

The logo for Deseret Morning News, featuring the word "DESERET" in a small, red, sans-serif font above the words "Morning News" in a large, black, serif font.

Fund of Funds thriving

Utah program a boon to 23 firms that employ 974

By **Brice Wallace**

Deseret Morning News

Published: August 17, 2007

LEHI — The Utah Fund of Funds program is still in its infancy, but already it's a prodigy.

Fund officials and venture capital firm representatives on Thursday hailed the program for boosting capital investment in Utah companies ever since the Legislature passed the fund-creation bill in 2003 and the program launched last year.

The Utah Fund of Funds, backed by \$100 million in tax credits, is designed to provide access to alternative or nontraditional capital to Utah entrepreneurs. The program does not invest money into any company or individual but rather in venture capital and private equity funds that commit to establishing a working relationship with the Utah Fund of Funds and Utah's start-up and business community, and commit to making investments in qualifying companies. The Utah Fund of Funds invests in venture capital and private equity funds located in-state and out of state.

The current portfolio of funds has invested in 23 Utah companies that employ 974 people with an average salary of \$62,000, Jeremy Neilson, managing director of the Utah Fund of Funds program, told a crowd of more than 200 people Thursday at Thanksgiving Point.

Those 974 jobs are expected to contribute \$75 million in tax revenue to Utah over 10 years. The 23 companies have received \$293 million from their investors, including \$50 million from the Utah Fund of Funds portfolio.

"Basically, as we have \$100 million at work, we sure want to see that \$100 million come back in Utah companies," Neilson said. "And we're already 50 percent there, and we've been doing this about a year and a half, so we've already had some great successes."

Speaking at the annual joint meeting of the MountainWest Capital Network, the Utah Technology Council, the Utah Valley Entrepreneurial Forum and the Wayne Brown Institute, Neilson said the Fund of Funds has committed \$69 million of the tax credits to 15 venture funds. Among the results are more than 900 days commitment by non-Utah funds to spend with local entrepreneurs. Participating funds include six Utah funds, including three new ones, plus six from California, two from the New York/Boston area and one from Idaho.

And Neilson showed statistics indicating Utah is outpacing similar programs in other states. Oklahoma's, for example, has been in place 12 years and has resulted in investments in 19 local companies, he said.

"I think it is really just a great credit to Utah and the great companies that we have such that, the theory behind the Utah Fund of Funds was that we just needed capital influx into Utah, and it turned out to be more of a fact than a theory," Neilson said.

It has worked so well that Neilson said he and others will push for the Legislature to bump up the tax credit level to \$300 million.

Representatives of several venture capital funds hailed Utah's economic advantages and the usefulness of the Fund of Funds program. Mark Gorenberg, managing director of Hummer Winblad Venture Partners,

said Utah has surpassed Boston as a target for his fund.

"It's our second-biggest area for investing now," said Gorenberg, whose fund invests only in software companies. "It is the No. 1 tech growth area we believe in the country today, by the way, and we believe we're going to make more money here also than anywhere else in the country ... including the Bay area. So you should be very proud of what's being built here."

Spencer Tall, managing director of Allegis Capital, a seed and early-stage investment fund, echoed Gorenberg's assessment of Utah.

"I must tell you that in the last 10 years, Utah has made tremendous progress, and I agree with Mark," he said. "We think it's one of the hottest places in the entire country right now to both invest and in terms of economic opportunities."

Thomas Hogan, president of computer disk backup systems company Revinetix, noted that his company received an investment from RWI Ventures, which itself had received an investment from the Utah Fund of Funds.

"So it was completely invisible to us," Hogan said. "You don't care, we don't care, at the table where that money's coming from. (We care) is it a good fit? And it was."

Will West, a member of the Utah Capital Investment Corp., one of two boards overseeing the Fund of Funds program, said the program's is "amazing."

"Clearly, the needle is moving, and it is moving in a way that opens the opportunities," he said.

"We now have more than one outside venture capital company in Utah every single day looking at ... and working with companies, whereas prior to the existence of the Fund of Funds, I think we all had the experience of looking around at a great big empty and thinking, OK, I've got to fly to California to go find some money," West said. "So the landscape is clearly changing and it's encouraging."

E-mail: bwallace@desnews.com

© 2007 Deseret News Publishing Company | All rights reserved