

## Proposed legislation

### Senator seeks more development funds

Venture capital firms would have 3 times the amount available now

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A Utah senator wants state lawmakers to pump more money into the Utah Fund of Funds economic development program, which has created almost 1,000 technology jobs since the program was launched last year.

The bill that Sen. Scott Jenkins, R-Plain City, plans to introduce in the Utah Legislature in January would triple the tax credits that the fund has used to raise \$100 million for investments in venture capital firms willing to bankroll new Utah technology and medical science businesses.

The fund used the credits as collateral for a \$100 million loan from Deutsche Bank. Jenkins' bill would expand the tax credits available to Deutsche Bank and other lenders to \$300 million.

So far, the fund has invested \$50 million in 15 venture capital firms, which in turn have put cash in 23 companies. Those companies have created 974 jobs with an average salary of \$62,000 a year. The jobs are expected to contribute \$75 million in tax revenue to the state over the next decade.

"As you can see, so far it's been terribly successful," Jenkins said. "We want to keep that ball rolling."

The expansion has wide support among public and private economic development officials, said Jeremy Neilson, director of the Utah Fund of Funds.

"It doesn't cost any money for the state of Utah and the return on investment is off the charts. You are putting zero money in and you're getting \$75 million back in tax revenue. That number will climb as you get more and more jobs," Neilson said.

Devin Thorpe, managing director of the Salt Lake City financial advisory company Thorpe Capital Group, said numerous venture capital firms want to take part in the fund but can't because there isn't enough money available. He supports expanding the tax credits.

When the first \$100 million became available, the Fund of Funds received applications from 160 venture capital companies. The state invested in just 15 companies, said Thorpe, who is also president of Mountain West Capital Network, which encourages business development in Utah.

"There are on the order of 150 [venture capital firms] that wanted money from the Fund of Funds and didn't get it, so there is plenty of demand," Thorpe said.

The Fund of Funds was established by the Legislature in 2003 to help local businesses attract investments from out-of-state venture capitalists who usually favor start-ups in better-known technology regions.

The fund worked for three years to get the program ready to launch in 2006. The money raised from Deutsche Bank is invested in venture capital companies that expect to recover it, plus a profit, when the start-up goes public in an initial offering of stock or is bought by another company.

When that happens, the venture capital company returns the investment and shares any profit with the fund. The investment, plus interest, is repaid to Deutsche Bank.

## Utah Fund of Funds

The Utah Fund of Funds is a state-sponsored program that aims to funnel funds to venture capital firms that invest with Utah companies to create new jobs in the state.

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