

Impact from **Investment**

52 : 1

2013 Independent Study by Applied Economics

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**The Oklahoma Capital
Investment Board has a proven
52 to 1 impact from investment,**
meaning for the \$31 million invested
the state's economy has received
\$1.6 billion in positive return.

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OCIB Impact Report

Extraordinary entrepreneurs with unique ideas and technologies become great companies and engines for a state’s economic growth. In order for ideas to become innovations, entrepreneurs need access to capital. To raise that capital, entrepreneurs need help spreading the story of their ideas or their early stage endeavors to venture fund managers looking for their next big investment opportunity.

In 2012, venture capital funds invested \$26.5 billion dollars in roughly 3,700 deals across the United States according to the National Venture Capital Association. From seed to early stage, cleantech to biotech and software to internet companies, venture capital funds are looking to invest. Part of our job at OCIB is to locate and build relationships with merit-based venture capital funds and encourage them to seek opportunities in Oklahoma.

Set in statute in 1991, our mission is to help diversify Oklahoma’s economy by ensuring that Oklahoma’s entrepreneurs have access to the capital and investment talent they need to grow their businesses. OCIB has accomplished this mission by attracting merit-based venture capital funds to the state and by working with Oklahoma’s banks to grant business loans through its Capital Access Program. This report reflects some of our successes over the past 21 years in that endeavor and the more than \$1.6 billion dollar impact our efforts have had on the state’s economy.

As part of our diversification effort, we also seek to grow more venture capital funds within our state’s borders. Over the years, OCIB has funded and partnered with many Oklahoma investors who have turned their talents toward developing VC funds within the state. These partnerships have been an integral part of creating a thriving entrepreneurial ecosystem in Oklahoma.

As the venture capital industry continues to help grow the nation’s economy and as individuals in our state dare to bring new ideas into the market, we at OCIB will continue to serve, on behalf of and for the benefit of economic development here in Oklahoma.

Sincerely,



Devon Sauzek
President
Oklahoma Capital Investment Board



Michael Mitchelson
Chairperson



Gerald G. Austin
Vice Chairperson



John A. Brock
Secretary/Treasurer



Bill Andrew
Assistant Secretary



Devon Sauzek
President



Diana Mooney
Staff

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OCIB Mission

The Oklahoma Capital Investment Board mobilizes capital for investment, supports collaboration between entrepreneurs and venture capitalists and assists individual bankers in creating solutions for the state's small business borrowers; all with the goal of creating jobs and diversifying and stabilizing the Oklahoma economy.

OCIB's Impact on Oklahoma Economy

A 2013 independent study by Applied Economics shows the OCIB through its related programs has had a **\$1.6 Billion impact** on Oklahoma's economy.

OCIB's Venture Investment Program

\$1.33 Billion

The total economic impact from Oklahoma companies supported through the Venture Investment Program.

\$145 Million

Equity investment in Oklahoma businesses.

An average of 593 jobs annually and a total of 11,259 job years created in OCIB's 19-year history

JOBS
11,259
IN 19 YEARS

\$105 Million

Raised by eight Oklahoma based venture funds after receiving support from OCIB as lead investor.

OCIB's Capital Access Program

\$244 Million

Economic activity spurred from OCIB's Capital Access Program.



- More than **1,550 rural Oklahoma companies** supported by OCAP representing nearly **\$50 million in loans**
- **1,500 to 3,000 new jobs created** through rural business loans*
- OCAP provided loan assistance to small businesses through banks, most of which were located in rural Oklahoma.

52:1

The Oklahoma Capital Investment Board has a proven 52 to 1 impact from investment, meaning for the \$31 million invested the state's economy has received \$1.6 billion in positive return.

OCIB-supported companies have provided direct and indirect employment to Oklahomans, resulting in individuals paying more than **\$27 million in sales** and personal income tax to the state of Oklahoma.

Paving the Way for the OKC Thunder – OCIB provided one-third of a \$40-million-revenue guarantee, bringing the NBA Hornets to Oklahoma.

*1514 jobs were reported with only 50 percent of participating companies reporting results. It is estimated that more than 3,000 new jobs were created because of OCAP.

Firststar Bank

Prior to the bank merger and corporate re-branding as Firststar Bank in July 2012, First National Bank of Sallisaw offered the Oklahoma Capital Access Program (OCAP) through its Sallisaw and Roland branches, according to Firststar Executive Vice President Lance Smith.

“The OCAP program has provided a significant benefit to our bank and the small business community in Sallisaw, Roland and surrounding areas,” Smith said. “It allowed our bank to extend credit to responsible borrowers who would not otherwise be able to obtain a small business loan.”

Smith estimates the bank has extended approximately 300 OCAP-related loans for industry enterprises that include: construction, retail, franchisees, medical and healthcare and framing and agriculture. “Without OCAP, I’d estimate that 2-3% of the small business loans that originated with First National Bank of Sallisaw could not be extended,” Smith said.

And benefits extend beyond the bottom line.

“As a community bank, we found OCAP has not only served our customers, but it has provided us with a tool which helps us be competitive within the market place,” Smith said. “By using this financial services program, our bank has gained a reputation as the small business champion in area banking.”

Seubold Family **Chiropractic**

One of the local small business success stories that began with an OCAP-backed loan is Seubold Family Chiropractic in Roland, Oklahoma, which is owned by Dr. Morgan Seubold.

After graduating from the well-known Cleveland Chiropractic College in Kansas City in 2004, Dr. Seubold and his family moved to Roland, Oklahoma, and Dr. Seubold joined an existing practice in nearby Fort Smith, Arkansas. Then in 2005, when he decided to open his own practice, he went to his Fort Smith bank only to discover that he could not qualify for a business loan that met his needs.

“It was frustrating,” Dr. Seubold said.

That same year, Dr. Seubold decided to relocate from the Fort Smith practice group and to open his own practice in Roland, his hometown and a community of approximately 3,000 residents. There, Dr. Seubold met with Lance Smith of First National Bank Sallisaw and was able to secure a small business loan through the OCAP program.

“Lance Smith explained the program to me in detail, including how it made my small business loan possible,” Dr. Seubold said.

In the years since, Seubold Family Chiropractic has become a thriving professional healthcare practice with a client base that meets or exceeds that of other chiropractic offices found in larger cities.

“Firststar bank and the OCAP program, have made it possible for me to build my practice here in Roland and to become a contributing member of the business community,” Dr. Seubold said. “Lots of pieces had to come together to make this happen and one of the larger pieces was OCAP and the opportunity it offered.”

“Not only have we supported and used the program for years, but we hope to utilize it in the future.”

Lance Smith
Firststar Bank

OCAP made it possible

“Firststar Bank and the OCAP program, have made it possible for me to build my practice here in Roland and to become a contributing member of the business community.”

Dr. Seubold
Seubold Family Chiropractic

01 Firststar Bank

Program
Oklahoma Capital Access Program

Program Recipient
First National Bank Sallisaw
(now part of Firststar Bank)

Industry Focus
Construction, Retail,
Franchises, Medical, Farming
and Agriculture

**Number of
Businesses
Assisted** **300**

02

Stroud
National Bank

Program
Oklahoma Capital Access Program

Program Recipient
Stroud National Bank

Industry Focus
Construction Contractors,
Heavy Equipment Businesses, Retail

**Number of
Businesses
Assisted** 168

Job creation

“This has not only saved jobs,
but created jobs.”

Kim Wheeler

“That’s what we’re here to do: take
care of our communities and if they
win, we win.” Kim Wheeler

Stroud
National Bank

Stroud National Bank has played a key role in helping commercial opportunities flourish in the Wellston, Perkins and Stroud areas. This in part, can be directly attributed to the support of the Oklahoma Capital Access Program (OCAP). Kim Wheeler, Branch President of the Stroud National Bank in Stroud, states that over the past two decades the OCAP has provided funding for some 200 loans.

“This has not only saved jobs, but created jobs,” says Wheeler. “We’ve been able to make loans we may not have been able to make without OCAP. We’ve had much success.”

Wheeler notes the program has permitted Stroud National Bank to provide loans to many clients that have great business ideas but remain short on capital or collateral.

“We tell the customer we want them to enter into an OCAP loan,” Wheeler says. “The program does help significantly when we’re trying to make a loan with a start-up business and other businesses. I’ve been able to make a lot of loans to people I would not be able to make without OCAP. I’ve had overwhelming acceptance by customers to the program.”

Since the bank became involved in 1996, OCAP loans have included an array of businesses such as a trucking company as well as in the industries of pool construction, aerial mapping, auto repair, specialty auto restoration and funeral services.

“OCAP helps our customers and the economic development of our community,” Wheeler says. “That’s what we’re here to do: take care of our communities and if they win, we win.”

Rock Café

The historic restaurant, the Rock Café situated on U.S. Route 66 in Stroud, benefitted twice from OCAP funding through Stroud National Bank.

Dawn Welch has owned and operated the celebrated café on the Mother Road for more than two decades. OCAP monies were initially used to upgrade the property. A primary loan helped with minor improvements around the exterior portions of the property. During this time, the restaurant reported a slow growth increase.

In 2006, Welch received a loan of \$35,000 for a major renovation project. Modernization included a complete overhaul of the restaurant's infrastructure.

"When we came through the entirety of the whole (OCAP) loan process, it meant we had the ability to increase our business by 50%," said Dawn Welch. "It increased more than I even dreamed it would. It increased 100%."

Success, unfortunately, was short-lived. In 2008, the restaurant burned to the ground turning the treasured landmark into ashes. Obviously, Welch had reason to despair because of such an unforeseen tragedy. At first, she was also uncertain if she should rebuild or even had the capital to do it.

Yet, because of her robust business growth between 2006 and 2008, she remained in a strong financial position.

"If I wouldn't have been able to show that increase thanks to the OCAP loan," Welch said. "I couldn't have gotten a new loan to rebuild."

She continues to be a strong supporter of programs such as OCAP because she knows firsthand the value of what it can do for a small business and the difference it can make.

"If OCAP wasn't there, it would have stalled my business," she said. "If it had not been available in 2006, I would not be able to be where I am today. I wouldn't exist."

"If OCAP wasn't there, it would have stalled my business."

Dawn Welch, Rock Café

Route 66 Restoration Supplies

Route 66 Restoration Supplies is one example of an OCAP supported company that has benefitted Oklahoma's economy over several decades. The company was started in 1985 as a small auto parts supplier. Owner Pete Sawatzky only sells fabricated products for antique Chevy automobiles. Initially, he ran the business out of his Cushing home.

Relocating to Stroud in 1990, he continued to operate this niche business from his garage. However, as the 'old' hobby grew in popularity so did his company. By 1993, he needed more space and sought to expand to a storefront in downtown Stroud. Yet, funds were tight.

"I didn't have enough capital to get started," said Pete Sawatzky. "I showed up at the bank with a heater hose and I got that loan."

With an OCAP loan of \$25,000, Sawatzky began building one of the leading companies of hard to find restoration parts related to 1955, 1956 and 1957 Chevys in the country. He noted that programs like OCAP are perfect for small business.

"If it wasn't for OCAP, I couldn't have stepped into other business distributors without that loan," he said. "It bolstered my credit worthiness to other companies."

Today, he generates more than \$650,000 in sales annually and has seen his business grow by 10% as well. He not only maintains a store but sells goods on the internet and E-Bay.

"OCAP is a very good thing," said Sawatzky. "We need it to lend money to small companies, create revenues for the state and for our sales tax. It's a win-win for state and small business."



Acorn **Growth Companies**

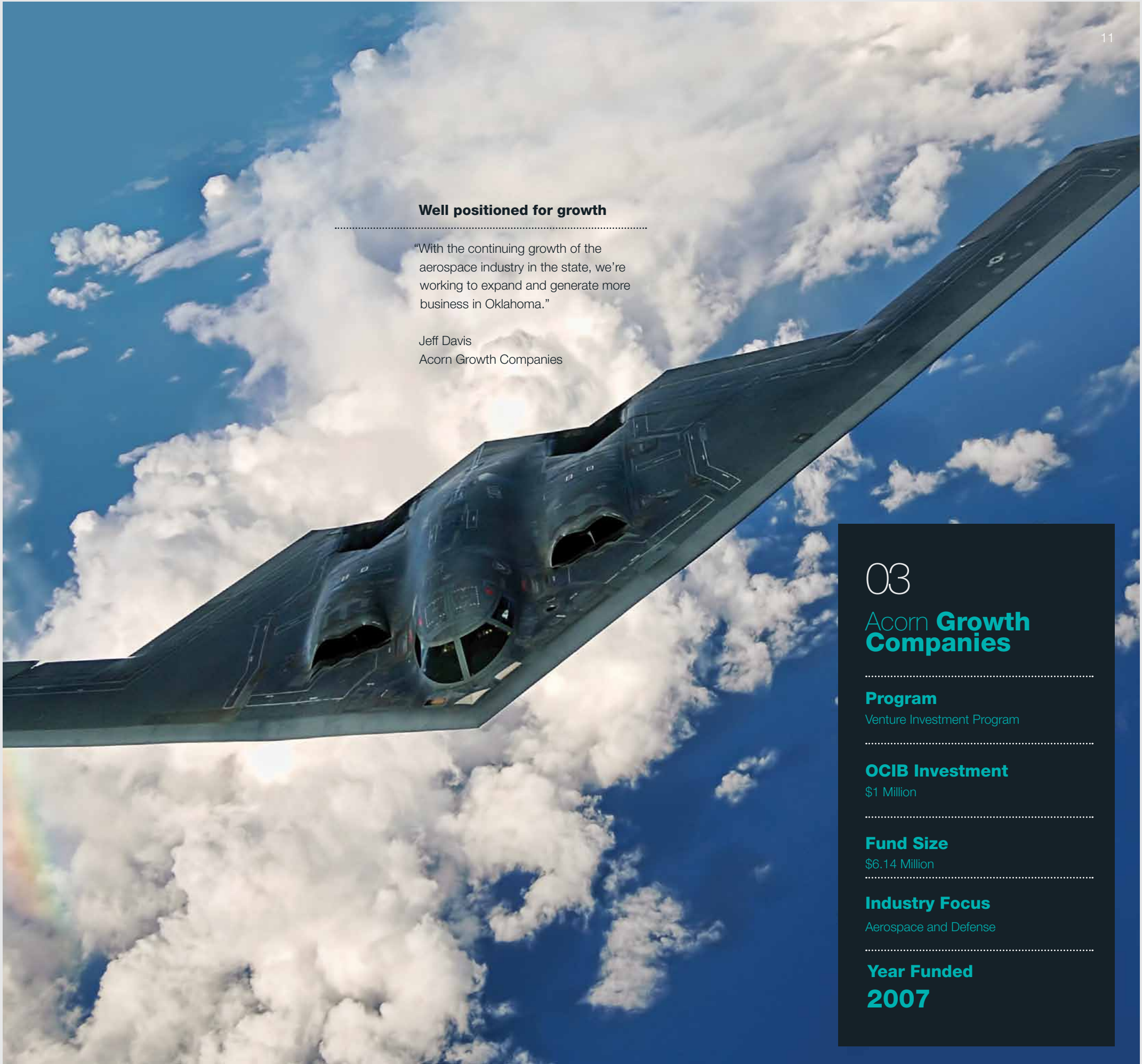
Acorn Growth Companies (AGC) is an Oklahoma City-based private equity firm that focuses exclusively on the aerospace and defense industry, with an emphasis in the composites sector. Founded in 2000, by partners Jeff Davis, Warren Thomas and Rick Nagel, the firm now owns or controls 13 companies with an estimated \$200 million under firm management. Under its banner, AGC Aerospace & Defense, holdings of Acorn Growth Companies are located throughout the United States and the United Kingdom. Among its portfolio companies are: Unitech Composites and Structures, Hill Aero Systems, Integrated Composites and Paul Fabrications.

The firm was founded with a plan to focus in Oklahoma on early stage investment opportunities located around Tinker Air Force Base. Over time, the firm has looked to broaden its focus to more traditional private equity investment. When the firm closed its third private equity fund in 2007 -- including \$1 million in investment capital from the Oklahoma Capital Investment Board -- Acorn was well positioned for growth.

Commenting on the OCIB's investment in Acorn, Rick Nagel describes the capital outlay as significant to the firm. "It was an endorsement of our strategy with respect to that fund," Nagel said. "That endorsement and investment helped shape decisions by some others to invest in our firm."

In its formative years, Acorn invested in some Oklahoma companies and the firm continues to seek such opportunities within the state. "Over time, we believe there will be a larger Oklahoma component," said Davis. "With the continuing growth of the aerospace industry in the state, we're working to expand and generate more business in Oklahoma."

The aerospace and commercial airline industry in Oklahoma has an estimated annual economic impact of more the \$12 billion annually. Davis and Nagel believe this impact will increase both the number of investment opportunities and the amount of investment capital in the state.



Well positioned for growth

"With the continuing growth of the aerospace industry in the state, we're working to expand and generate more business in Oklahoma."

Jeff Davis
Acorn Growth Companies

03 Acorn **Growth Companies**

Program
Venture Investment Program

OCIB Investment
\$1 Million

Fund Size
\$6.14 Million

Industry Focus
Aerospace and Defense

Year Funded
2007

04

Oklahoma Life Science Fund

Program

Venture Investment Program

OCIB Investment

\$1.75 Million

Fund Size

\$10.5 Million

Industry Focus

Biotechnology, Life Sciences

Year Funded

2007

OCIB fostered a “syndicate of investors.”

Scientific America recently included the AliveCor smartphone ECG as the No. 1 technology that will change the world.

Oklahoma Life Science Fund

William Paiva, Ph.D, manager of Oklahoma-based Oklahoma Life Science Fund (OLSF), founded Oklahoma Life Science Ventures in 2000, as a traditional venture fund focusing on early stage investment in biotechnology and life sciences opportunities in Oklahoma. With its first fund, OLSF I, Paiva’s organization utilized \$5.1 million investment capital to help launch five successful Oklahoma-based companies, such as ForHealth Technologies, Inoveon Corporation and Ekips Technologies. Based on this early success, the Oklahoma Life Science Fund closed its second fund, OLSF II, in April 2007 with \$10.5 million to invest. Led by investment from the Oklahoma Capital Investment Board, OLSF II investors also included Presbyterian Health Foundation, The Kerr Foundation, Oklahoma Medical Foundation, McClendon Venture Company, Hall Brothers Investment Corporation and others.

With approximately 60% of OLSF II now invested, Dr. Paiva says his organization follows two simple goals in consistent, sequential order. “Our number one goal is to make as much money for our investors as fast as we can, and our number two goal is to help drive economic development in Oklahoma,” Paiva said. “I believe you must have strong fundamentals in the companies in which you invest in order to meet the number one goal. And in achieving that first goal, we help foster the second goal of economic development.”

A strong supporter of the Oklahoma Capital Investment Board’s Program, Paiva says the capital the OCIB provided was “immensely helpful” in catalyzing the formation of OLSF II. As the OCIB does with all funds in which it considers for investments, the OCIB conducted an exhaustive formal review of the OLSF II’s strategy, assumptions, structure, and Paiva’s background and qualifications. Paiva credits the accelerated capitalization of OLSF II to the in-depth due diligence by OCIB. He says that protocol can benefit those funds as they seek additional investors. Finally, Paiva

credits the OCIB for fostering a “syndicate of investors” that can work together, sharing opportunities for venture capital investment in the state. Paiva also points out OCIB supported funds headquartered outside the state have co-invested with OLSF II in two Oklahoma healthcare opportunities.

Following its two primary goals, OLSF II investments have included AliveCor and Selexys Pharmaceuticals, both companies founded in Oklahoma. AliveCor, founded by physician, inventor and entrepreneur Dr. David Albert, offers a radically new technology for monitoring heart rhythm with an iPhone attachment. Scientific America recently included the AliveCor smartphone ECG as the No. 1 technology that will change the world. With FDA approval for this device now complete, the growth potential for the company is significant. Oklahoma City-based Selexys Pharmaceuticals received its initial capital from OLSF II and other angel investors in the state to complete Phase I study. After completing Phase I study, Selexys Pharmaceuticals entered into a \$665 million co-development deal with Novartis Pharmaceuticals, one of the world’s largest pharmaceutical companies. Selexys CEO Scott Rollins is an Oklahoma native who returned to the state in 2008 after co-founding Alexion, a global biopharmaceutical company, based in Connecticut.

Dr. Paiva summarized his view of OCIB by adding, “Don’t get me wrong, OCIB capital was very important to the formation of OLSF II, but more importantly the strategic benefits are equally important from their formal due diligence helping me raise additional capital from local investors who relied on OCIB’s due diligence, to their network of syndicate partners throughout the country with whom I can interact to invest in our Oklahoma opportunities, to the advice the OCIB principles are always willing to provide me as a fund manager.”



“OCIB has been extraordinarily helpful. It’s clear that they’re a part of that nurturing element for Oklahoma City and Oklahoma.”

Brian Clevinger
Prolog Ventures

Prolog Ventures

Since its founding in 2001, Prolog Ventures has become an active venture capital firm specializing in life sciences. Often, the company devotes resources to traditional healthcare opportunities while also exploring nutrition, wellness and green technology. Prolog has a significant portfolio of non-traditional healthcare companies and has supported the launch of many young companies.

The firm was created by people with investment knowledge and direct experience in getting ventures off the ground.

Company co-founder and managing director Brian Clevinger believes it is their ability to roll up their sleeves, get to know companies and build relationships that helps them succeed.

Partnering with OCIB’s VIP program has resulted in a broader appeal as well as opening the door to new segments of the life sciences field. Clevenger is thrilled about Oklahoma’s many positive prospects.

“OCIB has been extraordinarily helpful,” said Clevinger. “It’s clear that they’re a part of that nurturing element for Oklahoma City and Oklahoma.”

Prolog Capital II is a \$65 million fund. Its focus is on early-stage biotech companies. Some holdings are AirXpanders (patient-controlled tissue expansion devices for use in reconstructive procedures and burn treatment), Altheus (combination therapies for the treatment of inflammatory bowel disease), Plum Organics (a market leader of healthy foods for babies, toddlers and kids) and Sequoia Vaccine (the first vaccine developed for recurrent urinary tract infections).

Altheus Therapeutics

Five years ago, Prolog Ventures, an OCIB-supported fund, expanded their portfolio by investing in Altheus Therapeutics. The Oklahoma City-based company was founded to develop products to treat ulcerative colitis and inflammatory bowel disease.

It’s estimated that nearly 1.2 million Americans suffer from inflammatory bowel disease, with 2.3 million people affected worldwide. The two most common forms, ulcerative colitis and Crohn’s disease, are chronic lifelong conditions which significantly impact many patient’s quality of life.

“I think it’s pretty simple,” said Altheus Therapeutics Chief Executive Officer and President Dennis Schafer. “We wouldn’t be here if it weren’t for OCIB’s support through its investment in Prolog and other funds.”

Altheus’ research, conducted over a span of three decades at the University of Oklahoma, has helped to develop new cutting edge technology. The goal is to bring these treatments to market and ultimately, provide patients a better therapy.

Simple truth

“We wouldn’t be here if it weren’t for OCIB’s support through its investment in Prolog and other funds.”

Dennis Schafer
Altheus Therapeutics

05

Prolog Ventures

Program

Venture Investment Program

OCIB Investment

\$5 Million

Fund Size

\$65 Million

Industry Focus

Biotech, Life Sciences, Agriculture

Year Funded

2005

06

Davis, Tuttle Venture Partners, L.P.

Program

Venture Investment Program

OCIB Investment

\$5 Million

Fund Size

\$43 Million

Industry Focus

Basic Industries

Year Funded

1997

“In venture capital, you make the investment to achieve long term capital appreciation in enterprise value and total return for our investors. Jobs will come from that successful investment.”

Barry Davis
Davis, Tuttle Venture Partners, L.P.

Davis, Tuttle Venture Partners, L.P.

Davis, Tuttle Venture Partners, L.P. (DTVP) is a venture capital partnership with headquarters in Tulsa, Oklahoma and an office in Houston, Texas. DTVP provides long term growth capital and management counsel and support to emerging growth companies primarily in the southwest U.S. The firm focuses on new business creation, expansion and revitalization and management buyout opportunities. The firm co-invests in all investments and is able to bring up to \$15 million to any one opportunity. The founders, Barry Davis and Philip Tuttle, each have nearly 40 years of experience in the venture capital industry.

According to Davis, the firm’s strategy is to work with companies with an “established framework,” and to diversify DTVP investments by industry, geography and stage of maturity with approximately 20% in early stage investments, 50% in emerging growth companies and 30% in buyouts and acquisitions.

To date, the Davis Tuttle group has raised a series of private and institutional based venture funds with the current fund being a \$45 million fund of which OCIB is an investor and a member of the advisory committee. One of the eight companies in which DTVP invested was Infinetec Communications, Inc., a Tulsa, Oklahoma-based provider of telephone technology and equipment.

“Venture capital is a vital and essential ingredient in placing Oklahoma as a leader in the 21st century pursuing and

developing the entrepreneurial economy which is a state objective. During these critical times, OCIB should be encouraged and supported to continue to fulfill its mission in support of small business in this state. We should be asking how we can support the goal of adequate funding of our state’s most important resource, its entrepreneurs. We have needed this capital base in the past and certainly more so in the future,” Davis said. “We’re now seeing a stronger climate for emerging growth companies and the research coming out of the major research universities in the state is helping to foster this development. I think we should be looking for ways to support OCIB for our long-term future,” Davis said. “All this is building toward jobs. In venture capital, you make the investment to achieve long term capital appreciation in enterprise value and total return for our investors. Jobs will come from that successful investment.”

As a long-term observer and leader in the venture capital industry, Barry Davis should know. He has been a Director of the National Venture Capital Association and he chairs the Oklahoma Innovation Institute and founded the Oklahoma Private Enterprise Forum and the Venture Capital Institute, a national organization that has now trained nearly 5,000 venture capital executives to date. In 1999, he received the Lifetime Achievement Award for his service to the industry.

“I can’t think of a better place in the world to fund life science deals.”

Tommy Harlan

Emergent Technologies

Emergent Technologies is a company dedicated to life and material sciences technology commercialization. The firm funds and manages early-stage technology ventures where it structures and negotiates deals with market leading pharmaceutical and biopharmaceutical companies, research institutions and universities.

Tommy Harlan, Emergent Founder, Chief Executive Officer and President, notes the company goes beyond just ideas and innovation. Rather it’s a creative engine powered to find scientific discoveries and transform them into pioneering solutions. Ultimately, the mission is to bring novel technologies into market driven products.

According to Harlan when he first established the biotech business, the onus of raising capital fell to the company as did finding the opportunities to apply their unique model.

Coming from Texas to Oklahoma, Harlan found a very supportive climate that was willing to take risks.

“Not only did OCIB invest but they were very instrumental in helping us architect the fund and contract,” said Harlan. “They were very instrumental in helping us set up the fund in a way that would not only allow but encourage other investors to participate.”

To date, Emergent and its industry partners have invested in excess of \$500 million in technologies within its 19 portfolio companies. They draw upon these resources to leverage funds, launch companies, and work with various partners. Under Harlan’s leadership, Fund I, II and II-Annex were established in association with the University of Oklahoma for life sciences investors.

“I can’t think of a better place in the world to fund life science deals,” he said. “You have an innovation-friendly environment and immense infrastructure in place here.”



OCIB was instrumental

“Not only did OCIB invest but they were very instrumental in helping us architect the fund and contract.”

Tommy Harlan
Emergent Technologies

07 Emergent Technologies

Program

Venture Investment Program

OCIB Investment

\$1.4 Million

Fund Size

4.6 Million

Industry Focus

Biotech, Life Sciences

Year Funded

2002

08

Mesa Oklahoma
Growth Fund

Program

Venture Investment Program

OCIB Investment

\$3 Million

Fund Size

\$12 Million

Industry Focus

Basic Industries

Year Funded

2005

Successful investment

One of MOGF's most successful Oklahoma-based investments to date was Unitech Holding Company. By providing capitalization to acquire Unitech Composites, a composite parts manufacturer for the aerospace/ aviation industry, a substantial multiple of the Fund's investment was achieved.

“We believe that this support and vote of confidence by OCIB was instrumental in Mesa reaching its Fund goal.”

Doug Frans

Mesa Oklahoma
Growth Fund

Mesa Oklahoma Growth Fund (MOGF) is a \$12 million venture capital fund focused on Oklahoma opportunities. It is an Oklahoma City based early-stage private equity firm which invests in small businesses with high growth potential.

The fund did not initially focus on specific industries rather it maintained a more open approach toward aiding applicable Oklahoma businesses and geographical areas that were underserved by other capital providers.

MOGF did not consider service companies, financial organizations or retail frontage businesses. Instead, it pursued prospects in technology (software, intellectual property, telecommunications, etc.) as well as profitable operating entities and single-product or product-line companies that were ready to launch or expand marketing efforts.

MOGF partners Doug Frans, Greg Edwards and Moritz Schlenzig began discussions with OCIB late in 2004 regarding OCIB's role in venture investing within the State of Oklahoma.

“We were impressed with the focus and goals of OCIB in helping to create a venture capital market within the state and the creative capital source that had been provided to OCIB by the state legislature via contingent tax credits and use of such as collateral,” said Doug Frans.

In 2005, OCIB was the initial anchor investor in the Fund with a \$3 million commitment.

“We believe that this support and vote of confidence by OCIB was instrumental in Mesa reaching its Fund goal,” said Frans.

One of MOGF's most successful Oklahoma-based investments to date was Unitech Holding Company, a corporation which was supported by providing capitalization used to acquire Unitech Composites, an out of state composite parts manufacturer for the aerospace/ aviation industry. MOGF also aided Unitech through the introduction of an out of state mezzanine capital/ subordinated debt lender which then took a major Unitech position. Following an additional acquisition, we exited this investment in early 2012, achieving a substantial multiple of the Fund's investment. This allowed the MOGF to return a significant portion of OCIB's invested capital.

The Fund also invested in several other Oklahoma companies like Kinective HealthTech (formerly LifeGuard America) and InnovAlarm. Both of these companies continue to grow in Oklahoma.

Richland Ventures

Richland Ventures offered expansion capital for healthcare service companies, medical devices and technology in addition to other varied service businesses. After its launch in Nashville in 1994, Richland grew to become one of the largest venture funds in the Southeast, focusing its investment activity on financing later-stage growth companies.

Investments in Richland Funds I and II included successful partners such as Premier Parks and Lakeside Women’s Hospital in Oklahoma City and non-Oklahoma companies such as WebMD. Premier Parks, a theme park operator that owned Frontier City and White Water Bay, also later acquired Six Flags and became the second largest theme park operator in the United States. Managing partner Pat Ortale considers the Oklahoma Capital Investment Board to be very supportive of their business model.

“OCIB didn’t require you invest in the State of Oklahoma in a certain way,” said Ortale. “The program was flexible enough to allow us to make successful investments in Oklahoma that were good for us and the State of Oklahoma.”

He adds that OCIB was able to receive a valuable return on their investment. Richland I had a value of \$50 million and Richland II was \$83 million. For OCIB’s investment of \$4.7 million in the two Richland funds, OCIB ultimately received \$12.7 million in return.



Valuable ROI

Investments in Richland Funds I and II included successful partners such as Premier Parks and Lakeside Women’s Hospital in Oklahoma City and non-Oklahoma companies such as WebMD.

For OCIB’s investment of \$4.7 million in the two Richland funds, OCIB ultimately received \$12.7 million in return.

09 Richland Ventures

Program

Venture Investment Program

OCIB Investment

\$4.7 Million

Fund Size

\$133 Million

Industry Focus

Healthcare, Technology

Year Funded 1996

10

Blue Sage

Program
Venture Investment Program

OCIB Investment
\$2 Million

Fund Size
\$160 Million

Industry Focus
Basic Industries

Year Funded
2004



Waste not. Want not.

Included in Blue Sage’s portfolio, R360 Environmental Solutions Inc. acquired an El Reno waste provider. R360 subsequently sold for \$1.3 billion providing a strong return on the investment.

“We think OCIB has been a great program that allowed us to focus our efforts in Oklahoma while maintaining the investment discipline required by our other limited partners.”

Peter Huff

Blue Sage

Since its inception in 2004, Blue Sage Capital LP formed with the strategy of investing in niche, small companies. The Texas-based private equity investment firm raised \$160 million for its first fund that included a \$2 million commitment from OCIB, of which only about \$1.4 million actually was drawn from OCIB.

The Austin firm dismisses the traditional approach of seeking transactions by industry. Rather, they enjoy a geographic strategy primarily focusing on such states as New Mexico, Texas and Oklahoma. According to founder and one of the firm’s general partners Peter Huff, there is a scarcity and shortage of capital especially for smaller companies.

“If you look at states like Oklahoma, less than 20 percent of the capital that gets invested here actually originates from sources of capital from the state,” Huff said. “Oklahoma is a huge net importer of capital. A lot of the private equity and VC that is invested originates from firms outside the state and region.”

Included in Blue Sage’s portfolio was R360 Environmental Solutions Inc. which purchased and modernized the operations of A. J. Scott, an El Reno waste provider. Not only was the facility expanded through capital expenditures, but a significant number of employees have been added in Oklahoma. Last fall, R360 was sold to Waste Connection for \$1.3 billion and provided strong returns for investors.

“It has been a great relationship. We think OCIB has been a great program that allowed us to focus our efforts in Oklahoma while maintaining the investment discipline required by our other limited partners.”



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