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- ◆ Executive Living
- ◆ EntrepreneurEdge
- ◆ Business Trends
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- ◆ Regional Report
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Fund of Funds Brings Deal Flow to Utah

by Jamie Huish Stum

Thanks to the Fund of Funds, Utah is one of the hottest places to invest in the country, according to venture capitalists.

Entrepreneurs, investors and venture capitalists gathered at Thanksgiving Point Thursday to hear an update on the fund at the annual joint meeting of the MountainWest Capital Network, the Utah Technology Council, the Utah Valley Entrepreneurial Forum and the Wayne Brown Institute.

While Utah used to be known as a wasteland for finding capital, the needle is moving in a way that opens opportunities, says Will West, who is a member of one of two boards that oversee the Fund of Funds. More than one outside venture capital company is now looking at deals in Utah every day, due to the Fund of Funds, West says.

Many of the outside venture capitalists connected with the Fund of Funds said the program is what got them to come to Utah for investment prospects.

"It really boils down to the fact that we have formed this partnership with the Utah Fund of Funds and, in doing so, we spent time looking at what opportunities developed here in the Utah consumer space," said Carl Peterson, vice president of California-based Rosewood Capital, which has invested in Jamba Juice, Under Armour and Johnny Carino's.

Hummer Winblad Venture Partners, a venture capital fund based in San Francisco, has been investing in Utah since 1993 and officials say the state is now the company's second biggest growth area for investing.

"It is the number one tech growth, we believe, in the country and we believe we are going to make more money here than anywhere else in the country," said Mark Gorenberg, managing director of Hummer Winblad.

The company, which invests solely in software companies, has put more than \$30 million in Utah companies, including Infopia, Move Networks and Omniture. It plans to continue investing in Utah companies, Gorenberg said. "This is the best time if you are software company to be starting a company and the best time to be investing in one."

There has been a need to create local funding sources in Utah for more than 10 years and the state has come a long way in that decade, said Spencer Tall, managing director of Allegis Capital, also affiliated with the fund.

"You've created a terrific entrepreneurial environment and the entrepreneurs that come to see us are creative, focused, thoughtful and we are very excited about our future goals of investing in Utah," Tall said.

Venture capitalists cited Utah's stable, smart workforce and the camaraderie that exists between companies in the area as reasons for wanting to invest in the state.

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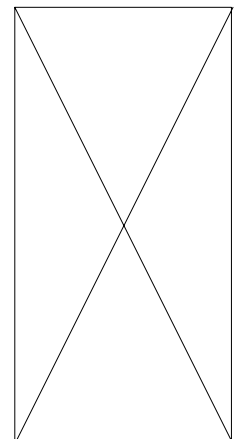
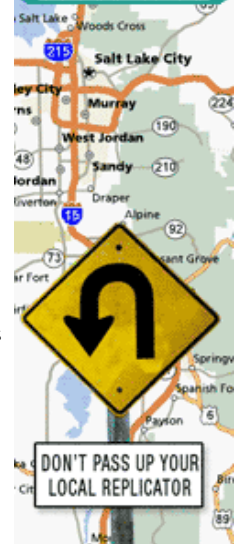
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"I think entrepreneurs here are less parochial because of the success stories. People have models to look at and can see that there is that opportunity here," Gorenberg said.

The Fund of Funds, which was launched last year, is backed by \$100 million in tax credits. The program finances venture capital sources, which then invest in eligible Utah companies. Currently, the fund has invested in 23 companies, employing 974 people, said Jeremy Neilson, managing director of the Fund of Funds. Of the venture capital firms, six are from Utah and nine come from across the country. Those not located in Utah are committed to nurturing and advising the local entrepreneurs.

"The theory behind the Fund of Funds is that we just needed capital influx in Utah and it's turned out to be more of a fact than a theory," Neilson said.

The fund will invest \$100 million in Utah companies by the end of this year and has already seen \$50 million come back. Because of this success, Neilson said he is talking with the Legislature about increasing the tax credit level to \$300 million.

Because the fund provides more capital to the state, Neilson encourages entrepreneurs to use it as a resource for connecting with the right venture capitalists.

"They're coming to Utah, they want to meet you, they want the deal flow, they're very open, so use them."



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