

Utah Venture Capital Ecosystem

MONTERREY VENTURE CAPITAL
CONFERENCE 2010

Socio-Demographic Facts

- 76% of the population lives in urban areas.
- The majority of the state's residents are members of The Church of Jesus Christ of Latter-day Saints, commonly referred as the Mormons.
- The citizens have a high sense of responsibility and achievement.
- Utah is close to California, an important Venture Capital center in the United States.

The Utah Ecosystem

- Government
- Universities
- Venture Capital Funds
- Investors
- Trust and Ethics

Government

- In July 1, 2003, the State enacted the Utah Venture Capital Enhancement Act.
- The act provided economic stimulus measures for businesses by creating the Utah Capital Investment Board.
- The act authorized the organization of the Utah Capital Investment Corporation and a Utah fund of funds.
- The act provided for the issuance of contingent tax credits to investors in the Utah Fund of Funds.

Government

- The government has been a main beneficiary of the ecosystem; the wealth generated directly impacts tax contributions through new enterprises and from jobs generated.
- Utah Fund of Funds had invested USD 179 million in 31 enterprises through July 2007.

Universities

- Universities have contributed to the development of the ecosystem by:
 - ▣ Modifying programs to include entrepreneurship and ethics classes
 - ▣ Organizing entrepreneurship projects
 - ▣ Conducting research that provides data and information about the VC industry
 - ▣ Promoting an entrepreneurial culture

Examples

- The University of Utah has the biggest VC College Fund in the U.S., with almost 18 million USD.
- Marriot School, which belongs to Brigham Young University, created the Cougar Fund to involve MBA students in the process of VC investment.
- University Venture Fund is a fund that actively promotes student involvement in the VC industry. Students perform extensive due diligence research. Associates evaluate technologies, financials, management teams, and marketing strategies of companies. This process not only provides value to the Fund and its partners, but also provides a well-rounded entrepreneurial education to the students.

Venture Capital Funds

- 27 Funds participate in Utah's Venture Capital market, lending 680 million USD in 2008.
- 8 of them are based in Utah.

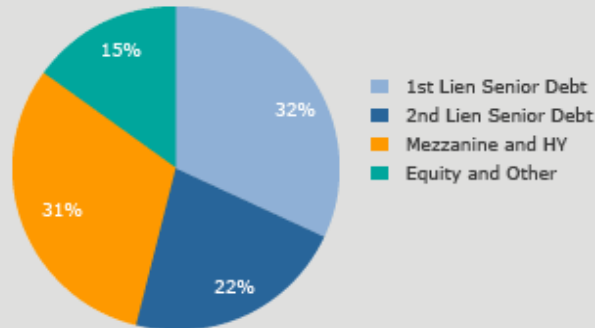
Main Participants

COMPANY	FUND'S AVAILABILITY	FOCUSES ON FINANCING
Ares Corporate Opportunities Fund III, L.P.	USD 3500 Million	Middle Size companies
TA XI, L.P.	USD 3500 Million	LBO of companies
Pine Brook I, L.P.	USD 1430 Million	Energy and Finance
Apax US VII, L.P.	USD 850 Million	LBO of companies
Khosla Ventures III, L.P.	USD 750 Million	IT and Tech

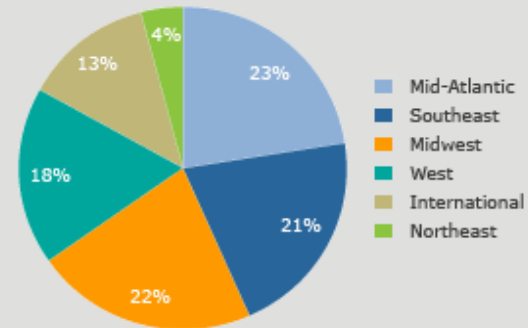
Venture Capital Funds

Portfolio Composition Snapshot as of September 30, 2009

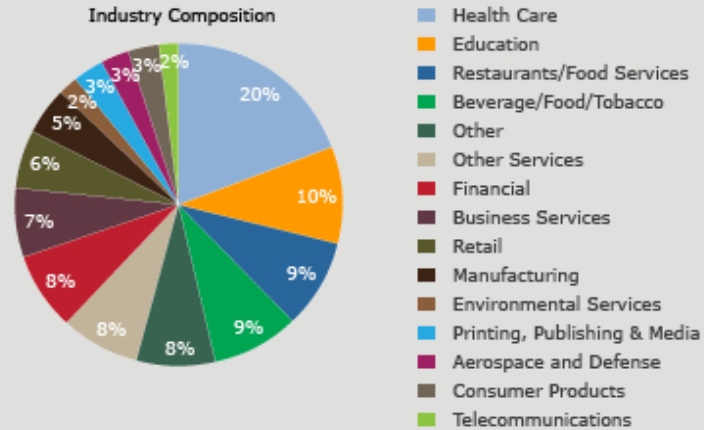
Asset Class Composition



Geographic Composition



Industry Composition

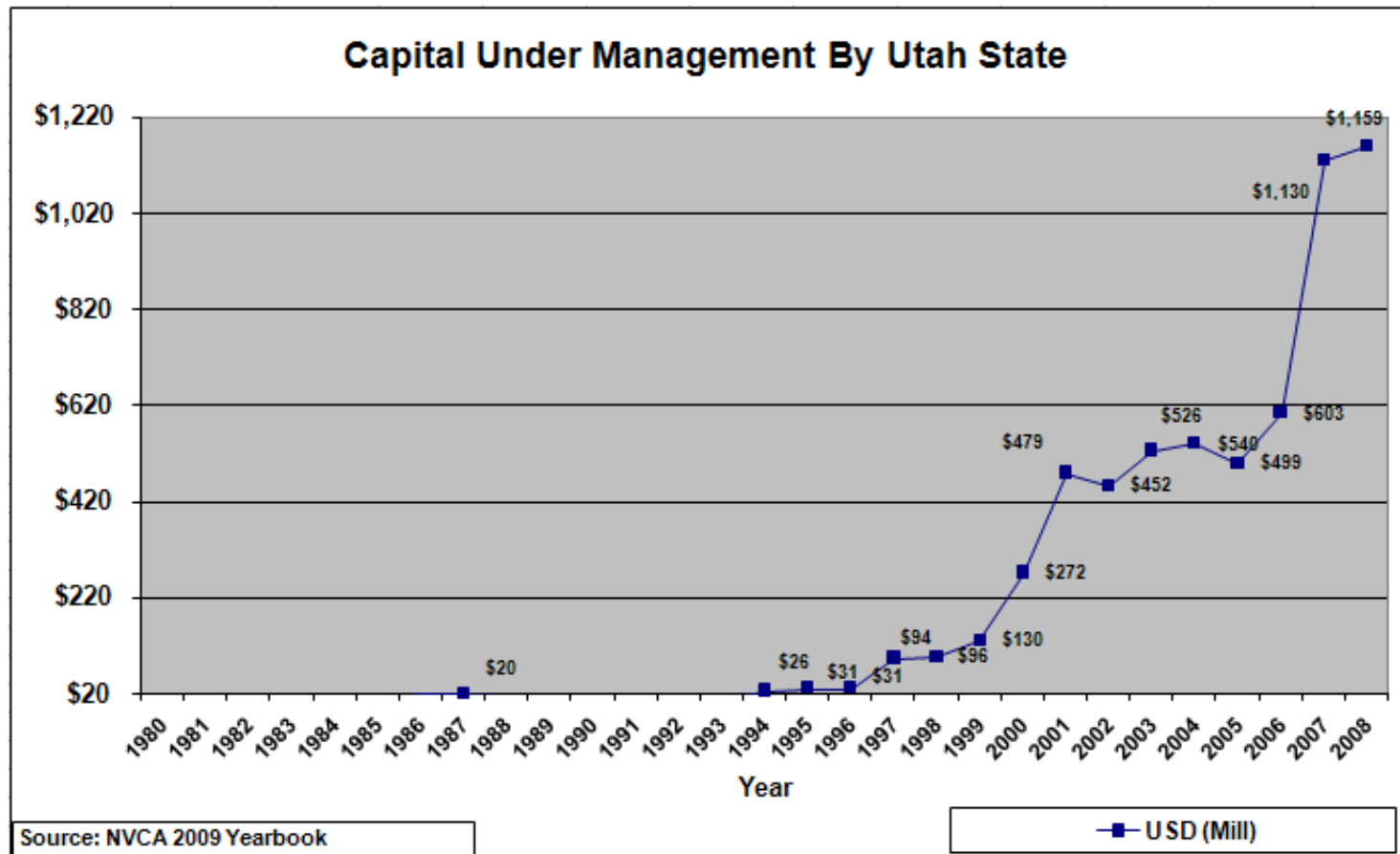


Ethics and Trust Within Informal Networks

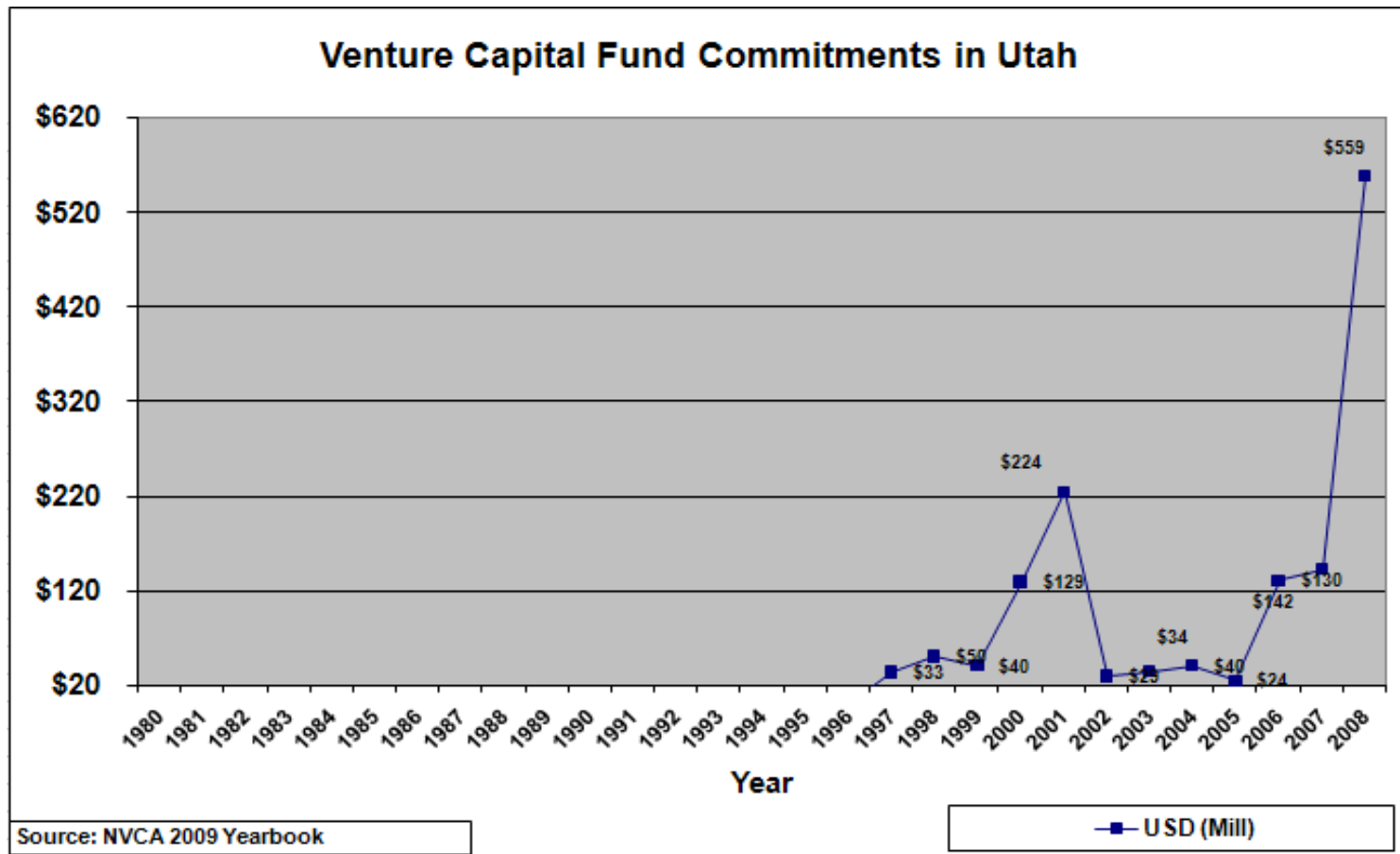
- Ethics and trust were fundamental elements in the success of Utah's ecosystem. It is well documented that trust reduces transaction costs and ethics provide a common set of values from which business can be done.

Trusted informal networks produce positive outcomes

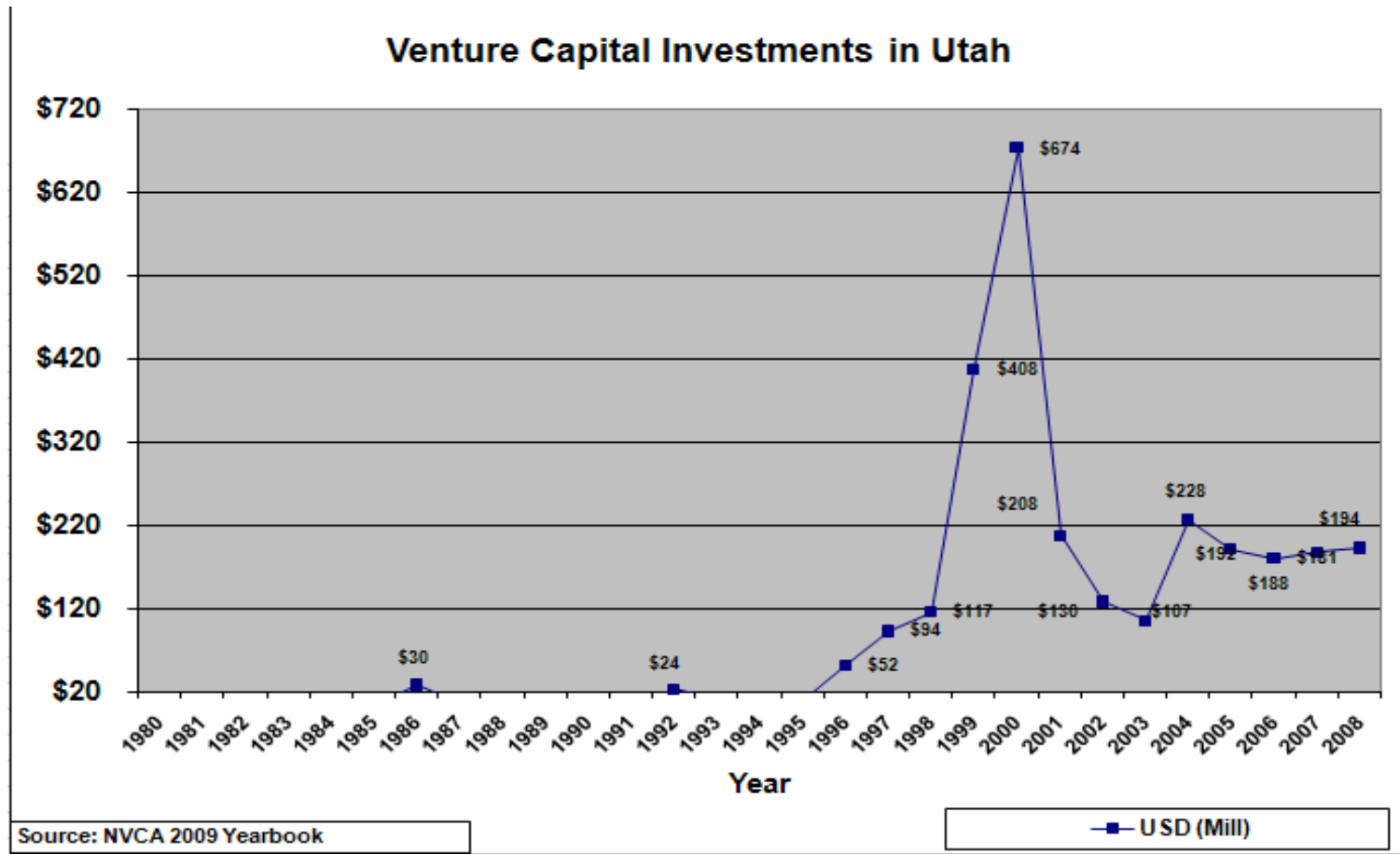
The Ecosystem Results



The Ecosystem Results



The Ecosystem Results



Conclusions

- The cumulative benefit of Utah's VC ecosystem is the generation of 2,000 jobs with an average wage of 63,700 USD - almost twice the national per capita income. The government has gathered 36 million USD in income taxes as a consequence of these new jobs.
- 83% of the seed capital has been invested in the IT industry and Health.

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