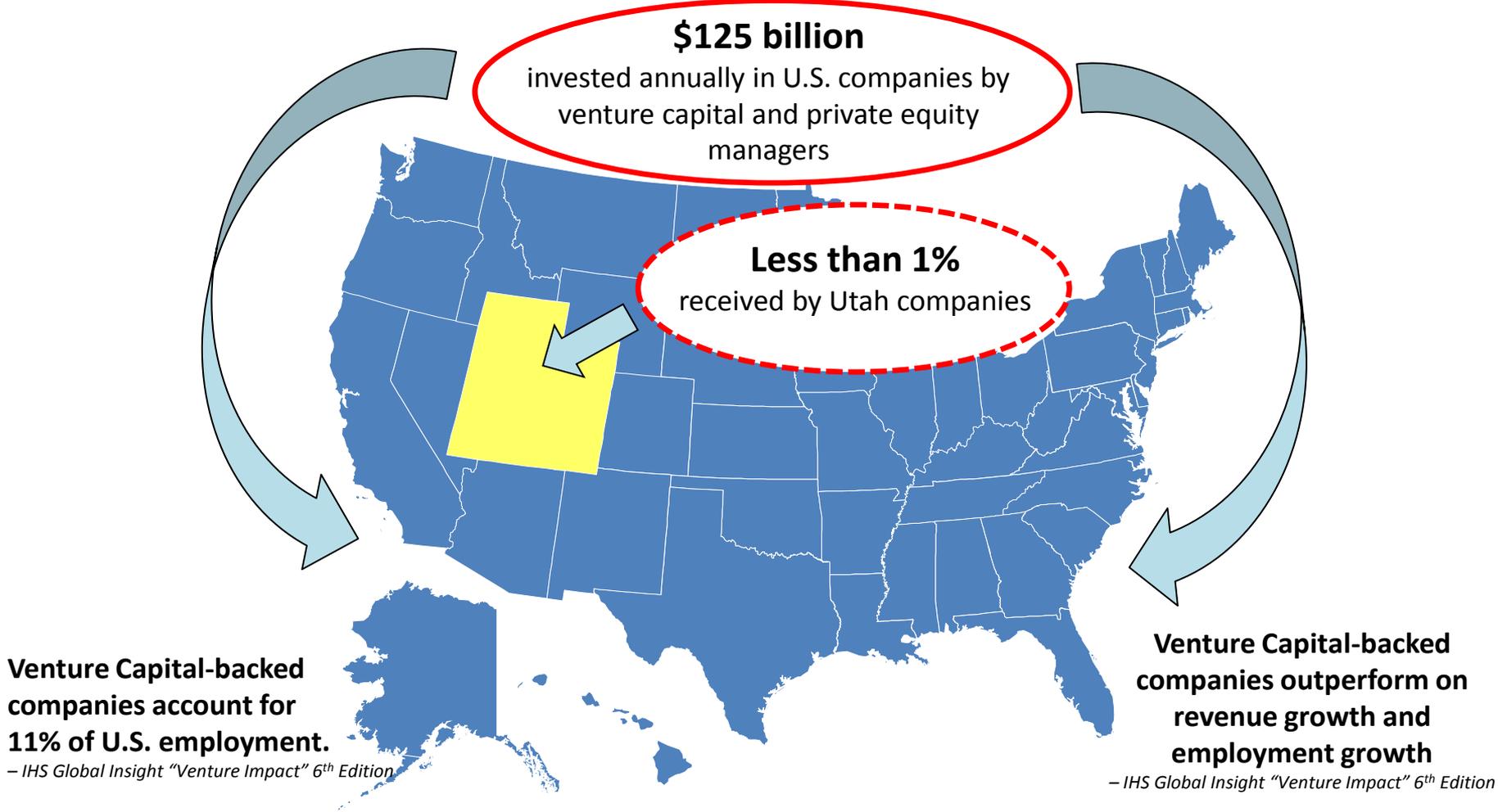


# Utah Capital Investment Corporation

## October 2016 Updates



# ▶ Utah Capital Helps Attract Private Investments to Create Jobs



**Utah Capital’s activities increase investments in Utah, which lead to job creation**

Sources: Investment numbers from ThomsonOne using averages of deal values reported from January 1, 2008 through December 31, 2013. Other sources used include IHS Global Insight and National Venture Capital Association, “Venture Impact: The Economic Importance of Venture Capital-Backed Companies to the U.S. Economy”



## Other State Programs

### Programs with Recent Initiatives:

**Illinois** – Growth & Innovation Fund (2011) – \$220 m (state investment portfolio) – announced January 2016

**Connecticut** – \$145 million fund of funds program (part of retirement system) – announced May 2015

**Wisconsin** – State committed \$25 m to Badger Fund of Funds – legislation passed 2013

### Tax Credit-backed Programs:

**Colorado** – High Country Venture – two funds (\$20-\$25 m) – tax credits sold to insurance companies

**Iowa** – Iowa Fund of Funds (2002) – \$57 mm tax credits issued; \$25 mm committed

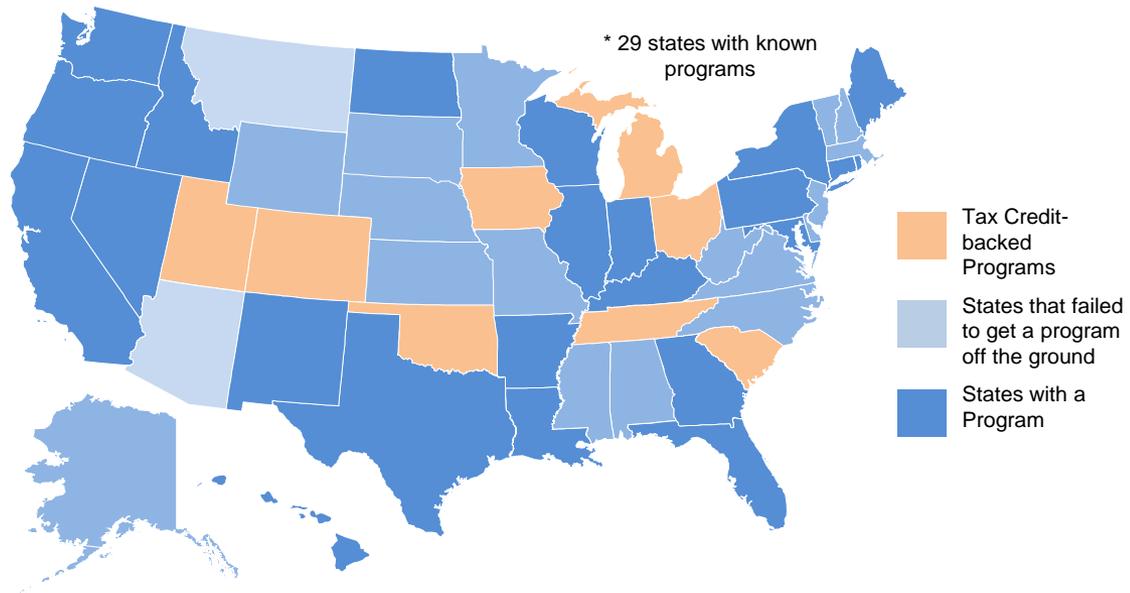
**Michigan** – Venture Michigan Fund (2006; 2011) – two fund of funds (\$95-\$120) – state provides outside investors with \$200 m of tax credits

**Ohio** – Ohio Capital Fund (2005) -- \$133 m (refinanced with bonds)

**Oklahoma** -- Oklahoma Capital Investment Board (1994; 2005) -- \$100 m tax credits

**South Carolina** – InvestSC -- \$50 m (loan)

**Tennessee** – TNInvestco Program (2009) – \$200 m in tax credits (sold to insurance companies)



### Other Programs:

**California** – CalPERS ‘California Initiative’ (2001) – invested \$1 billion since inception

**Colorado** – Mile High Fund – \$50 m co-investment fund (pension)

**Florida** – Growth Fund (2009) – \$740 m under management (fund and co-investments)

**Oregon** – Oregon Investment Fund (2005) -- \$158 million (ORPERF)

**Michigan** – Michigan Venture Fund (2011) -- \$120 m (raised from outside investors)

**Nevada** – Silver State Opportunity Fund (2013) – \$50 m (Permanent Fund)

**New Mexico** – New Mexico State Investment Council – \$380 m (Severance Fund)

## ▶ Economic Development Plan:

- Simple 2-page document:

Clear dual mission

Actionable items

- Create profitable investment portfolio

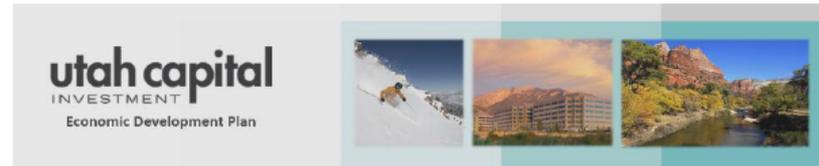
- Proactive and effective Utah economic development:

Impactful events

Company introductions

Local VC & PE firm introductions

Entrepreneurial meetings



Utah Capital was created by the Utah Legislature to help attract private sector investment capital into the State's growing entrepreneurial community. Utah Capital seeks to balance its dual mission of 1) mobilizing and enhancing venture capital investment in order to maximize direct economic impact to the State and 2) retaining a private-sector focus on rate of return and securing the best managers in the venture capital industry regardless of location.<sup>1</sup>



INVESTMENTS	UTAH ENTREPRENEUR OUTREACH
<p><b>Goal:</b> Partner with investment fund managers who help fuel Utah's economy by investing in growing Utah businesses. Utah Capital will utilize its investing relationships to introduce Utah's small and growing businesses to investors.</p>	<p><b>Goal:</b> Educate Utah entrepreneurs about investment capital fundraising and facilitate introductions between Utah entrepreneurs and appropriate sources of investment capital.</p>
<p><b>Action Plan:</b></p> <p><b>Investments:</b> Create a diversified portfolio of investment funds. Of particular focus will be managers that:</p> <ul style="list-style-type: none"> <li>have experienced management and excellent investment track records;</li> <li>have made prior investments in Utah companies or have a history of reviewing Utah company investment opportunities;</li> <li>are focused on the Governor's Office of Economic Development targeted "industry clusters"<sup>2</sup>;</li> <li>commit to spend time in Utah and review Utah companies for investment; and</li> <li>have portfolio companies interested in relocating to Utah.</li> </ul> <p><b>Relationship Building:</b> Build relationships with investment managers that will help Utah's entrepreneurs and small businesses. In addition to its investing activities, Utah Capital will make a proactive effort to reach out to investment managers to develop relationships and share Utah companies. Proactive outreach can include:</p> <ul style="list-style-type: none"> <li>attendance at fund annual meetings;</li> <li>Utah Capital investor meetings; and</li> <li>visits by Utah Capital staff to targeted geographies.</li> </ul>	<p><b>Action Plan:</b></p> <p><b>Consulting:</b> Staff members will meet with Utah entrepreneurs and fund managers to provide insights into raising investment capital as well as key introductions from Utah Capital's established institutional networks.</p> <p><b>Events:</b><sup>3</sup> Utah Capital will host events each year focused on helping Utah entrepreneurs and small businesses. Utah Capital will also regularly support and sponsor events and organizations focused on Utah economic development.</p> <p><b>Website:</b> <a href="http://www.utahcap.com">www.utahcap.com</a> is visited by fund managers, entrepreneurs, and legislators. In addition to basic information about the fund and its management, the site also includes resources for entrepreneurs and information about Utah's attractive business climate for investors.</p> <p><b>Community Awareness Marketing:</b> In addition to supporting community events, hosting Utah Capital events, and maintaining an informational website, Utah Capital will place ads in select Utah business publications and issue periodic press releases to help make the public more aware of Utah Capital's services.</p>

"Utah Capital is a key mechanism to help attract venture capital and private equity to our state."

— Governor Gary Herbert



utah capital  
INVESTMENT

Business Growth Initiative, University Venture Summit, and Governors Economic Council.

utah capital  
INVESTMENT

# Audit + Annual Report (9/16)

**utah capital**  
INVESTMENT  
Annual Report for 2015

Prepared in accordance with the requirements of §63M-1-1206 (6) of the Utah Venture Capital Enhancement Act

## PORTFOLIO PERFORMANCE

- 3.7%** net internal rate of return including financing and administrative costs since fund inception
- 12.4%** net internal rate of return including financing and administrative costs for the reporting period
- \$83.5 m** investment distributions since fund inception
- \$114.7 m** net asset value of Utah Capital portfolio funds
- No new** investment commitments will be made under the current financing structure

Eide Bailly, LLP performed agreed upon procedures on this Annual Report in accordance with the terms of a contract dated June 22, 2016

— as of December 31, 2015 —

## ECONOMIC DEVELOPMENT

**77** Utah companies received investment capital from Utah Capital portfolio funds since fund inception (30 companies no longer owned by Utah Capital fund managers)

**6,526** New Utah jobs added by Utah companies since fund inception (1,356 jobs were reported as part-time jobs)

- 77 Utah companies received investment capital from Utah Capital portfolio funds since fund inception (30 companies no longer owned by Utah Capital fund managers or have no value)
- 6,526 new Utah jobs added by Utah companies since fund inception (1,356 jobs were reported as part-time jobs)
- \$931 m invested in Utah companies by Utah Capital portfolio funds since fund inception
- \$18 m invested by Utah Capital in Utah companies
- 37 consulting sessions during reporting period
- 67 events promoting Utah's entrepreneurs and companies
- 11 community events supported during reporting period

Managing Director Jason Werlin (pictured above center) and TA Associates have been an integral part of the Utah Capital mission. Although Utah Capital has invested \$6.9 m in TA XI's \$4 b fund, their receptivity to events, availability for company introductions and investing activity in Utah<sup>1</sup> should be highlighted:

Employees from TA XI & XII investments in Utah over **1,700**  
TA XI investments in Utah over **\$280 million**<sup>2</sup>

STORAGECRAFT | **digicert** | CONSERVIVE | MAINTENANCE CONNECTION

“We are with the ecosystem combining hardware and technological expertise makes Utah a very attractive place to do business.”  
— Jason Werlin  
Managing Director

The activities of Utah Capital continue to drive value for Utah. From the introductions Utah Capital has made since the inception of the 2015 post-performance legislation, \$8 m has been invested as of December 31, 2015 and reviewed by auditors. Utah Capital estimates an additional \$27 million of investments to occur over the next four years.

## ADMINISTRATIVE COSTS

- \$817 k for the reporting period including:
  - \$402 k in total compensation paid to four employees
  - \$250 k investment allocation manager
  - \$154 k other (economic development, office, legal)
  - \$11 k business travel expense

\* Examples may or may not be specific to UFOF I, LLC

- Audited via “Agreed Upon Procedures”
- Portfolio Performance:
  - ❖ 3.7% net IRR after all costs, including financing (as of 12/31/15)
  - ❖ **2.6% net IRR** after all costs, including financing (as of 6/30/16)

### Economic Development

- ❖ Assisted with \$8 mm deployed into Utah since 1/15 (additional \$27 expected over next 4 years)



## ▶ Key Initiatives

- Finalize refinance original \$130 mm UFOF I debt with lower cost of capital
- Continue effective Utah economic development activities
  - Utah-based VC – assist with SBIC (small business) process
  - Non-Utah Seed, Private Equity firms (active in Utah) – institutional introductions
  - Events - BioUtah Annual Mtg, StartFEST 2017, USTAR Tech (TAP and UTAG) Grants
  - Utah-based entrepreneurs



Utah Life Science Summit 2016



Name: Utah Life Science Summit 2016

Date: October 6, 2016

[Register Now](#)



2015 StartFEST



## ▶ Appendix

- 2014 Audit & Annual Report
- Importance of Early-Stage Capital
- Impact of a Utah-based Fund Introduction, Event
- Management Background and Experience
- Board of Directors Background and Experience

## Audit + Annual Report (9/15)



Annual Report for 2014

Prepared in accordance with the requirements of §63M-1-1206 (6) of the Utah Venture Capital Enhancement Act

### PORTFOLIO PERFORMANCE

- 2.4%** net internal rate of return including financing and administrative costs since fund inception
- 16.8%** net internal rate of return including financing and administrative costs for the reporting period
- \$63.7 m** investment distributions since fund inception
- \$113.1 m** net asset value of Utah Capital portfolio funds
- No new** investment commitments will be made under the current financing structure

### ECONOMIC DEVELOPMENT

**77**

Utah companies received investment capital from Utah Capital portfolio funds since fund inception (30 companies no longer owned by Utah Capital fund managers)

**5,073**

New Utah jobs added by Utah companies since fund inception

— as of December 31, 2014 —

- ▶ \$908 k for the reporting period including:
  - ▶ \$466 k in total compensation paid to four employees
  - ▶ \$250 k investment allocation manager
  - ▶ \$173 k other (economic development, office, legal)
  - ▶ \$19 k business travel expense

\* Detailed notes and explanations on back



### ECONOMIC DEVELOPMENT

- ▶ 77 Utah companies received investment capital from Utah Capital portfolio funds since fund inception (30 companies no longer owned by Utah Capital fund managers)
- ▶ 5,073 new Utah jobs added by Utah companies since fund inception
- ▶ \$879 m invested in Utah companies by Utah Capital portfolio funds since fund inception
- ▶ \$17 m invested by Utah Capital in Utah companies
- ▶ 29 consulting sessions during reporting period
- ▶ 74 events promoting Utah's entrepreneurs and companies
- ▶ 17 community events supported during reporting period

Logos: PELION, NEA, ACCEL, Zetta, ANDREESSEN HOROWITZ, SORENSON CAPITAL, Menlo

The Utah Data Analytics Summit:

- ▶ 35 Developers
- ▶ 36 Entrepreneurs
- ▶ 51 Executives
- ▶ 29 Investors
- ▶ 20 Marketing, Sales, Finance, HR personnel
- ▶ 2 Vendors
- ▶ 72 Others (mainly students & professors)



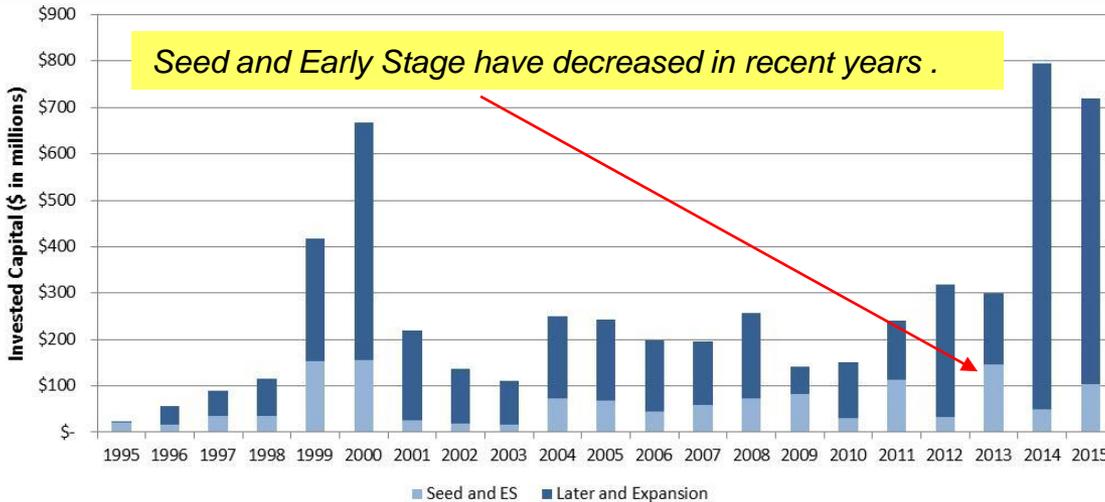
- Audited via “Agreed Upon Procedures”
- Portfolio Performance:
  - ❖ 2.4% net IRR after all costs, including financing (as of 12/31/14)
  - ❖ **3.7% net IRR** after all costs, including financing (as of 12/31/15)
- Economic Development
  - ❖ Assisted with approx. \$35 mm to be deployed into Utah so far

Many introductions were made during the reporting period, Utah Capital was helpful in sharing Utah-based funds and a Utah-based start-up company with non-Utah investors, totaling an estimated \$35 m that could be deployed into Utah. Venture Capital and Private Equity fund managers typically raise funds every 3–5 years and invest in companies opportunistically based on various investing strategies. The \$35 mm modeled after each fund manager's past fund exposure to Utah. The Utah-based start-up company was discovered as a result of a Utah Capital event and led to subsequent capital introductions totaling nearly \$2 m. Investments often take several months (or years) to materialize from introductions.

# Utah's VC investments have increased since 2009, driven by large amounts of capital raised by growing companies

- Growing companies raise larger amounts of capital to accelerate growth and jobs
- Four companies from the Utah Capital portfolio that received large investments over the last two years, but were smaller investments years before, are highlighted below

## Venture Capital Investments in Utah



## Four Companies in UC Portfolio

 <p>Initial investment: 2010</p>	 <p>Initial investment: 2011</p>
 <p>Initial investment: 2012</p>	 <p>Initial investment: 2011</p>

Initial Capital received by Four Companies from Utah Capital's portfolio funds	Total capital received by Four Companies in 2014-2015	Job growth in Four Companies from initial fund investment to Q4 2014
\$11 million	\$672 million	1,700

Source: PWC Moneytree through Q4 2015 and private equity fund managers for job numbers collected in 2015 as part of the 2014 Utah Capital annual reporting process. Numbers reported in aggregate for confidentiality.

# ▶ Economic Development Plan – the Impact of a *Fund Intro* ...

**PELION**  
VENTURE PARTNERS

About **Team** Sectors Company Deals News Jobs Contact

Blake Modersitzki  
Managing Director

I'm fortunate enough to have spent the last decade or so doing what I love best: invest in technology start-ups. But that's not to say my career path has been predictable. Unless, of course, people in my profession typically move sprinkler pipe around an alfalfa field, loft hay bales, and shovel manure.

I should probably explain that I grew up on a farm in Bancroft, Idaho. My father was an old-school entrepreneur and farmer — the kind of guy who knows that if you come in from the fields with clean hands, you're probably doing something wrong.

He may have worn overalls to work, but he had a firmer grip on wheat and grain futures than the traders on Wall Street. And not by accident, either. His father ran a furniture and carpentry startup. And his father's father ran a fleet of fishing vessels on the Baltic Sea in East Prussia. So, needless to say, hard work is something of a family tradition.

As for me, I've spent my entire career in the software business doing everything from sales and marketing to M&A and, eventually, venture investing.





@blakemod



San Francisco Employees' Retirement System  
**RETIREMENT BOARD MEETING MINUTES**

**Wednesday, June 10, 2015**  
1145 Market Street, 6<sup>th</sup> Floor  
San Francisco, CA 94103  
1:00 p.m.

.... page 20:

**Pelion Ventures VI, L.P.**

At its meeting on April 8, 2015, the Retirement Board approved in closed session an investment of up to \$25 million in Pelion Ventures VI, L.P. The investment was approved by the following vote:

Ayes: Bridges, Cohen, Driscoll, Meiberger, Paskin-Jordan, Stansbury  
Absent: Makras

SFERS' investment of \$25 million in Pelion Ventures VI, L.P. closed on May 1, 2015.

This investment is classified as a venture capital investment within SFERS' private equity portfolio and



# ▶ Economic Development Plan – the Impact of an *Event* ...



- EventBoard attends Utah Capital event
- Email introduction from Utah Capital to Zetta led to Seed Round of \$1.5 m and larger Series A



**Overview**

Investments  
**14 Investments** in 10 Companies

Exits  
**No Exits Found** in CrunchBase

Headquarters: San Francisco, CA  
 Funds Raised: \$60M

 **insidesales** Early investor

Date	Invested In	Round
Nov, 2015	EventBoard	\$6.5M / Series A
Oct, 2015	FollowAnalytics	\$10M / Series A
Aug, 2015	Domino Data Lab	\$3M / Series A
Mar, 2015	InsideSales.com	\$60.65M / Series D
Mar, 2015	Clearbit	\$2M / Seed
Feb, 2015	FollowAnalytics	\$3.86M / Venture
Jan, 2015	OptiMine Software	\$2.9M / Series C
Oct, 2014	Ender Labs	\$1.5M / Seed
Sep, 2014	EventBoard	\$1.5M / Seed

## ▶ Utah Capital Team



### ***Bret Jepsen | Managing Director***

- Northgate Capital
- San Francisco Employees' Retirement System
- Portfolio Advisors
- MBA Northwestern University, BS Brigham Young University



### ***Richard Pugmire | Managing Director, Pavilion Alternatives Group***<sup>Ⓜ</sup>

- Ford Pension Fund Investment Management
- University Venture Fund
- Harris Investor Services
- MBA, BS Finance (with Honors) University of Utah, CFA



### ***Emma Peterson | Office Manager***

- Provo City School District (Resource Teacher, Paraprofessional)
- Klas Enterprises (Editor, Press Releases, Report Summaries)
- BA Brigham Young University



### ***Associate Program***

- Recent College Graduates
- Receive VC, PE and Limited Partner Investing Experience

<sup>Ⓜ</sup> Assists with due diligence, will manage all back office functions (accounting, capital calls & distributions, portfolio monitoring, reporting)

## ▶ Board of Directors

### Utah Capital Investment Board



**David Damschen | Utah State Treasurer**

- AmericanWest, US Bank
- B.A., Univ of Washington



**Val Hale | Governor's Office of Economic Development**

- Utah Valley Chamber of Commerce
- M.S., B.S., BYU



**Derek Miller | World Trade Center Utah**

- Governor's Chief of Staff
- J.D., M.P.A., B.A. BYU



**Pam McComas, CFP | Raymond James**

- Washington Wealth Management
- B.S. UCSB



**Samuel C. Straight | Ray Quinney & Nebeker**

- RQN Hiring Partner & Chair Recruiting Committee
- J.D. Duke University, B.S. Georgetown University

### Utah Capital Investment Corporation



**Ed Alter | Former Utah State Treasurer**

- Utah State Treasurer (28 yrs)
- Utah State Retirement Board
- MBA, B.A. U of U, CPA



**Ed Esber | Successful Entrepreneur**

- IBM, Texas Instruments, Ashton Tate, Creative Labs
- VisiCorp, Creative Insights, SoloPoint, Motion Computing
- MBA Harvard, M.S Syracuse, B.S. Case Western



**Mel Lavitt | Needham & Company**

- Jabil Circuit Board (NYSE: JBL ~ \$4b)
- Governor's Office of Economic Development (Chairman)
- A.B. Brown



**Bob More | Senior Advisor, Bill & Melinda Gates Foundation**

- Global Health Venture Capital
- Alta Partners, Frazier Healthcare, Domain Associates
- Kauffman Fellows Program (Founding Member)
- MBA University of Virginia, B.A. Middlebury College



**Scott Peterson | Retired Managing Partner, Ernst & Young**

- Ernst & Young (Managing Audit Partner, Pacific Northwest)
- Financial Accounting Standards Board
- Mattson Technology (Audit Committee Chair)
- M.S., B.S. Accounting BYU



**Brad Wilson\* | President & CEO, Destination Homes**

- Utah House of Representatives Budget Vice-Chair
- Utah House of Representatives Assistant Majority Whip
- American Express Financial Advisors
- B.S. Weber State University



**Steve Young\* | Managing Partner, HGGC**

- HGGC
- Sorenson Capital
- San Francisco 49ers
- J.D. College of Law, B.S. BYU

\* Non-voting Member of UCIC Board

