC deal activity by stage (\$M)

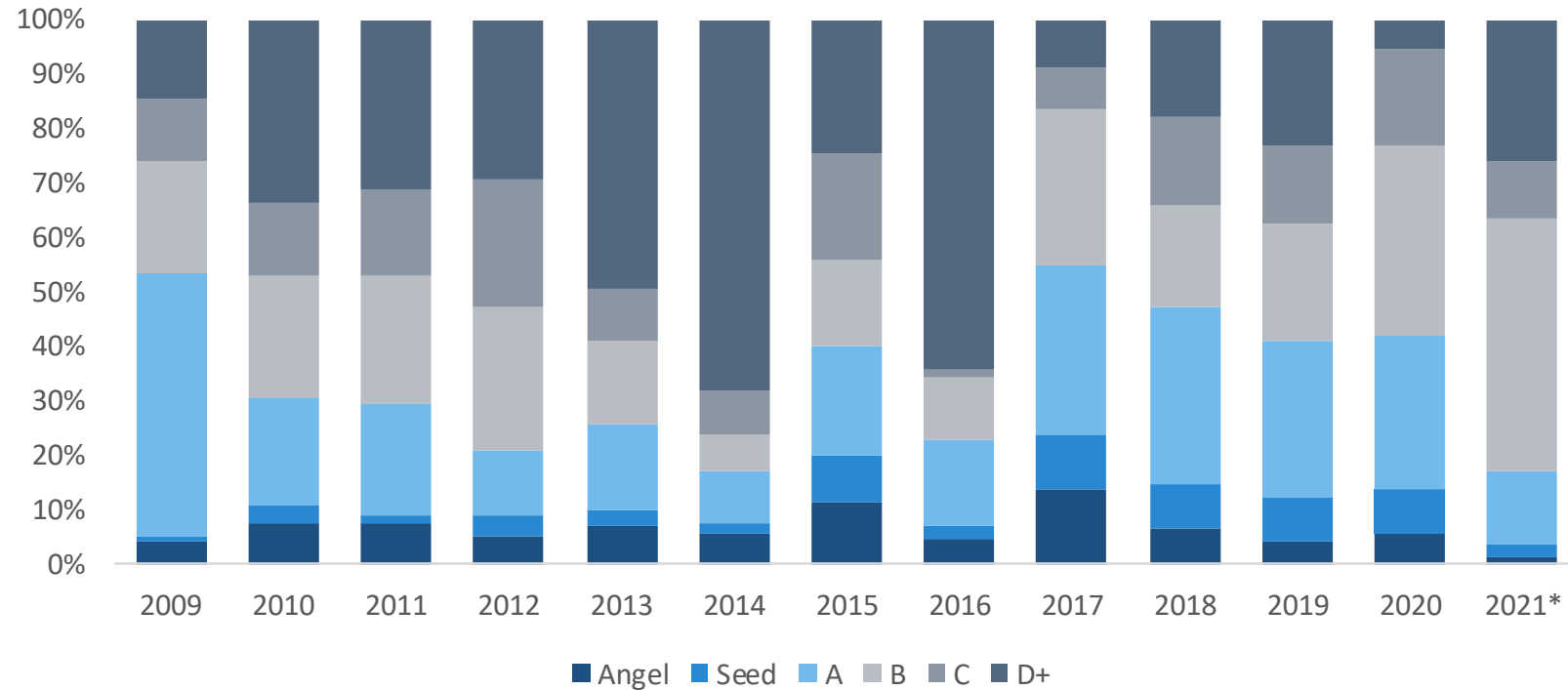
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel/seed	\$37.8	\$73.1	\$94.9	\$89.3	\$126.4	\$174.8	\$239.0	\$166.8	\$274.4	\$230.3	\$315.3	\$279.9	\$86.4
Early VC	\$449.0	\$197.0	\$448.3	\$325.3	\$313.8	\$258.9	\$314.4	\$455.7	\$516.3	\$606.9	\$804.8	\$582.8	\$711.1
Later VC	\$318.5	\$502.8	\$621.6	\$706.0	\$740.7	\$1,906.2	\$866.0	\$1,406.2	\$493.8	\$870.4	\$1,565.6	\$1,810.9	\$1,773.5



2021 Record Breaking Year Unfolding

Colorado VC deal activity by series (\$M)

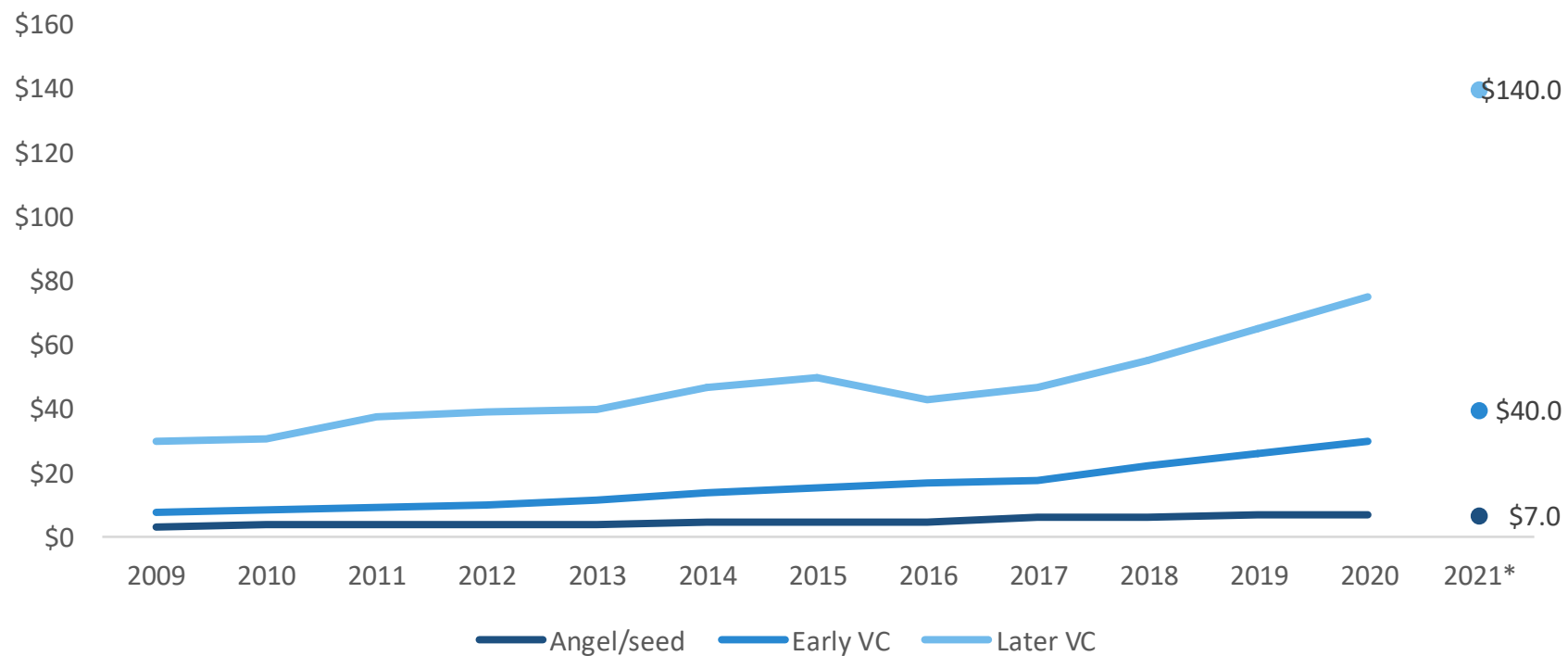
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel	\$26.7	\$41.7	\$70.3	\$45.3	\$76.0	\$113.5	\$128.3	\$87.4	\$142.6	\$95.3	\$96.2	\$101.2	\$35.4
Seed	\$6.0	\$19.6	\$14.6	\$34.3	\$27.0	\$44.2	\$95.4	\$43.0	\$107.3	\$117.9	\$194.8	\$157.3	\$47.6
A	\$318.8	\$110.1	\$200.8	\$103.9	\$172.3	\$200.3	\$231.2	\$284.6	\$328.6	\$474.0	\$674.3	\$520.9	\$332.8
B	\$137.0	\$128.3	\$229.4	\$232.4	\$161.6	\$148.8	\$176.2	\$210.8	\$299.4	\$272.7	\$512.8	\$649.3	\$1,118.6
C	\$75.1	\$76.3	\$153.5	\$203.3	\$105.0	\$171.4	\$220.8	\$29.8	\$79.5	\$235.4	\$346.6	\$327.8	\$256.1
D+	\$96.1	\$190.6	\$301.1	\$260.3	\$526.8	\$1,444.0	\$280.8	\$1,179.3	\$94.8	\$261.9	\$545.0	\$102.7	\$622.0



2021 Sharp B Round Increase

Median pre-money valuation (\$M) for U.S. companies by stage

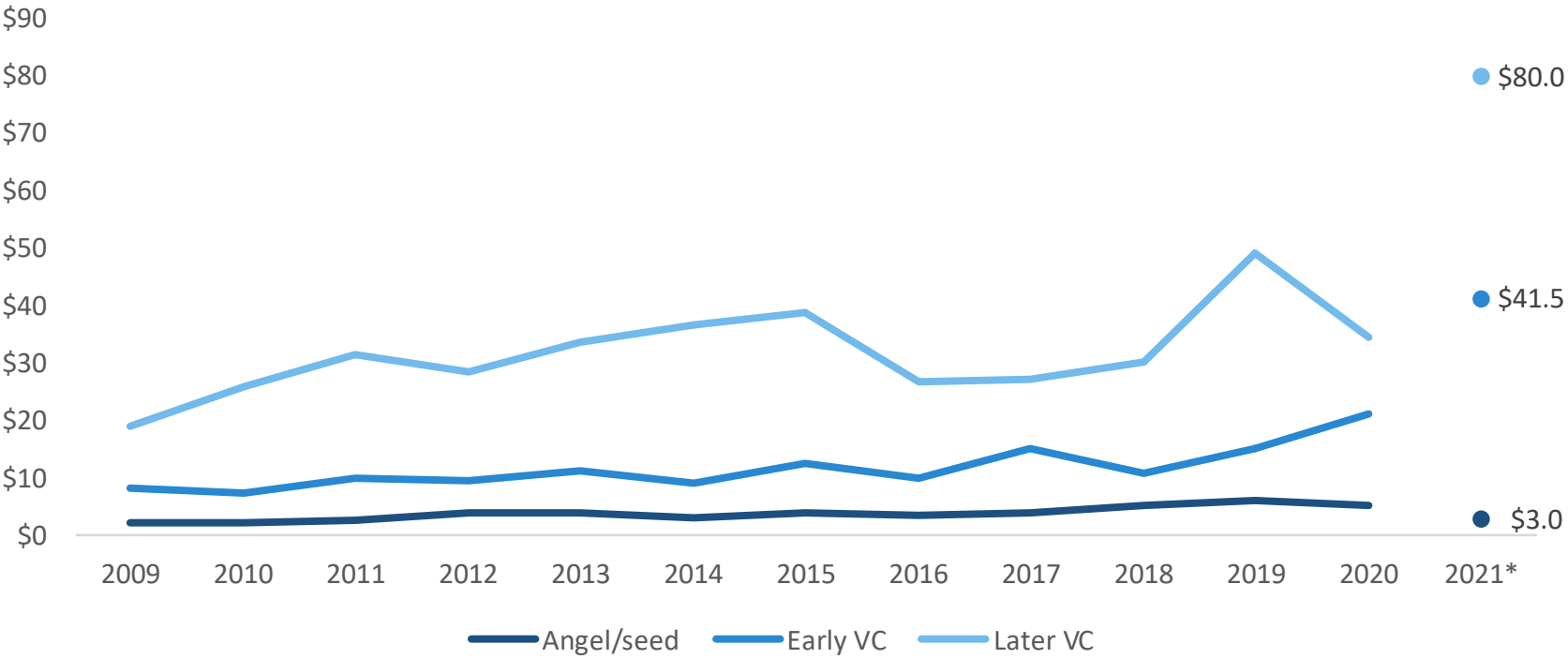
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel/seed	\$3.1	\$3.5	\$3.6	\$3.8	\$4.0	\$4.5	\$5.0	\$5.0	\$6.0	\$6.1	\$7.0	\$7.0	\$7.0
Early VC	\$8.1	\$8.3	\$9.4	\$10.0	\$11.4	\$14.0	\$15.4	\$16.8	\$17.9	\$22.0	\$26.0	\$30.0	\$40.0
Later VC	\$30.0	\$31.1	\$37.5	\$39.1	\$39.7	\$46.5	\$50.0	\$43.1	\$47.0	\$55.0	\$65.0	\$75.0	\$140.0



2020 Angel/Seed Valuations Hold Steady

Median pre-money valuation (\$M) for Colorado companies by stage

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Angel/seed	\$2.2	\$2.1	\$2.8	\$3.9	\$3.8	\$3.0	\$4.0	\$3.5	\$3.8	\$5.0	\$6.0	\$5.0	\$3.0
Early VC	\$8.1	\$7.5	\$10.0	\$9.5	\$11.4	\$8.9	\$12.4	\$9.9	\$15.0	\$10.7	\$15.3	\$21.0	\$41.5
Later VC	\$18.9	\$26.1	\$31.3	\$28.5	\$33.7	\$36.7	\$38.8	\$26.6	\$27.2	\$30.0	\$49.0	\$34.5	\$80.0



2020 Angel/Seed Valuations Decline