



UTAH FUND OF FUNDS

*Annual Report
2008*



Utah Capital Investment Board
Chairman's Summary

During the past year, the UCIB fulfilled its oversight responsibilities and due diligence for the Utah Capital Investment Corporation, the Utah Fund of Funds and the State of Utah's \$300 million Tax Credits. The board members attended nine UCIC board meetings, met as members of the UCIC Nominating and Budget Committees, participated in public Fund meetings and functions and held six UCIB board meetings. Additionally, members reviewed updated UCIC policy and procedures, received the Fund's newsletters, all UCIC and Fund financial reports and obtained frequent briefings and communications from the Fund's Managing Director. The working relationship between all the entities responsible for implementing the State's Venture Capital Enhancement Act continues to be amicable, cooperative and productive. Currently, \$100 million of the available \$300 million in Tax Credits has been committed to the Fund's Deutsche Bank AG borrowing facility. Due to the difficulties within the financial markets, funding long term debt remains difficult. However, the Fund is currently negotiating with a local financial institution for a short term line of credit of approximately \$20 million. The facility will be used until the long term financial markets become available. Efforts are continuing to locate a potential long term lender. All information made available to UCIB members is maintained under the provisions of the Utah Government Records Access and Management Act (GRAMA).

The economic slowdown has had a negative impact on the short term performance of the Fund while providing investment opportunities which should enhance its future performance. Acknowledging these short term challenges, the UCIB is satisfied that the Fund's development and the soundness of its performance have met the annual budget and modeling forecast. The new Investment Manager, LP Capital Advisors, has assisted the Fund in implementing the recommendations it made to adjust the initial investment strategy to further reduce the risk of a call on the Tax Credits. There were no material weaknesses noted in the annual Audit Reports and Opinion Letters of the UCIC and the Fund as prepared by the independent audit firm of Wisan, Smith, Racker and Prescott, LLP.

Finally, the UCIB wishes to thank Edward T. Alter for his service to the State as a board member. He was always been available to help guide the Fund program from its inception with his thoughtful and prudent advice.

Sincerely,

Alexander L. Searl
Chairman, Utah Capital Investment Board



Utah Capital Investment Corporation: Chairman's Summary
Dear Friends of Utah:

At the conclusion of its sixth year in operation, the Utah Fund of Funds continues to find innovative ways to foster the development of Utah's dynamic entrepreneurial economy. Even in the midst of a sustained downturn, the program is also extending its influence by reaching out to Utah's established companies, especially in the middle market category.

Since its inception, the Utah Fund of Funds program has invested in 26 portfolio venture capital/private equity firms—nine Utah firms and 19 from outside the state—chosen from more than 500 interested investment firms throughout the country.

These Utah Fund of Funds portfolio firms have been extremely active in meeting with companies in the state. From mid 2006 to mid 2009, partners from portfolio firms outside Utah spent approximately 850 days in Utah meeting with companies in the state. As of June 30, 2009, at least 823 entrepreneurial companies received formal review meetings.

From these meetings, 31 Utah companies have received \$179 million in direct investment capital from the program's portfolio firms. In addition, these Utah companies received \$449 million in equity investment from syndicated partners, bringing their combined funding to \$629 million. All of this resulted from the initial \$100 million contingent tax credit appropriation, resulting in a 6.3 times multiplier effect!

There is also good news on the employment front. The investments in the 31 Utah companies enabled the creation of more than 2,000 new jobs. The average salary of these jobs, \$63,720, is almost twice the statewide average. According to the Utah Governor's Office of Planning and Budget

The Utah Fund of Funds has played a significant ongoing role in providing direction and support for Utah entrepreneurial and established companies, including introductions to the program's extensive network of investors and business leaders from throughout the nation, insightful and relevant conferences, including two inaugural conferences in 2009—the Medical Device Symposium and the Middle Market Symposium.

I invite you to explore the 2008 Utah Fund of Funds annual report. As you do, I am confident that you will join me in recognizing the foresight of the Utah Legislature in establishing this excellent program, which champions and supports Utah's entrepreneurs and business leaders.

Sincerely,

A handwritten signature in blue ink, appearing to read "Will West", with a horizontal line extending to the right.

Will West
President and CEO, Control4
Chairman, Utah Capital Investment Corporation

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Risk of cashing Utah Fund of Funds tax credits:

As of September 2009

The likelihood of cashing Utah Fund of Funds tax credits in the next three years is slim to none. The Utah Fund of Funds financing does not require principle payments for 8 years and the Utah Fund of Funds has \$40 million dollars in available cash.

Fiscal 2008 Annual Report

During fiscal year 2008 the Utah Fund of Funds (Utah FoF) accelerated and significantly broadened its reach and results in catalyzing Utah's vibrant entrepreneurial economy. The Utah FoF has continued to broaden its reach in the entrepreneur community as well as reaching out to established companies.

Highlights – As of June 30, 2009

- To date, over 823 Utah early-stage companies have received formal review meetings with Utah FoF portfolio firms, of which 31 have received investment capital.
- A total of \$179 million has been invested in these 31 companies directly by Utah FoF portfolio firms, with an additional \$449 million invested by their syndicated partners – for a total of \$629 million in investment into Utah companies as a result of the \$100 million initial appropriation for the FoF. In financial terms, this represents a 6.3 times multiplier effect.
 - Approximately 2,007 new jobs have been created in the state as a result of these investments at an average salary of \$63,720– nearly double the statewide average.
 - The Utah Governor's Office of Planning and Budget estimates that these new jobs will also generate approximately \$36 million in new annual tax revenue.
 - Utah FoF supported jobs have generated, since inception, \$54 Million: \$18 million for 2007 and \$36 Million 2008. By end of the year 2009, Utah FoF-supported jobs will generate an additional \$36 million, bringing the total since inception to \$90 million.
- The Utah FoF has invested in 26 portfolio firms (venture capital/private equity). The fund has been highly successful in attracting capital and increasing the number of groups and the amount of capital they are interested in investing in Utah entrepreneurial companies.
 - These firms were chosen from over 500 interested parties, allowing the Utah FoF to be very selective in seeking high-quality firms.
- The portfolio consists of nine Utah-based venture capital/private equity firms and 19 from outside the state. This makeup has served to diversify the investor base and increase the breadth of investment expertise and depth of capital available to Utah entrepreneurs. Portfolio firms based outside of Utah have spent over 844 days, since 2006, in the state meeting with Utah companies.

Historical Background

With substantial support from leaders in Utah's investment and entrepreneurial communities, the Utah Fund of Funds was established in 2003, with the passage of Utah House Bill 240 ("HB 240, the Venture Capital Enhancement Act). Led by Utah economic development leaders and entrepreneurs involved with the then-Utah Information Technology Association (UITA; now the Utah Technology Council, UTC), an unfunded legislative workgroup crafted the legislation, based on best practices from other states, adapted to the needs of Utah. Sponsored by State Representative Peggy Wallace, with support from leaders on both sides of the aisle, HB240 passed overwhelmingly through both the Senate and the House in its first attempt, and the Utah Fund of Funds was born.

Legislated Purpose

Utah Venture Capital Enhancement Act (Utah FoF Legislation) states in section § 63-38f-1202 that the findings and purpose of the Utah Fund of Funds come from several Utah economic needs: "(1) The Legislature finds that: (b) a critical **shortage of seed and venture capital** resources exists in the state [of Utah], and that shortage is impairing the growth of commerce in the state; (c) a need exists to **increase the availability of venture equity capital** for emerging, expanding, and restructuring enterprises in Utah, including enterprises in the life sciences, advanced manufacturing, and information technology."

The Utah Fund of Funds legislation further states that the legislation was enacted in order to: "(a) **mobilize private investment in a broad variety of venture capital partnerships in diversified industries and locales**; (b) retain the private-sector culture of **focusing on rate of return** in the investing process; and (c) **secure the services of the best managers in the venture capital industry, regardless of location.**"

Financing

Utah FoF financing is provided by an outside third party, and supported by contingent tax credits issued by the State of Utah. As of July 1, 2009, Deutsche Bank (DB) is the only institution selected to provide financing for the Utah FoF program. DB has provided a \$100-million structured finance product which is a 15-year product and functions similar to a revolving line. The financing of the 2008-approved \$200 million in contingent tax credits has been approached cautiously due to the current financial environment, and none of this \$200 million have been monetized. The program is structured to be financially self-sustaining, with profits from Utah FoF investments paying back financiers. Only in the highly unlikely case of a shortfall, not anticipated in any Utah FoF pro-forma forecasts, would the state be required to place tax credit funds into the program. Since inception, more than 70 financial institutions have been consulted regarding the Utah FoF and its financing needs.

Structure

The Utah FoF is managed by Jeremy Neilson, Matt Peterson and Tamee Roberts. Management is directed and supported by two boards, the Utah Capital Investment Corporation and the Utah Capital Investment Board, as well as a third-party advisor, LP Capital Advisors. All board members serve on a volunteer basis. Most members maintain demanding "day jobs" while serving.

Current Utah Fund of Funds Management:

- **Jeremy Neilson, Managing Director**

Mr. Neilson was tapped by key Utah state economic development leaders to launch the newly-born Utah Fund of Funds in 2003. As the first staff member, Mr. Neilson has been working for the program's success for the past five years, for three of which he was the sole management team member. Mr. Neilson is responsible for day-to-day operations of the fund in addition to its long-term strategy. He sits on the advisory boards of the Women Tech Council and Upstart Ventures. Prior to the Utah Fund of Funds, Mr. Neilson was an associate with the University Venture Fund, where he spent time working closely with local and national venture capitalists on company due diligence. Mr. Neilson started his professional career at the Los Angeles office of Neilson Elggren, a fraud and bankruptcy forensic accounting firm, where he worked on a number of matters including Adelpia's billion-dollar bankruptcy and one of America's largest Ponzi schemes. Mr. Neilson holds a finance degree from BYU, an MBA from the University of Utah and a Juris Doctorate from Wake Forest School of Law.

- **Matt Peterson, Vice President**

Mr. Peterson is responsible for all entrepreneurial outreach, including sourcing Utah-based companies and matching them with appropriate sources of capital. In addition, Mr. Peterson has personally negotiated with more than 100 private equity buyout groups and heads the Utah Fund of Funds origination effort in that area. In addition, Mr. Peterson coordinates financial reporting requirements for the program. Prior to joining Utah Fund of Funds, Mr. Peterson worked as a senior M&A Advisor with IndustryPro, a middle-market investment bank (private equity focus), where he personally led successful buyout and growth-equity transactions with aggregate values in excess of \$200 million. Prior to IndustryPro, Mr. Peterson worked as a financial consultant with Tosh Financial, one of the largest and fastest-growing neighborhood finance companies in the nation. Mr. Peterson began his career in the finance department at the American Standard Companies in Campinas, Brazil. He is an active volunteer in the community and regularly works- and raises money for non-profit organizations, including Juvenile Diabetes Research Foundation and Big Brothers/Big Sisters. Mr. Peterson enjoys cycling, studying languages, and being a sports fan. Mr. Peterson received a B.A. in Finance from the University of Utah and is currently pursuing an MBA.

- **Tamee Roberts, Special Project Manager & Government Relations**

Miss Tamee Roberts is the Office, Projects, and Government Relations Manager at the Utah Fund of Funds. She is responsible for various special projects, daily office management and securing grant funding to further the Utah FoF's economic development and entrepreneurial programs. Miss Roberts spent five years (2001-2005) as a program specialist with the Governor's Office of Economic Development (formerly DCED) running state incentive programs, including grants, loans and tax incentive legislation. As Program Specialist, she was instrumental in successfully recovering more than \$5 million in state-owed funds and incenting more than 20 companies to relocate to or expand in the State of Utah, which in turn created hundreds of high-paying jobs. Previously employed as the Education Liaison for Governor Leavitt's office in 2000, she brings to the Utah Fund of Funds extensive experience in government and state economic development. Miss Roberts has a keen interest

in the Middle East and education development. She studied in Egypt, Israel and Jordan in 1997 and then taught school in the West Bank in 1999. She returned to the region as a finance manager for L-3 Communications from 2005-2006, running local/national payroll, and handled millions of dollars in cash in Baghdad, Balad and Kirkuk, Iraq. In 2007-2008 she taught 7-9th grade Social Studies and Humanities at a State of Utah Charter School, and is published in the field of education leadership in ESL research. She returned to state economic development full-time with the Utah Fund of Funds in 2008. Miss Roberts earned a BA in Political Science Teaching and a History Teaching minor from Brigham Young University in 1991; she holds a Secondary Education Certification in the State of Utah, a Masters in Comparative International Development Education from BYU and is currently pursuing a BS in Information Systems from Utah Valley University.

Utah Capital Investment Corporation Board (UCIC)

Utah Capital Investment Corporation (UCIC) is a non-profit 501(c)(3) corporation with a public charter to approve, in partnership with UCIB, Utah FoF financing, approve all Utah FoF investments, and choose and manage the program's management and outside investment advisor. All UCIC board members volunteer their time and expertise, without receiving pay. The UCIC consists of prominent national and local industry leaders. Current members include:

- **Will West (UCIC Chairman): Co-founder, President & CEO, Control4.**

Mr. West is the President, CEO, and Co-Founder of Control4, an award winning manufacturer of residential control systems. This is the fourth new technology company he has started in Utah with his long time partner Eric Smith. In addition to Control4's financings, Mr. West has raised more than \$250 million in private capital. Mr. West also co-founded STSN (now iBahn) in 1998 and has served as its Chairman, CEO, and President. He and the rest of the iBahn team have grown the company to where it is today -- the worldwide leading provider of wired and wireless broadband services for business travelers. Every month, more than a quarter of a million business travelers rely on iBahn to keep them connected while they are on the road. iBahn secure broadband solutions are available in hundreds of thousands of guest rooms and hotel meeting rooms worldwide. Prior to founding iBahn, Will was the CEO, President and Co-Founder of PHAST Corporation. Under his leadership PHAST Corporation (now a division of a larger control systems company) became the leading manufacturer of high-end home automation systems. PHAST brought to market over 30 electronic control products and an extensive suite of software that revolutionized the residential systems market. Mr. West's professional experience includes work at Proctor and Gamble, the Federal Savings and Loan Insurance Corporation, Price Waterhouse, and Wasatch Advisors. Mr. West holds a Bachelor's degree in Finance from the University of Utah and a Masters in Business Administration from the Wharton School of Business. He also holds the Chartered Financial Analyst designation.

- **Geoff Woolley(UCIC Vice Chairman): Founding partner, Dominion Ventures; founder and former executive chairman of European Venture Partners.**

Geoffrey T. Woolley has been active in private equity investing for over 25 years and founded two successful venture funds in the United States and Europe. He pioneered the concept of venture debt and has invested in over four hundred companies in his career. Business titles include Founding Partner of Dominion Ventures, Inc. and Executive Chairman of European Venture Partner. Forming Dominion in 1985 at the age of twenty-

four, he is the youngest person to raise an institution private equity fund from institutions that include Calpers, IBM, Mitsui, Travelers, Duke University and many others. At Dominion, he raised and managed over \$750,000,000 while returning attractive returns to investors. In 1998, he stepped back to an advisory role at Dominion to enable time to pursue other non-profit and business interests. At Dominion he invested in well know companies such as Ciena, Coinstar, Human Genome Sciences, Powersoft, Tivoli, Vertex and Xylan along with hundreds of successful and not so successful companies. He founded European Venture Partners (EVP) in 1997 to introduce "venture leasing", an asset backed debt instrument with equity participation to the European and Israeli market. With offices in London, Tel Aviv and Stockholm, the company has successfully invested over \$200,000,000 in various early stage companies. He remains active spending up to ten days monthly in Europe and has been able to return superior returns to investors despite a major private equity downturn. Mr. Woolley serves as an advisor on the boards of Polaris Ventures, Euclid SR Partners, and Von Braun & Schrieber Private Equity. He provides advice on strategy, fundraising and is an investor in these well known funds. He is very active in Eccles Business School at the University of Utah where he chairs a program to make the school a top entrepreneurial business school in the next seven years. This includes his Chair role of the University Venture Fund that is an independent non-profit, with student associates managing the fund. Raising a \$20,000,000 fund, students work with well established venture and buy-out funds to perform due diligence on prospective investments. Mr. Woolley has been active with many worthy non-profits. For four years, he was Chairman of the NAMES Project Foundation, the caretaker of the AIDS Memorial Quilt. During his tenure, the organization organized forty local chapters, with over 20,000 volunteers and was able to raise multi million dollars to sustain the organization. He is on the board of Unitus, a microfinance non-profit that provides small loans to the world in very developing countries including: India, Bolivia, Mexico and South Africa. Geoff was active in the 2000 presidential election and took an active "co-chair" role in the Gore 2000 campaign. Mr. Woolley holds an MBA degree from the University of Utah and a BS in Business Management from Brigham Young University

- **Frederick Lane: Vice Chairman of Investment Banking, Raymond James & Associates.**

Mr. Frederick C. Lane is Vice Chairman of Investment Banking at Raymond James & Associates and has over thirty years of investment banking experience. Mr. Lane formerly served as Managing Director, Founding Partner, Chairman, and Chief Executive Officer of Lane, Berry & Co. International, LLC, which was acquired by Raymond James in May 2009. Previously, Mr. Lane was a Managing Director of Donaldson, Lufkin & Jenrette, as well as of Credit Suisse First Boston upon CSFB's acquisition of DLJ in 2000. When Mr. Lane joined DLJ in 1976, he was one of only eight investment bankers at the firm. He was instrumental in the growth of DLJ's investment banking business as reflected in his installation to DLJ's Hall of Fame. The founder of DLJ's first regional investment banking office in Boston in 1980, Mr. Lane spent more than half of his career in New York, where he served on the Firm's Equity Underwriting, Banking Review and Fairness and Valuation Committees. From 1989 to 1995, Mr. Lane was Co-Head of DLJ's Mergers and Acquisitions Department. Mr. Lane was a Founding Investor in Staples, Inc. Mr. Lane was previously with Bessemer Securities Corp. and Coopers & Lybrand. Mr. Lane's industry experience encompasses a broad range of industries, including conglomerates, consumer products,

retail, distribution, telecommunications, media and electronics. Mr. Lane has extensive experience in working with growth companies which have combined organic growth with growth through acquisitions. Mr. Lane received his BA, Cum Laude, from Harvard College in 1971, and his MBA, With Distinction, from Harvard Business School in 1973.

- **Edward Alter: Former Treasurer, State of Utah (1980-2008).**

Prior to joining the UCIC, Mr. Alter served as a board member of the Utah Capital Investment Board (UCIB), and recently completed 28 years as Utah State Treasurer, electing to retire at the end of last year. As Treasurer, Mr. Alter's major responsibilities included cash management and investment of state funds and selling general obligation and revenue bonds. Alter's tenure as Utah's Treasurer encompassed seven four-year terms. First elected in 1980, he served in the administrations of five governors, on both sides of the aisle: Democrat Scott Matheson and Republicans Norman Bangerter, Michael Leavitt, Olene Walker and Jon Huntsman Jr. Alter played a significant role in helping build Utah's economy into one of the nation's most solid and dynamic, for which he garnered numerous honors and accolades. He was recognized nationally for his innovative leadership in public financial management, including: Elected as President of the National Association of State Treasurers in 1986, Named by City and State magazine to its All-Pro Government Team in 1988. Received the first Jesse M. Unruh award for treasury excellence from the National Association of State Treasurers in 1989. Alter has been a member of the Utah State Retirement Board since 1981, and has served as President of the Board for nine years. He is also a member of the State Bonding Commission, the Private Activity Bond Review Board and the Utah Housing Finance Agency Board. Prior to his election as state treasurer, Mr. Alter was the assistant treasurer for the University of Utah (1972-1980). He began his career in the public accounting profession as a senior accountant in Los Angeles (1967-1972), where he became a CPA.

- **Frank S. Trumbower (UCIC Vice Chairman): Retired CEO, Cambridge Technology Partners.**

Mr. Trumbower is a retired CEO of Cambridge Technology Partners, Inc. and an adjunct professor at Oxford University. Cambridge Technology Partners is a Venture Capital firm with offices in New England, Metropolitan DC and Menlo Park, CA. Cambridge specialized in early stage investments in computer and communications technologies. The VC firm is not related to the firm with a similar name recently acquired by Novell. Prior to joining Cambridge, Mr. Trumbower worked with Sprout Capital in New York and also worked in LBO finance while in New York. Mr. Trumbower led the LBO of Scott Publishing and operated that company for several years. Mr. Trumbower also was a founder of Computer Network Corporation, Comten Corporation and DirectSat Corporation, now part of Echostar (Dish Network). Mr. Trumbower graduated from the University of San Francisco in 1959 and then studied as a Marshall Scholar at the London School of Economics, receiving the M.Sc. and Ph.D degrees in London. He returned to the US following graduate school and became a member of the staff of Secretary McNamara at the Office of the Secretary of Defense. Mr. Trumbower later served as the Chief Economist at the Office of Economic Opportunity under President Johnson and also as Chief Economist of the African Development Corporation during the period Mr. McNamara served as President of the World Bank.

- **Peggy Wallace: Vice President, America First Credit Union; former Utah State Representative and lead sponsor of the Utah Fund of Funds legislation.**

Peggy Wallace currently serves in the capacity of vice president for America First Credit Union, one of the nation's largest and most successful credit unions. A Utah native, Ms. Wallace has worked almost forty years in positions of increasing responsibility and influence within the financial services industry. Prior to her current role, she has served as: operations officer for United California Bank; senior operations officer for American Savings and Loan's Southern Division; and associate vice president over Savings Administration for Beverly Hills Savings. Ms. Wallace has served on numerous professional and community boards, and currently serves on: the Utah Cooperative Alliance; Utah Professional Republican Women; Republican Women's PAC; as a long-standing Development Education board member with the World Organization of Credit Unions; and on the public policy committee for the Utah Technology Council (UTC). From 2001 through 2006, Ms. Wallace served as the Representative for West Jordan in the Utah Legislature, where she chaired the commerce and revenues sub-appropriations committee for two years; was vice chair of Workforce Services for two years; and sponsored the Utah Fund of Funds legislation (Utah Venture Capital Enhancement Act).

- **Richard Nelson: President & CEO, Utah Technology Council (UTC); president, national Council of Regional Information Technology Associations.**

Richard Nelson is the President and Chief Executive Officer of the Utah Technology Council (UTC, formerly UITA), the premier industry-driven, high-tech professional organization in the state. UTC is recognized also as one of the top information technology councils in the country. He has represented the Utah's IT industry since 1999, with highlights ranging from leading the successful passage of the \$100 million Fund of Funds Bill in the 2003 Legislature to providing industry testimony before the United States Senate Judiciary Committee. He likes to refer to his industry role as the "community builder" in fostering Utah's highly-recognized IT community -- with over 2600 IT companies. Mr. Nelson has an MBA from Northwestern University in marketing and finance and a Bachelor of Science Degree from Brigham Young University. In 2000, Governor Leavitt appointed him to the state's Board of Business and Economic Development.

- **Bret Jepsen: Director of Venture Capital and Private Equity**

Mr. Bret Jepsen most recently was with Sterling Stamos as a Director of Venture Capital in the Private Equity Group. Mr. Jepsen has nearly 10 years of principal investing experience in private equity and venture capital. Prior to joining Sterling Stamos, he managed the \$1.5 billion venture capital portfolio for the City of San Francisco's Investment Office. While at San Francisco, Mr. Jepsen gained access to several top-tier, oversubscribed venture capital funds and created a secondary program designed to enhance returns by acquiring less-risky, pre-identified venture capital portfolios. He currently serves as an advisor to several venture capital funds in the San Francisco Bay Area and East Coast. Mr. Jepsen has spoken at industry events including the IBF Venture Capital Investing Conference, University Venture Fund Summit, and Silicon Valley SDForum. Prior to his work for the City of San Francisco, he worked at Connecticut-based Portfolio Advisors, LLC, where he helped monitor and build private equity programs for Citigroup, Robert Wood Johnson Foundation, Los Angeles Fire & Police Pension, New York Common Retirement Fund, and San Francisco

Employees Retirement System. Mr. Jepsen also gained direct investment experience while working for Dominion Ventures, LLC. Mr. Jepsen received his BA from Brigham Young University and an MBA from Kellogg Graduate School of Management, where he co-authored a case study on the private equity secondary industry.

Utah Capital Investment State Board (UCIB)

The *Utah Capital Investment Board (UCIB)* is a State of Utah government board with membership determined by government position or State Governor appointment with Senate approval. UCIB is the state oversight board responsible for overseeing the Utah FoF State of Utah tax credits, and plays a crucial role in overseeing Utah FoF financing and reporting the program's status to the Utah legislature. All UCIB board members volunteer their time and expertise, without receiving pay. Current UCIB board members include:

- **Alexander L. Searl (UCIB Chairman): Retired executive.**

Alexander L. Searl is a seasoned business professional with over 38 years experience in a variety of industries. Mr. Searl received degrees from Syracuse University (BA and MBA), Harvard Graduate School of Business Administration (Executive Management Program), Duke University (Chemistry for Executives), and Darden Graduate School of Business Administration (Pathway to Marketing Excellence). His corporate experience has included: CFO of Paradigm Inc., COO and CFO of Crown Energy Corporation, Senior Vice President and CFO of Theratech Inc., Executive Vice President of the American Stores Company, and a number of Vice President positions with Hercules Incorporated. Along with his extensive professional career, Mr. Searl has been significantly involved with the community, directorships, and other organizations. From 1987 to 2000, Mr. Searl was a member of the Financial Executives Institute. He has served on the Board of Spenco Medical Corporation, the American Cancer Association of Delaware, the American Heart Association of Delaware, and as a principal of Manhattan Goose, LLC. Mr. Searl has also been appointed by governors in both Utah and Delaware to various positions in state government.

- **Richard Ellis: Treasurer, State of Utah.**

Richard Ellis was elected State Treasurer November 4, 2008 and took office January 5, 2009. As State Treasurer, he is responsible for the treasury and cash management functions of the state, investment of state funds and the Public Treasurers Investment Fund, the issuance of all general obligation and revenue bonds authorized by the legislature, and administering the unclaimed property program. The State Treasurer also sits on various boards and commissions as required by statute. These assignments include the Utah Retirement System Board, Private Activity Bond Authority, Utah Science Technology and Research (USTAR) Board, Utah Capital Investment Board, Community Impact Board, Utah Communications Agency Network Board, State Bonding Commission, State Building Ownership Authority, State Charter School Finance Authority and several other boards and commissions. Prior to becoming State Treasurer, Mr. Ellis served nine years as the Chief Deputy State Treasurer under his predecessor, Ed Alter. Mr. Ellis's other state experience includes three years as the Director of the Governor's Office of Planning and Budget under Governors Jon M. Huntsman, Jr. and Olene S. Walker, and a stint as the Executive Director of the Department of Administrative Services. His career has focused on public finance with experience as the first Finance Director for Draper City, an investment banker with Dougherty, Dawkins,

Strand & Bigelow, and as the Assistant Treasurer with the Jordan Valley Water Conservancy District. In total, Mr. Ellis has over 24 years of experience in public finance. Mr. Ellis received his Master of Business Administration degree from the University of Utah in 1990. He completed his undergraduate work at Brigham Young University where he received a Bachelor of Science degree in Business Management with a Finance emphasis. He currently is an adjunct faculty member of the Marriott School of Business at BYU and teaches a class in Cash Management and Investments for the Romney Institute. Mr. Ellis was born and raised in Klamath Falls, Oregon. He and his wife, Joyce, have lived in West Jordan, Utah for nearly 20 years where they have raised their six boys.

- **Lonnie M. Bullard: President & CEO, Jacobsen Construction Company.**

Lonnie M. Bullard graduated in 1979 with a BA degree from Weber State University and an MBA from Northwestern in 1981. Mr. Bullard has over 25 years of professional experience and is currently the President and CEO of Jacobsen Construction Company, Inc., one of the largest regional commercial contractors based in Salt Lake City. Prior to working with Jacobsen Construction, Mr. Bullard was a senior partner and project manager with the Boyer Company for 11 years. Mr. Bullard has served on many boards including: Member of the Coalition for Utah's Future, Member of the Economic Development Corp. of Utah, Chairman and Member of the Utah School and Institutional Trust Lands Administration, and Member of the Utah Chapter of the Associated General Contractors. In addition his professional affiliations include: Member of Rotary International, Member of the Utah Chapter of Young Presidents Organization, Member of the National Private Industry Advisory Council, and Member of the Legacy of Life Committee at the LDS Hospital Heart and Lung Research Foundation.

- **Robert P. Majka (UCIB Vice Chairman): CEO, Marlin Bank.**

Mr. Majka has more than 30 years management experience in the consumer and commercial lending industry. Mr. Majka was an Executive Vice President with Associates Corporation that merged with Citigroup in late 2000. At the time of the merger, Associate Corporation was one of the nation's largest "subprime" lenders, had \$29.7 billion in outstanding loans in its consumer finance portfolio, serviced 480,000 home equity loans, and had nearly 3 million personal loans. Mr. Majka was the President and CEO of Associates Capital Bank, Inc. prior to the Citigroup merger and was a Vice President with Croker National Bank prior to joining the Associate Corporation. Upon leaving Citigroup and returning to Utah, Mr. Majka has been involved as a Board of Trustee with the Catholic Foundation of Utah, a Director with the Volvo Commercial Credit Corp. and participated in Junior Achievement Economics at Alta High School.

- **Derek Miller: Acting Executive Director, Utah Governor's Office of Economic Development.**

Derek Miller is the Acting Executive Director for the Governor's Office of Economic Development. In this capacity Mr. Miller oversees efforts to bring targeted businesses to Utah and assist in the expansion of existing Utah businesses. Prior to this appointment, Mr. Miller served as the Director for the Utah Division of Real Estate. As Division Director, Mr. Miller oversaw licensing and enforcement activities including investigating and prosecuting companies and individuals engaged in fraud. Mr. Miller has also served as Congressional Counsel for the U.S. House of Representatives and as a management consultant with Arthur

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Andersen. Mr. Miller is a graduate of the J. Reuben Clark Law School at Brigham Young University, and also holds a Master of Public Administration from the University's Marriott School of Management.

Utah FoF Investment Advisor

The *Utah Fund of Funds Investment Advisor* is a professional firm chosen by the UCIC through a formal request for proposals (RFP) process. The advisor's primary duties include: finding and evaluating potential investments; performing due diligence; and providing investment recommendations to the UCIC board.

The investment advisor for the program is LP Capital Advisors. Their headquarters are in Sacramento California with full-time offices in Utah, led by senior staff. LP Capital Advisors' Utah office is led by Vice President Richard Pugmire, an experienced business professional who previously worked at Ford Motor Company in their corporate pension division working with private equity and hedge fund investments. Mr. Pugmire is a University of Utah MBA graduate and a CFA Charter holder.

Investment Approach/Goals:

In 2005, before any investment decisions were made, and again in 2008, the Utah Capital Investment Corporation (UCIC) commissioned a comprehensive research and analysis of Utah's business environment looking at several specific areas, including start-ups, growth companies, venture capital and buyout financings, angel groups and banking options. The analysis aimed to accomplish four goals: 1) Assess Utah's start-up and growth company market environment and potential sources of deal flow; 2) Identify Utah's gaps in funding spectrum by stage and industry; 3) Analyze gaps to understand why they exist and what, if anything, the Utah Fund of Funds can do to help close them; and 4) Develop initial ideas set for UCIC Board consideration.

The key findings from the assessment report included:

- 1) Utah's capital pool is shallow across the board, with relatively few funds and limited capital to invest;
- 2) Life sciences/genetics is especially thin;
- 3) Early and Expansion stages are likewise especially thin; and
- 4) Utah relies on national funds to lead later stage deals, yet national funds have no commitment to Utah.

The UCIC board, in consultation with its advisors, set a strategy aimed at resolving the problems found by the assessment report. The UCIC established a diversified "three-pronged strategy" of: 1- supporting the existing local firms; 2- assisting in the creation of new Utah-based firms; and 3- recruiting regional and national firms to partner with the Utah Fund of Funds to provide needed expertise, capital and networking.

UCIC will also seek to focus on three additional areas: industry, stage of investment, and vintage year. In the area of “Industry,” the assessment report discovered that 83 percent of Utah start-up investments occurred in the IT/Technology and Life Science, so the UCIC strategy was to seek investment in firms that focused on these two areas. A third industry, consumer products, was also added. With regard to “Stage,” UCIC aimed to invest in seed/early stage, mid/expansion stage, mezzanine/late stage and buyout. Finally, with regard to “Vintage” year, UCIC seeks vintage year diversification. See below for details on how the Utah Fund of Funds portfolio, as of yearend 2008, is accomplishing its investing goals.

Portfolio Approach:

The mission of the Utah Fund of Funds, created by the Utah Legislature through the passage in 2003 of House Bill 240 - the Venture Capital Enhancement Act - is to increase the amount, quality and diversity of capital funding available to help the state's early-stage and growth companies to grow, prosper and mature in Utah. To fulfill this mission, the Utah FoF evaluates quality venture firms in and outside Utah, with the assistance of the program's professional investment advisor, LP Capital Advisors.

While the Utah FoF program has legislatively been advised not to invest its capital in first-time venture investors, it may consider investing in first-time firms whose partners have established a track record of sound investments and successful returns in other firms. In addition, the program has determined not to require its portfolio firms to open an office in the state, or contractually bind them to commit to invest specified dollar amounts in Utah companies. It does, however, regularly require partners of its portfolio firms to commit to spending time in Utah meeting with companies and entrepreneurs, and/or to make themselves available for Utah executives to visit them at their offices.

The primary rationale for these decisions is to maximize investment returns and access to primary decision makers at the firms. Research and experience indicates that requiring offices or investment clauses results in a lack of interest from the nation's best-networked, successful investors. Furthermore, when a firm agrees to a strong in-state requirement these firms tend to send junior professionals (without a vote on investment decisions) to fulfill their in-state time commitments. The Utah FoF is committed to obtaining successful investors and partner-level attention for Utah.

The Utah Fund of Funds Portfolio

At yearend 2008, the Utah FoF portfolio consisted of 22 investment firms, ranging from seed stage to later-stage growth to buyout; and across a variety of industry areas, from life sciences and information technology to retail, consumer and business services. The Utah FoF is developing a diversified portfolio regarding investment stage, industry specialty, geographic focus (in addition to Utah). <http://utahfundoffunds.com/portfolio.html>

SV Life Sciences Fund IV, L.P.: \$550 million. Founded in 1993 as Schroder Ventures Life Science, SV has offices in Boston, San Francisco and London. The firm focuses on multi-stage investments across the life sciences sector. Managing partners include David Milne, Michael Ross, Ph.D., Lutz Geibel, Jim Garvey and Eugene Hill. Leading co-investors include Abingworth Management, Aisling Capital, Alta Partners, Carlyle Group, MPM Capital, Oak Investment Partners,

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Orbimed, Oxford Bioscience Partners, Prospect Venture Partners, Three Arch Partners and Versant Ventures.

Cross Creek Capital, L.P. Fund I: Utah based. \$111 million. Based in Salt Lake City, Cross Creek is new Utah based fund and the venture capital investment arm of Wasatch Advisors. The firm focuses on late-stage investments across a broad spectrum of industries. Managing directors include Karey Barker, Greg Bohlen, Robert Gardiner and Samuel Stewart. Leading co-investors include Arch Venture Partners, Domain Associates, Meritech Capital Partners, New Enterprise Associates and Questmark Partners.

Rosewood Capital V, L.P.: \$295 million. Rosewood Capital, based in San Francisco, was founded in 1985 and focuses on expansion-stage growth companies, primarily in the consumer, retail and business & financial services sectors. Managing directors include Chip Adams and Kevin Reilly; Carl Peterson serves as vice president. Top co-investors include Bain Capital, Benchmark Capital, Carlyle Group, Catterton Partners, Goldman Sachs, Kleiner Perkins, Sutter Hill Ventures, Technology Crossover Associates and Venrock Associates.

RWI Ventures II, L.P.: \$65 million. Founded in 2000, RWI Ventures focus is on multi-stage investments in the technology and healthcare (medical devices) sectors. Managing directors include Donald Lucas, William Baumel and Mark Foley. Leading co-investors include Alloy Ventures, Canaan Partners, Delphi Ventures, DeNovo Ventures, Frazier Healthcare Ventures, Foundation Capital, Invesco, Kleiner Perkins, Meritech Capital Partners, Prism VentureWorks, Venrock Associates and Warburg Pincus.

University Venture Fund: Utah based. \$18 Million. Based in Salt Lake City, University Venture Fund is a new Utah fund, founded in 2005 to provide students exposure to the venture capital industry, perform due diligence and serve as a source of quality deal flow to co-investing firms. Its focus is early-stage co-investments with its network of funds across a broad spectrum of industries. Major co-investors include Bain Capital, Canaan Partners, Draper Fisher Jurvetson, Intel Capital, Thomas Weisel Partners, UV Partners, vSpring Capital and Wasatch Venture Fund.

vSpring II, L.P.: **Utah based.** \$85 Million. Founded in 2000, vSpring focuses on seed and early stage investments in the technology and life science sectors, primarily in the Intermountain West. Managing directors include Dr. Dinesh Patel, Ed Ekstrom, Paul Ahlstrom and Scott Petty.

5AM Ventures II, L.P.: \$150 Million. With offices in San Francisco and Boston, 5AM focuses on seed and early-stage life science investments. Managing partners include John Diekman (founder), Scott Rocklage and Andrew Schwab (founder). Leading co-investors include Delphi Ventures, Frazier Healthcare, Polaris Ventures, Three Arch Partners, Venrock Associates and Versant Ventures.

Highway 12 Ventures II, L.P.: \$75 Million. Founded in 2000 and based in Boise, Highway 12 is a Village Ventures network affiliate. Its focus is on seed, early, and expansion stage investments in the Intermountain West, across a broad spectrum of industries. Partners include Mark Solon, Phil Reed, Mike Mers and Matthew Warta. Leading co-investors include UV Partners, InQTel, Shasta Ventures and Battery Ventures.

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Apax US VII, L.P.: \$850 million. Based in New York City, Apax Partners is one of the world's leading private equity investment groups. It operates across the United States, Europe, Israel, and Asia and has more than 30 years of investing experience. Funds under the advice of Apax Partners total \$20 billion around the world. Apax Partners Funds invest in companies across its global sectors of Tech & Telecom, Retail & Consumer, Media, Healthcare and Financial & Business Services.

Media Technology Ventures V (Allegis Capital): \$125 million. Allegis Capital invests in early stage companies developing enabling technology and software to serve emerging markets. Specific areas of interest include: enabling hardware devices, enterprise software solutions, broadband and wireless delivery techniques, and Internet infrastructure and services.

Clarus Ventures II, L.P.: \$660 million. Clarus Ventures is a life sciences venture capital firm based in San Francisco. Clarus augments its core expertise of investing in biopharmaceuticals and medical technology companies with the deep and diverse expertise of the team in research and development, commercialization, business development and operations management at the global level.

Epic Venture Fund IV, L.L.C.: **Utah based.** \$100 million. Based in Salt Lake City, Epic focuses on early stage information technology and life sciences investments. The Firm concentrates investments in the western United States.

Fenway Partners III: \$702 million. Based in New York, Fenway is a Buyout Fund focused on transportation logistics and brand development. Fenway provides portfolio companies financial, operational and human resources to assist managements in executing the companies' strategic plans.

Foundry I L.L.C.: \$225 million. Based in Boulder, Colorado, Foundry is focused on seed and early stage information technology companies across the United States. Foundry Group is typically the first institutional investor in the companies in which they invest, and they are comfortable participating in seed-level financings. Though Foundry is early-stage investors, their expectation is that they will continue to fund its companies throughout their lifecycles.

Frazier Healthcare VI L.P.: \$600 million. Founded in 1991 with more than \$1.2 billion of capital under management, Frazier Healthcare is one of the nation's leading providers of venture and growth equity capital to emerging healthcare companies. Frazier is invested in more than 90 emerging healthcare companies

Hummer Windblad IV, L.P.: \$183 million. Based in San Francisco, Hummer Winblad focuses on SaaS technology, telecom and analytics. The original Hummer Winblad Venture Partners was founded in 1989 as the first venture capital fund to invest exclusively in software companies.

Mercato Partners, L.P.: **Utah based.** \$150 million. Mercato Partners, based in Salt Lake City, invests in growth equity deals within the small and middle-market sectors, focusing on companies that have recurring revenue models and near-term product launches. Mercato will invest between \$5 to \$7 million per growth equity transaction with follow-on structures. Mercato is stage agnostic.

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Pine Brook Road Partners I, L.P.: \$1.43 billion. Pine Brook Road Partners was founded in 2006, is a New York-based private equity firm focused on growth capital investments in the energy and financial services industries. The Firm is led by Howard Newman, President and CEO. He is supported by four other co-founders: Michael McMahon, William Spiegel, Robert Glanville and Joseph Gantz, who have over 100 years of experience of investing in, advising and operating businesses in the energy and financial service industries.

Shasta Venture Group II: \$250 million. Based in Menlo Park, California, Shasta invests in early stage, where it can help entrepreneurs the most—either the first or second round of a company’s fundraising. An initial investment ranges from \$250,000 to \$6 million. Shasta can participate in follow-on rounds for a total investment per company of up to \$12 million. Shasta is primarily interested in companies located in the western United States.

Sorenson Capital II: Utah based. \$400 million. Sorenson, based in Salt Lake City, focuses on small to mid-market buyouts as well as growth-equity investments in the Mountain West region.

UpStart Life Sciences Capital, L.P.: Utah based. \$20 million. Upstart is a Salt Lake City-based fund that invests in start-up and early stage healthcare companies. Most of the start-ups are based on breakthrough technologies from major research universities in Utah and nearby states.

UV Partners IV: Utah based. \$100 million. Established in 1986 with offices in Salt Lake City and Los Angeles, UV Partners is an early-stage information technology and life sciences venture group. UV Partners focuses investments in the western United States.

Portfolio Firms’ Commitments to Utah

After performing extensive research and benchmarking, the Utah FoF determined to not require portfolio funds to open a Utah office or commit to invest specific dollar amounts in Utah companies. Research indicates that forced offices generally result in junior staff, neglect by the senior partners. Investment requirements often result in lower fund returns and strained relationships between portfolio funds and the states involved.

Rather, the program regularly requires a rigorous commitment by funds’ senior management to spend a considerable and specified amount of time in Utah, meeting with companies and entrepreneurs in the state. As a condition of receiving Utah FoF investment, out-of-state portfolio funds commit to a significant ongoing investment of their partners’ time and mindshare in the state.

The Utah Fund of Funds’ portfolio investment firms have invested hundreds of millions of dollars in promising Utah companies, resulting in the creation of thousands of high-quality jobs. These Utah companies have raised hundreds of millions of dollars in aggregate. In addition, the program’s officers and board members provide other Utah companies with investor introductions and assistance in obtaining financing from non-portfolio funds. Updated impact statistics from the Utah Fund of Funds can be found on the program’s Website. <http://utahfundoffunds.com/>

Utah Tax Revenue Impact

Utah’s Governors Office of Budget and Planning worked with the Utah FoF to determine that for every 1000 jobs \$18 million in annual tax revenue is generated for the State of Utah. Using the matrix of \$18 million annual per 1000 jobs, as of yearend 2008, the Utah FoF has been key in seeing

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\$54 million generated in Utah tax revenue – \$18 million for 2007 and \$36 million 2008. By end of the year 2009, Utah FoF supported jobs will generate an additional \$36 million bring the total, since inception, to \$90 million.

Economic Development Successes

In its first several years of existence, the Utah FoF is already bringing powerful economic impact to the state. As of July 1, 2009, 31 Utah companies, 27 are currently active Utah companies, have received investment capital from the Utah FoF portfolio of funds. A total of \$179 million has been invested in these 31 companies directly by Utah FoF portfolio firms, with an additional \$449 million invested by their syndicated partners – for a total of \$629 million in investment into Utah companies as a result of the \$100 million initial appropriation for the FoF. In financial terms, this represents a 6.3 times multiplier effect. Approximately 2,007 new jobs have been created in the state as a result of these investments at an average salary of \$63,720– nearly double the statewide average.

In addition to these tangible economic benefits, the Utah FoF is making equally important intangible contributions, including:

- Fostering relationships with a growing number of influential investors throughout the United States, not only for the Utah FoF program, but also for Utah companies and entrepreneurs
- Increasing awareness and credibility of Utah and its companies and entrepreneurs among key influencers in the national and global investment community
- Boosting confidence among Utah’s entrepreneurial community in the present and future of the state’s companies and economy

As the Utah FoF progresses alongside the state’s entrepreneurial community and economy through future funding rounds, the program will continue to broaden the depth and breadth of its influence, and to empower a growing number of Utah entrepreneurs and companies to propel Utah’s economic development for the foreseeable future. Indications of this progress include:

- Since the Utah Fund of Funds has begun investing, out of state firms have spent over 844 days meeting with Utah and networking with relevant individuals (no ski days were added).
- As of July 2009 over 823 Utah companies have been reviewed by the funds in the Utah Fund of Funds portfolio.

IRR – J Curve:

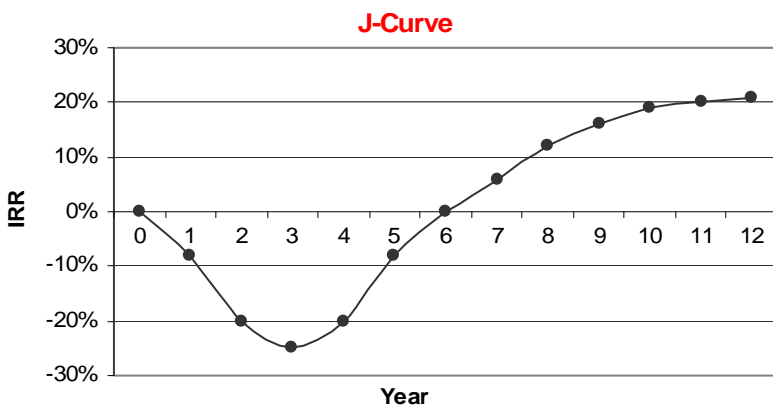
The “J” Curve

The “J” curve shows a fund’s internal rate of return (IRR, or simply the compound annual return to date) charted against the financial years of a venture fund. Venture capitalists typically commit their funds over the first few years and draw down monies to the underlying companies against these commitments over several more years. It may take several years for VCs to realize their investment in a typical start-up company, based largely on the time needed for these companies to prove their products in the market, and on the availability of suitable exit opportunities (trade sale, IPO, etc.). The above two factors inevitably result in a negative IRR for the first several years of a fund as cash goes out as investments, but has yet to come back by way of realizations. See the “J” curve illustration below.

By the second half of a fund’s life, investments are being realized and annual returns are generally high, compensating for the negative early years and hopefully resulting in a good overall performance compounded annually over the life of the fund. When looking at venture returns, it is therefore important to note the following:

- The first few years or so give little, if any, indication of final returns
- The annual return over any single year is relatively meaningless
- The IRR over the life of the fund is the real measure of a fund’s success

Primary Source: Mowbray Capital



For more information about the Utah Fund of Funds, visit <http://www.utahfof.com> or call Jeremy Neilson at 801.521.3072.

Utah Fund of Funds LLC Commitments 2008

Committed Amount

Apax US VII, L.P.	
Cross Creek capital, L.P.	
5AM Ventures II, L.P.	
Highway 12 Venture Fund II, L.P	
Rosewood Capital V, L.P.	
RWI Ventures II, L.P	
University Opportunity Fund, LLC	
vSpring II, L.P.	
Total 2006	\$ 35,850,000.00
Fenway Partners Capital Fund III, L.P	
5AM Ventures II, L.P.	
Foundry Venture Capital 2007, L.P.	
Winblad Ventures Partners VI	
Media Technology Ventures V	
SV Lifesciences Fund IV, L.P.	
UV Partners IV, L.P.	
West Rim Capital Associates II	
Total 2007	\$ 43,130,000.00
Clarus Lifesciences II, L.P.	
Epic Venture Fund IV, LLC	
Frazier Healthcare VI, L.P.	
Mercado Partners QP, L.P.	
Shasta Ventures II, L.P.	
UpStart Life Sciences Capital, L.P.	
Total 2008	\$ 18,000,000.00
 Total Committed	 \$ 96,980,000.00