

Utah Innovation Lab Modifications

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Karen M. Peterson

Senate Sponsor: Kirk A. Cullimore

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

- reorganizes the Utah Innovation Lab and creates the Nucleus Institute (institute);
- requires the formation of a board of directors of the institute and provides for an institute executive director;
- outlines the duties of the institute board and institute executive director;
- amends the governance and structure of the Utah innovation fund (fund) under the institute;
- requires the formation of an investment committee for the fund;
- outlines the duties of the investment committee and fund;
- requires reporting and auditing; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

53B-37-103, Utah Code Annotated 1953

53B-37-203, Utah Code Annotated 1953

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)

45

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

47 Section 1. 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

created in Section 53B-37-302.

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

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

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

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

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

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

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

(c) a financial grant to a qualified business.

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

Section 2. Section **53B-37-102**, which is renumbered from Section 63N-21-201 is renumbered and amended to read:

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

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

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

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

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

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

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

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

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

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

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

(b) coordinate and support innovation districts that have a connection with higher education.

~~[(4)]~~ (6) The ~~[innovation lab]~~ institute may:

(a) engage consultants and legal counsel;

(b) invest and expend funds;

(c) apply for grants;

~~[(e)]~~ (d) enter into contracts;

~~[(d)]~~ (e) insure against loss;

~~[(e)]~~ (f) receive private donations~~[- to be used by the Utah innovation fund for qualified investments];~~

~~[(f)]~~ (g) hire employees;

~~[(g) charge a fee on assets under management in the Utah innovation fund to pay for reasonable and necessary costs of the innovation lab, including the costs of the annual audit required under Section 63N-21-402; and]~~

(h) sue and be sued in the institute's own name; and

~~[(h)]~~ (i) perform any other act necessary to carry out the purposes of the ~~[innovation lab]~~ institute.

~~[(5)]~~ (7) The ~~[innovation lab]~~ institute may not:

(a) issue debt or borrow funds;

(b) exercise governmental functions;

(c) have members; or

(d) pledge the credit or taxing power of the state or any political subdivision of the state.

~~[(6) The innovation lab shall be liquidated and dissolved upon the dissolution of the Utah innovation fund.]~~

Section 3. Section **53B-37-103** is enacted to read:

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

Institute.

(1) The Utah Board of Higher Education shall provide to the institute, by agreement, administrative support, office facilities, and space.

(2) The Utah Board of Higher Education may levy reasonable charges or fees against the institute pursuant to the agreement for the services provided by the Utah Board of Higher Education.

Section 4. Section **53B-37-201**, which is renumbered from Section 63N-21-202 is renumbered

and amended to read:

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 member's term.

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

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

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

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

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

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

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

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

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

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

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

Section 5. Section **53B-37-202**, which is renumbered from Section 63N-21-203 is renumbered and amended to read:

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

(1) The institute board shall:

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

(b) provide strategic oversight for all institute initiatives;

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

~~[(b) consistent with this chapter, establish policies, procedures, and strategies for the administration of the Utah innovation fund, including eligibility criteria, application requirements, performance metrics, and reporting requirements for a qualified~~

- business to receive a qualified investment from the Utah innovation fund; and]
- (d) consistent with this chapter, oversee the Utah innovation fund and investment committee;
- (e) coordinate efforts and collaborations across innovation districts;
- (f) create opportunities for students through projects and partnerships;
- (g) set compensation and incentives for the executive director;
- (h) advance the purposes of the Utah innovation fund as described in Section 53B-37-301;
and
- (i) consider investment proposals and determine whether a proposal furthers the objectives of the fund.

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

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

Section 6. Section **53B-37-203** is enacted to read:

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

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

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

(4) The executive director may:

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

(b) manage contracts and collaborations with consultants; and

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

Section 7. Section **53B-37-301**, which is renumbered from Section 63N-21-301 is renumbered and amended to read:

Part 3. Utah Innovation Fund

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

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

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

(c) The Utah innovation fund may:

(i) engage consultants and legal counsel;

(ii) invest and expend funds;

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

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

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

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

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

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

(a) to advance innovative technologies developed in Utah;

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

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

(d) to attract entrepreneurs and innovation to Utah;

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

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

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

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

innovation fund.

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

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

Section 8. Section **53B-37-302** is enacted to read:

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

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

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

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

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

(ii) may serve more than one term.

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

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

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

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

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

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

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

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

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

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

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

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

Section 9. Section **53B-37-303** is enacted to read:

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

(1) The investment committee shall:

- (a) comply with guidelines and directives from the institute board;
- (b) manage and conduct business affairs of the Utah innovation fund;
- (c) establish policies for the management of the Utah innovation fund, including:
 - (i) an investment management code of conduct and associated compliance policy;
 - (ii) a policy for the strategic allocation of Utah innovation fund assets; and
 - (iii) a policy articulating the investment committee's investment philosophy for Utah innovation fund assets; and
- (d) ensure that policies adopted by the investment committee are:
 - (i) consistent with this chapter, the Utah Constitution, and other applicable law;
 - (ii) consistent with sound fiduciary principles; and
 - (iii) designed to maintain the integrity of the Utah innovation fund and prevent the misapplication of money in the Utah innovation fund.

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

Section 10. Section **53B-37-304** is enacted to read:

53B-37-304 . Utah innovation fund investment committee chair -- Duties.

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

(2) The committee chair shall:

- (a) manage and execute the policies established by the institute board and the investment committee;
- (b) in consultation with the investment committee, manage qualified investments made by the Utah innovation fund;
- (c) annually submit to the institute:
 - (i) a budget for the Utah innovation fund; and
 - (ii) a financial plan for operations of the Utah innovation fund;
- (d) in accordance with generally accepted principles of fund accounting, establish a system to identify and account for Utah innovation fund assets;
- (e) maintain appropriate records of Utah innovation fund activities to enable auditors to

333 conduct periodic audits as described in Section 53B-37-306; and
334 (f) fulfill other duties as provided by the investment committee.

335 Section 11. Section **53B-37-305**, which is renumbered from Section 63N-21-401 is renumbered
336 and amended to read:

337 **[63N-21-401] 53B-37-305 . Annual report.**

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

341 (a) the governor;

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

343 ~~[(e)]~~ (b) the Economic Development and Workforce Services Interim Committee; and

344 (c) the Executive Appropriations Committee.

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

346 (2) The annual report shall:

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

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

350 (c) describe the policies adopted by the board under Subsection ~~[63N-21-203(1)(b)]~~
351 53B-37-303(1)(c);

352 (d) include detailed information regarding:

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

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

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

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

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

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

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

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

365 (f) include detailed information regarding all funding sources for administrative,
366 operating, and financing expenses, including any fees charged by the [~~innovation-lab~~]

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

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

Section 12. Section **53B-37-306**, which is renumbered from Section 63N-21-402 is renumbered
and amended to read:

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

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

(a) the state auditor; or

(b) ~~[an independent auditor engaged by the state auditor]~~ the state auditor's designee.

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

(3) The annual audit shall:

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

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

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

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

(ii) the state treasurer.

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

Section 13. Effective Date.

This bill takes effect on May 7, 2025.