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Economic program producing top jobs

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After four years of preparation, the privately funded, state-backed \$100 million **Utah Fund of Funds** economic development program is producing hundreds of high-paying jobs. The program invests in venture capital firms that bankroll new Utah technology and medical science businesses strapped for cash. Since investments began last year, nine funds have poured \$44 million backed by Utah tax credits into 20 start-up companies.

The companies have generated 700 jobs with salaries averaging over \$60,000 a year, according to director Jeremy Neilson.

"The interest from venture capital firms that would like to obtain our money and spend time in Utah [advising young companies] has been overwhelming," Neilson said Tuesday.

"We've had over 122 applications [from venture capital firms] in 2006 alone, which means that we have been able to select from high-quality investors that are highly interested in Utah. They are coming in higher numbers than we ever thought was possible."

The identities of the start-ups are protected by legislation passed in 2003 to set up **Utah Fund of Funds**, but many are software, wireless and medical device businesses. Because they are privately owned, the companies can remain hidden - even though Utah guarantees the fund dollars they get from venture capitalists.

"They want a quiet world," Neilson said. "A lot are small, and competing against the big boys is a very difficult business . . . they don't want to compete with people looking over their shoulders."

Utah's program is modeled after programs in more than a dozen other states, including Colorado, Oklahoma and New Mexico. By tapping the program's pool, venture capitalists have incentives to put money into local companies they might otherwise bypass in favor of start-ups in California's Silicon Valley and other better-known technology regions.

"It's clearly more successful than programs in some states because of the discipline that [Utah's program] has and their ability to leverage the great natural resources that Utah has," said Brian Birk, a New Mexico-based investment firm manager and former regional director of private equity for Fort Washington Investment Advisors, which advises **Utah Fund of Funds**.

"Utah has a tremendous amount of raw material for venture-funded companies. Utah has a well-educated, hard-working work force. And Utah has some great technology coming out of the universities."

Utah Fund of Funds used tax credits as collateral to raise \$100 million from Deutsche Bank, one of the biggest banks in the world. The money is invested in venture capital companies that expect to recover it, plus a profit, when the start-up eventually goes public in an initial offering of stock or is acquired by another company. The venture capital company returns the investment and shares any profit with the fund. The investment, plus interest, is returned to Deutsche Bank.

Over time, if the fund's portfolio of investments loses money and cannot repay Deutsche Bank, the shortfall will be made up by a 100 percent tax credit.

Venture capital companies that are qualified to invest money from the fund's pool are: Apax Partners, a global investment company with an office in New York; Cross Creek Capital, Salt Lake; 5AM Ventures, with offices in Menlo Park, Calif. and Waltham, Mass.

Also, Highway 12 Ventures, Boise, Idaho; Rosewood Capital, San Francisco; RWI Group, Menlo Park, Calif; SV Life Sciences, with offices in London, Boston and San Francisco; University Venture Funds, Salt Lake; and vSpring Capital, Salt Lake.

Utah Fund of Funds

The Fund invests in venture capital companies that in turn bankroll young start-up Utah technology companies.

* What: Governor's Office of Economic Development will sponsor an open presentation on how the program works.

* When: Friday 8-9 a.m.

* Where: Grand America Hotel, Salt Lake City.

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