

**Karen M. Peterson** proposes the following substitute bill:

**Utah Innovation Lab Modifications**

2025 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Karen M. Peterson**

Senate Sponsor: Kirk A. Cullimore

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3 **LONG TITLE**

4 **General Description:**

5 This bill reorganizes the Utah Innovation Lab into the Nucleus Institute and amends the  
6 Utah innovation fund.

7 **Highlighted Provisions:**

8 This bill:

- 9 ▶ reorganizes the Utah Innovation Lab and creates the Nucleus Institute (institute);
- 10 ▶ requires the formation of a board of directors of the institute and provides for an institute  
11 executive director;
- 12 ▶ outlines the duties of the institute board and institute executive director;
- 13 ▶ amends the governance and structure of the Utah innovation fund (fund) under the  
14 institute;
- 15 ▶ requires the formation of an investment committee for the fund;
- 16 ▶ outlines the duties of the investment committee and fund;
- 17 ▶ requires reporting and auditing; and
- 18 ▶ makes technical and conforming changes.

19 **Money Appropriated in this Bill:**

20 None

21 **Other Special Clauses:**

22 None

23 **Utah Code Sections Affected:**

24 ENACTS:

25 **53B-37-103**, Utah Code Annotated 1953

26 **53B-37-203**, Utah Code Annotated 1953

27 **53B-37-302**, Utah Code Annotated 1953

28 **53B-37-303**, Utah Code Annotated 1953

29 **53B-37-304**, Utah Code Annotated 1953

30 RENUMBERS AND AMENDS:

31 **53B-37-101**, (Renumbered from 63N-21-101, as enacted by Laws of Utah 2023,  
32 Chapter 38)

33 **53B-37-102**, (Renumbered from 63N-21-201, as enacted by Laws of Utah 2023,  
34 Chapter 38)

35 **53B-37-201**, (Renumbered from 63N-21-202, as enacted by Laws of Utah 2023,  
36 Chapter 38)

37 **53B-37-202**, (Renumbered from 63N-21-203, as enacted by Laws of Utah 2023,  
38 Chapter 38)

39 **53B-37-301**, (Renumbered from 63N-21-301, as enacted by Laws of Utah 2023,  
40 Chapter 38)

41 **53B-37-305**, (Renumbered from 63N-21-401, as enacted by Laws of Utah 2023,  
42 Chapter 38)

43 **53B-37-306**, (Renumbered from 63N-21-402, as enacted by Laws of Utah 2023,  
44 Chapter 38)



46 *Be it enacted by the Legislature of the state of Utah:*

47 Section 21. Section **53B-37-101**, which is renumbered from Section 63N-21-101 is renumbered  
48 and amended to read:

49 **CHAPTER 37. NUCLEUS INSTITUTE ACT**

50 **Part 1. Nucleus Institute**

51 **~~[63N-21-101]~~ 53B-37-101 . Definitions.**

52 As used in this chapter:

53 [(1) "Board" means the board of directors of the innovation lab, as described in Section  
54 ~~63N-21-202.~~]

55 [(2) "Innovation lab" means the Utah Innovation Lab created in Section ~~63N-21-201.~~]

56 (1) "Executive director" means the executive director of the institute appointed under  
57 Section 53B-37-203.

58 (2) "Institute board" means the board of directors of the Nucleus Institute as described in  
59 Section 53B-37-201.

60 (3) "Investment committee" means the investment committee of the Utah innovation fund  
61 created in Section 53B-37-303.

62 (4) "Nucleus Institute" or "institute" means the Nucleus Institute created in Section  
 63 53B-37-102.

64 [(3)] (5) "Qualified business" means a business entity that:

65 (a) is established to commercialize a technology, product, or service developed [through]  
 66 in partnership with a technology commercialization program at a public or private  
 67 institution of higher education in the state; and

68 (b) maintains the business's principal business operations in the state.

69 [(4)] (6) "Qualified investment" means any distribution or payment of funds to a qualified  
 70 business from the Utah innovation fund, including:

71 (a) a direct investment of capital in a qualified business for the purchase of shares of  
 72 stock;

73 (b) a secured loan or revolving line of credit to a qualified business; or

74 (c) a financial grant to a qualified business.

75 [(5)] (7) "Utah innovation fund" means a limited liability company organized under Section [  
 76 ~~63N-21-301~~] 53B-37-301.

77 Section 23. Section **53B-37-102**, which is renumbered from Section 63N-21-201 is renumbered  
 78 and amended to read:

79 **[~~63N-21-201~~] 53B-37-102 . Creation of Nucleus Institute -- Status and**  
 80 **applicability of other law -- Powers and purposes.**

81 (1) There is created the [~~Utah Innovation Lab~~] Nucleus Institute.

82 (2) The [~~innovation lab~~] institute is:

83 (a) an independent, nonprofit, quasi-public corporation as defined in Section 63E-1-102;  
 84 and

85 (b) subject to and governed by Sections 63E-2-106, [~~63E-2-107,~~]63E-2-108,[~~63E-2-109,~~]  
 86 63E-2-110, and 63E-2-111, but is not otherwise subject to or governed by Title 63E,  
 87 Independent Entities Code.

88 (3) The institute and the Utah innovation fund are not subject to:

89 (a) Title 52, Chapter 4, Open and Public Meetings Act; or

90 (b) Title 63G, Chapter 2, Government Records Access and Management Act.

91 (4) Pursuant to Subsection 53B-1-402(2)(p)(i), in coordination with the board and the  
 92 commissioner, the institute shall promote efficiency and support of the Utah System of  
 93 Higher Education on commercialization efforts as provided in this chapter.

94 [(3)] (5) The [~~innovation lab~~] institute shall:

95 (a) organize and administer the Utah innovation fund[;]; and

96 (b) coordinate and support innovation districts that have a connection with higher  
 97 education.  
 98 ~~[(4)]~~ (6) The [innovation lab] institute may:  
 99 (a) engage consultants and legal counsel;  
 100 (b) invest and expend funds;  
 101 (c) apply for grants;  
 102 ~~[(e)]~~ (d) enter into contracts;  
 103 ~~[(d)]~~ (e) insure against loss;  
 104 ~~[(e)]~~ (f) receive private donations~~[to be used by the Utah innovation fund for qualified~~  
 105 investments];  
 106 ~~[(f)]~~ (g) hire employees;  
 107 ~~[(g) charge a fee on assets under management in the Utah innovation fund to pay for~~  
 108 ~~reasonable and necessary costs of the innovation lab, including the costs of the~~  
 109 ~~annual audit required under Section 63N-21-402; and]~~  
 110 (h) sue and be sued in the institute's own name; and  
 111 ~~[(h)]~~ (i) perform any other act necessary to carry out the purposes of the [innovation lab]  
 112 institute.

113 ~~[(5)]~~ (7) The [innovation lab] institute may not:  
 114 (a) issue debt or borrow funds;  
 115 (b) exercise governmental functions;  
 116 (c) have members; or  
 117 (d) pledge the credit or taxing power of the state or any political subdivision of the state.  
 118 ~~[(6) The innovation lab shall be liquidated and dissolved upon the dissolution of the Utah~~  
 119 ~~innovation fund.]~~

120 Section 39. Section **53B-37-103** is enacted to read:

121 **53B-37-103 . Office facilities, clerical, and administrative support for the Nucleus**  
 122 **Institute.**

123 (1) The Utah Board of Higher Education shall provide to the institute, by agreement,  
 124 administrative support, office facilities, and space.  
 125 (2) The Utah Board of Higher Education may levy reasonable charges or fees against the  
 126 institute pursuant to the agreement for the services provided by the Utah Board of  
 127 Higher Education.

128 Section 25. Section **53B-37-201**, which is renumbered from Section 63N-21-202 is renumbered  
 129 and amended to read:

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## Part 2. Nucleus Institute Governance

### ~~[63N-21-202]~~ 53B-37-201 . Board of directors -- Membership -- Limitations.

- (1) The ~~[innovation-lab]~~ institute shall be governed by a board of directors which shall manage and conduct the business and affairs of the ~~[innovation-lab]~~ institute.
- (2) The institute board shall consist of seven voting members as follows:
- (a) the executive director, appointed as described in Section 53B-37-203;
  - (b) the director of the Talent Ready Utah Program, described in Section 53B-34-103; and
  - (c) five individuals with relevant experience, jointly appointed by the commissioner, the executive director, and the director of the Talent Ready Utah Program described in Section 53B-34-103.
- ~~[(2) The board shall consist of seven voting members as follows:]~~
- ~~[(a) one individual who represents technology commercialization initiatives within the Utah system of higher education, appointed by the commissioner of higher education, or the individual's designee;]~~
  - ~~[(b) one individual who leads technology commercialization efforts at the University of Utah, appointed by the president of the University of Utah, or the individual's designee;]~~
  - ~~[(c) one individual who leads technology commercialization efforts at Utah State University, appointed by the president of Utah State University, or the individual's designee;]~~
  - ~~[(d) the chief executive officer of World Trade Center Utah, or the chief executive officer's designee; and]~~
  - ~~[(e) three representatives of private industry, appointed by the members described in Subsections (2)(a) through (d).]~~
- (3)(a) A member described in Subsection ~~[(2)(e)]~~ (2)(c):
- (i) shall serve a term of two years; and
  - (ii) may serve more than one term.
- ~~(b)~~ The commissioner, jointly with the executive director and the director of the Talent Ready Utah Program described in Section 53B-34-103, may remove a member from the institute board.
- ~~[(b)]~~ (c) If a vacancy occurs for a member described in Subsection ~~[(2)(e)]~~ (2)(c), the ~~[members described in Subsections (2)(a) through (d)]~~ commissioner, jointly with the executive director and the director of the Talent Ready Utah Program described in Section 53B-34-103, shall appoint a replacement to serve the remainder of the

164 member's term.

165 ~~[(4)(a) The board may appoint up to two additional nonvoting members to provide~~  
 166 ~~industry and technical expertise.]~~

167 ~~[(b) A member of the board appointed under Subsection (4)(a) serves at the pleasure of~~  
 168 ~~the board and may be removed and replaced at any time, with or without cause.]~~

169 (4) The executive director shall serve as the chair of the institute board.

170 ~~[(5) The board shall elect a chair from the board's members, who shall serve a two-year~~  
 171 ~~term.]~~

172 ~~[(6)]~~ (5)(a) A majority of the members of the institute board constitutes a quorum of the  
 173 institute board.

174 (b) The action by a majority of the members of a quorum constitutes the action of the  
 175 institute board.

176 ~~[(7)]~~ (6) A member of the institute board:

177 (a) is subject to any restrictions on conflicts of interest specified in the organizational  
 178 documents of the ~~[innovation lab]~~ institute;

179 ~~[(b) shall annually disclose any private equity interests to the innovation lab;]~~

180 ~~[(c)]~~ (b) may not ~~[participate in]~~ influence a vote by the investment committee~~[board]~~  
 181 related to a qualified investment by the Utah innovation fund, if the member has an  
 182 interest in the qualified investment; and

183 ~~[(d)]~~ (c) except for the executive director, may not receive compensation or benefits for  
 184 the member's service.

185 Section 27. Section **53B-37-202**, which is renumbered from Section 63N-21-203 is renumbered  
 186 and amended to read:

187 **[63N-21-203] 53B-37-202 . Institute board duties and powers.**

188 (1) The institute board shall:

189 (a) manage and conduct the business and affairs of the ~~[innovation lab]~~ institute and  
 190 determine all questions of ~~[innovation lab]~~ institute and Utah innovation fund policy;

191 (b) provide strategic oversight for all institute initiatives;

192 (c) support and guide workforce development, innovation, and policy integration across  
 193 institutions and industry;

194 (b) ~~consistent with this chapter, establish policies, procedures, and strategies for the~~  
 195 ~~administration of the Utah innovation fund, including eligibility criteria, application~~  
 196 ~~requirements, performance metrics, and reporting requirements for a qualified~~  
 197 ~~business to receive a qualified investment from the Utah innovation fund; and]~~

- 198 (d) consistent with this chapter, oversee the Utah innovation fund and investment  
 199 committee;  
 200 (e) coordinate efforts and collaborations across innovation districts;  
 201 (f) create opportunities for students through projects and partnerships;  
 202 (g) set compensation and incentives for the executive director;  
 203 (h) coordinate efforts and collaborations across innovation districts;  
 204 (i) create opportunities for students through projects and partnerships;  
 205 (j) advance the purposes of the Utah innovation fund as described in Section 53B-37-301;  
 206 and  
 207 (k) consider investment proposals and determine whether a proposal furthers the  
 208 objectives of the fund.

209 [~~(e) approve any decision of the Utah innovation fund to make a qualified investment.~~]

- 210 (2) The institute board may establish independent committees for the purpose of assisting  
 211 the institute board in an advisory role.  
 212 (3) In coordination with the Governor's Office of Economic Opportunity, the institute board  
 213 shall convene and facilitate discussions with industry, education, and policy makers to  
 214 promote regulatory innovation.

215 Section 12. Section **53B-37-203** is enacted to read:

216 **53B-37-203 . Executive director appointment -- Duties and powers.**

- 217 (1) The commissioner shall appoint an executive director for the institute.  
 218 (2) The executive director shall serve as the chair of the institute board as described in  
 219 Section 53B-37-202.  
 220 (3) The executive director shall:  
 221 (a) manage the day-to-day operations of the institute and the Utah innovation fund;  
 222 (b) execute the policies of the institute board;  
 223 (c) oversee the investment and expenditure of funds;  
 224 (d) oversee qualified investments made by the Utah innovation fund;  
 225 (e) assess reasonable fees for management of assets in the Utah innovation fund for  
 226 reasonable costs of the Utah innovation fund;  
 227 (f) consult with the institute board regarding policies and direction of the institute;  
 228 (g) prepare an operating budget for the institute and submit the operating budget to the  
 229 Utah Board of Higher Education for approval;  
 230 (h) adopt a budget submitted by the chair of the investment committee;  
 231 (i) establish job descriptions and, within budgetary constraints, employ staff necessary to

232 accomplish the purposes of the institute and Utah innovation fund; and

233 (j) execute other duties as assigned by the institute board.

234 (4) The executive director may:

235 (a) hire and supervise necessary staff for the institute;

236 (b) manage contracts and collaborations with consultants; and

237 (c) enter into contracts on behalf of the institute.

238 Section 29. Section **53B-37-301**, which is renumbered from Section 63N-21-301 is renumbered  
239 and amended to read:

### 240 **Part 3. Utah Innovation Fund**

241 **~~[63N-21-301]~~ 53B-37-301 . Organization of Utah innovation fund -- Powers and**  
242 **purposes -- Use of investment proceeds.**

243 (1)(a) The ~~[innovation lab]~~ institute shall organize, and be the sole member and manager  
244 of, the Utah innovation fund.

245 (b) The Utah innovation fund shall be organized as a limited liability company.

246 (c) The Utah innovation fund may:

247 (i) engage consultants and legal counsel;

248 (ii) invest and expend funds;

249 (iii) use funds for operations of the Utah innovation fund;

250 ~~[(iii)]~~ (iv) enter into contracts;

251 ~~[(iv)]~~ (v) insure against loss;

252 ~~[(v)]~~ (vi) hire employees; and

253 ~~[(vi)]~~ (vii) perform any other act necessary to carry out the purposes of the Utah  
254 innovation fund.

255 (2) The Utah innovation fund shall, subject to ~~[board]~~ investment committee approval, make  
256 qualified investments in a manner and for the following purposes:

257 (a) to advance innovative technologies developed in Utah;

258 (b) to strengthen Utah's economy and facilitate job creation;

259 (c) to help qualified businesses gain access to capital;

260 (d) to attract entrepreneurs and innovation to Utah;

261 (e) to facilitate the commercialization of technologies discovered, advanced, or  
262 developed at state institutions of higher education;

263 (f) to advance the competitiveness of Utah businesses in the global economy;

264 (g) to ensure that the Utah innovation fund remains financially self-sustaining; and

265 (h) to encourage other investors to invest in qualified businesses alongside the Utah



266 innovation fund.

267 (3) The Utah innovation fund shall hold and manage qualified investments made by the  
268 Utah innovation fund and the proceeds of those qualified investments.

269 (4) The Utah innovation fund may charge a fee on assets under management in the Utah  
270 innovation fund to pay for reasonable and necessary costs of the Utah innovation fund,  
271 including the costs of the annual audit required under Section 53B-37-306.

272 Section 16. Section **53B-37-302** is enacted to read:

273 **53B-37-302 . Utah innovation fund investment committee.**

274 (1) The Utah innovation fund shall be governed by an investment committee.

275 (2) The investment committee shall consist of five members appointed by the institute  
276 board.

277 (3)(a) A member of the investment committee:

278 (i) shall serve a term of two years; and

279 (ii) may serve more than one term.

280 (b) If a vacancy occurs for a member of the investment committee, the institute board  
281 shall appoint a replacement to serve the remainder of the member's term.

282 (c) The commissioner or the institute board may remove a member of the investment  
283 committee for cause.

284 (4) The institute board shall appoint a chair of the investment committee.

285 (5) The investment committee may appoint up to two additional nonvoting members to  
286 provide industry and technical expertise.

287 (6)(a) A member of the investment committee:

288 (i) shall have significant experience in venture capital or entrepreneurship;

289 (ii) is subject to any restrictions on conflicts of interest specified in the organizational  
290 documents of the institute;

291 (iii) may not participate in a vote by the investment committee related to a qualified  
292 investment by the Utah innovation fund if the member has an interest in the  
293 qualified investment; and

294 (iv) except as provided in Subsection (6)(b), may not receive compensation or  
295 benefits for the member's service.

296 (b) The chair of the investment committee may receive compensation or benefits for the  
297 chair's service.

298 (7)(a) A majority of the members of the investment committee constitutes a quorum of  
299 the investment committee.

300 (b) The action by a majority of the members of a quorum constitutes the action of the  
301 investment committee.

302 Section 18. Section **53B-37-303** is enacted to read:

303 **53B-37-303 . Utah innovation fund investment committee duties.**

304 (1) The investment committee shall:

305 (a) comply with guidelines and directives from the institute board;

306 (b) manage and conduct business affairs of the Utah innovation fund;

307 (c) establish policies for the management of the Utah innovation fund, including:

308 (i) an investment management code of conduct and associated compliance policy;

309 (ii) a policy for the strategic allocation of Utah innovation fund assets; and

310 (iii) a policy articulating the investment committee's investment philosophy for Utah  
311 innovation fund assets; and

312 (d) ensure that policies adopted by the investment committee are:

313 (i) consistent with this chapter, the Utah Constitution, and other applicable law;

314 (ii) consistent with sound fiduciary principles; and

315 (iii) designed to maintain the integrity of the Utah innovation fund and prevent the  
316 misapplication of money in the Utah innovation fund.

317 (2) The investment committee shall engage a third-party to audit the Utah innovation fund  
318 at least annually.

319 Section 50. Section **53B-37-304** is enacted to read:

320 **53B-37-304 . Utah innovation fund investment committee chair -- duties.**

321 (1) The institute board shall appoint and determine compensation for a chair of the  
322 investment committee.

323 (2) The committee chair shall:

324 (a) manage and execute the policies established by the institute board and the investment  
325 committee;

326 (b) in consultation with the investment committee, manage qualified investments made  
327 by the Utah innovation fund;

328 (c) annually submit to the institute:

329 (i) a budget for the Utah innovation fund; and

330 (ii) a financial plan for operations of the Utah innovation fund;

331 (d) in accordance with generally accepted principles of fund accounting, establish a  
332 system to identify and account for Utah innovation fund assets;

333 (e) maintain appropriate records of Utah innovation fund activities to enable auditors to

334 conduct periodic audits as described in Section 53B-37-306; and

335 (f) fulfill other duties as provided by the investment committee.

336 Section 48. Section **53B-37-305**, which is renumbered from Section 63N-21-401 is renumbered  
337 and amended to read:

338 **[63N-21-401] 53B-37-305 . Annual report.**

339 (1) On or before [~~September~~] October 1 of each year, the [~~innovation-lab~~] institute shall  
340 publish an annual report of the activities conducted by the Utah innovation fund and  
341 submit, in accordance with Section 68-3-14, the written report to:

342 (a) the governor;

343 [~~(b) the Business, Economic Development, and Labor Appropriations Subcommittee;~~]

344 [~~(c)~~] (b) the Economic Development and Workforce Services Interim Committee; and

345 (c) the Executive Appropriations Committee.

346 [~~(d) the Retirement and Independent Entities Interim Committee.]~~

347 (2) The annual report shall:

348 (a) be designed to provide clear, accurate, and accessible information to the public, the  
349 governor, and the Legislature;

350 (b) include a copy of the annual audit required under Section [~~63N-21-402~~] 53B-37-306;

351 (c) describe the policies adopted by the board under Subsection [~~63N-21-203(1)(b)~~]

352 53B-37-303(1)(c);

353 (d) include detailed information regarding:

354 (i) the name and location of each qualified business that received capital from the  
355 Utah innovation fund;

356 (ii) the amount of each qualified investment made by the Utah innovation fund;

357 (iii) the aggregate amount of capital provided to qualified businesses; and

358 (iv) realized gains from qualified investments and any realized losses; [~~and~~]

359 [~~(v) unrealized gains and any unrealized losses based on the net present value of~~  
360 ~~ongoing qualified investments;]~~

361 (e) include detailed information regarding the [~~innovation-lab's~~] institute's yearly  
362 expenditures, including:

363 (i) administrative, operating, and financing expenses; and

364 (ii) aggregate compensation information for full-time and part-time employees,  
365 including benefit and travel expenses;

366 (f) include detailed information regarding all funding sources for administrative,

367 operating, and financing expenses, including any fees charged by the [~~innovation-lab~~]

368 institute to the Utah innovation fund under Subsection [~~63N-21-201(4)(g)~~]  
 369 53B-37-203(3)(e); and

370 (g) include an explanation of the Utah innovation fund's progress in achieving the  
 371 purposes described in Subsection [~~63N-21-301(2)~~] 53B-37-301(2).

372 Section 46. Section **53B-37-306**, which is renumbered from Section 63N-21-402 is renumbered  
 373 and amended to read:

374 ~~[63N-21-402]~~ **53B-37-306 . Annual audit.**

375 (1) Each calendar year, an audit of the activities of the Utah innovation fund shall be  
 376 conducted by:

377 (a) the state auditor; or

378 (b) ~~Ĥ~~ → [an independent auditor engaged by the state auditor, selected in  
 378a consultation with the  
 379 executive director] the state auditor's designee ← ~~Ĥ~~ .

380 (2) ~~Ĥ~~ → [An independent auditor] A designee ← ~~Ĥ~~ described in Subsection (1)(b) may  
 380a not have a business,  
 381 contractual, or other connection to the [~~innovation lab~~] institute or the Utah innovation  
 382 fund.

383 (3) The annual audit shall:

384 (a) include a valuation of the assets owned by the Utah innovation fund as of the end of  
 385 the reporting year, using market-standard techniques for assets typically held by early  
 386 stage private investment and venture capital funds;

387 (b) include an opinion regarding the accuracy of the information provided in the annual  
 388 report described in Section [~~63N-21-401~~] 53B-37-305; and

389 (c) on or before September 1, be delivered to:

390 (i) the [~~innovation lab~~] institute; and

391 (ii) the state treasurer.

392 (4) The [~~innovation lab~~] institute shall pay the costs associated with the annual audit.

393 Section 51. **Effective Date.**

394 This bill takes effect on May 7, 2025.