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Fund of Funds Sees Success Stories

by *Jamie Huish Stum*

The Fund of Funds, a \$100 million state program designed to increase the amount of capital money available to Utah companies, has only been financed for a year and a half, but officials say they are already seeing success in its partnerships.

The difficulty of finding capital within the state has long been a complaint of Utah's entrepreneurs. Officials say the Fund of Funds will change that perspective. The Fund of Funds encourages high quality venture capital firms in and out of Utah to look within the state for investment opportunities. The Fund of Funds invests in the venture capital firms, which then invest in Utah businesses, hence it is the fund which finances the funds; it doesn't finance the businesses themselves. The goal is to provide avenues for Utah entrepreneurs to obtain the capital they need in-state, officials say.

"We invest in local funds, we invest in funds that want to get started here... and we invest in out of state and national and regional funds," says Jeremy Neilson, managing director of the Fund of Funds.

No government dollars are used; instead, the financing is provided by Deutsch Bank, which receives tax credits issued by the state. If the venture capital firms that receive the money are located out of state, they are required to spend a portion of their time in Utah.

"We figured if we could get them here, if they could spend time here, they would make investments," Neilson says. "Of the \$100 million the state of Utah put at risk, \$46 million has come back into the state. So we're almost halfway there in a year and a half."

Although it is early in the fund's lifetime to determine its success, the program appears to be taking off. Currently, the fund has financed 20 Utah companies, creating 729 new jobs.

One successful example is Lingotek, a technology start-up in Provo. The entrepreneurs behind Lingotek developed translation software, which runs through the Internet. The software allows the user to translate materials into different dialects by pulling from reusable content that's already translated. It then assists the user in translating any remains sections by providing matches on words, phrases or sentences. By finding the information and feeding it to human translators, it more than doubles the speed of translation and cuts down on errors common in machine translation software, Lingotek officials say.

Tim Hunt, a former translator for the Church of Jesus Christ of Latter-day Saints, started the business with nothing but his retirement

Monday, August 20 2007 | 7:29:58 AM



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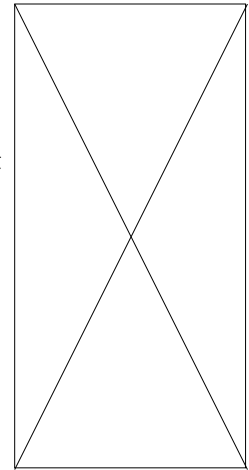
savings and a great idea. He raised \$225,000 from friends and won two business plan competitions to get his business off the ground. When it came time for the next step in financing, Hunt got in contact with Neilson, his old friend from the University Venture Fund, which both were part of. Neilson introduced him to executives from Flywheel, a venture capital company out of New Mexico looking to get involved in the Utah market. Flywheel, although not yet directly financed by the Fund of Funds, was attracted to the state by the fund and wanted to find a way to get involved.

"I needed a solid introduction," Hunt says. "Jeremy made our first introduction and 15 minutes was all I got. I was able to make my pitch and follow up with them."

In March 2006, Flywheel provided Lingotek with about \$3 million, allowing the company to grow its staff and develop a thriving product.

The company, which currently does translation services for Avon and Intermountain Health Care, is growing exponentially, according to Hunt, and is in 80 countries worldwide. Hunt says the Fund of Funds will get small companies the funding they need to grow. "What we need, as companies, is people looking for more opportunities; the early stage of money is the rarest out there."

Officials believe there are many companies like Lingotek that have yet to be benefited from the Fund of Funds. "Novell, Word Perfect, they all started from the garage. We've got to find some honey for these folks," says Stephen Clark, R-Provo. "Imagine how many Lingoteks are out there."



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