

1 **UTAH VENTURE CAPITAL ENHANCEMENT ACT**

2 **AMENDMENTS**

3 2010 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: J. Stuart Adams**

6 House Sponsor: _____

7

LONG TITLE

8 **General Description:**

9 This bill clarifies investment options for the Utah fund of funds.

10 **Highlighted Provisions:**

11 This bill:

12 ▶ permits the Utah fund of funds to annually invest at least 60% of its investments in
13 seed-stage and early-stage venture capital funds;

14 ▶ provides that the Utah fund of funds shall require any seed-stage or early-stage
15 venture capital fund that receives funds from the Utah fund of funds to invest at
16 least 50% of those funds in Utah based entities and businesses; and

17 ▶ provides that the Utah fund of funds shall require any fund that receives at least
18 \$10,000,000 from the Utah fund of funds to maintain an office in Utah.

19 **Monies Appropriated in this Bill:**

20 None

21 **Other Special Clauses:**

22 None

23 **Utah Code Sections Affected:**

24 AMENDS:

25 **63M-1-1215**, as renumbered and amended by Laws of Utah 2008, Chapter 382



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

29 Section 1. Section **63M-1-1215** is amended to read:

30 **63M-1-1215. Investments by Utah fund of funds.**

31 (1) The Utah fund of funds shall invest funds:

32 (a) principally in high-quality venture capital funds managed by investment managers
33 who have:

34 (i) made a commitment to equity investments in businesses located within the state;

35 and

36 (ii) have committed to maintain a physical presence within the state;

37 (b) in private venture capital funds and not in direct investments in individual

38 businesses; and

39 (c) in venture capital funds with experienced managers or management teams with
40 demonstrated expertise and a successful history in the investment of venture capital funds.

41 (2) (a) The Utah fund of funds shall give priority to investments in private seed and
42 venture capital partnerships and entities that have demonstrated a commitment to the state as
43 evidenced by:

44 (i) the investments they have made in Utah-based entities;

45 (ii) the correspondent relationships they have established with Utah-based venture
46 capital funds; or

47 (iii) the commitment they have made to expand the reach of expertise within the state
48 by adding additional investment areas of expertise.

49 (b) The manager of the Utah fund of funds may waive the priorities under Subsection
50 (2)(a) only if necessary to achieve the targeted investment returns required to attract designated
51 investors.

52 (3) (a) In fulfilling the responsibilities specified in Subsections (1), (2), and
53 63M-1-1213(2), the Utah fund of funds:

54 (i) may invest at least 60% of the funds invested each year in seed-stage and early-stage
55 venture capital funds;

56 (ii) shall require that any seed-stage or early-stage venture capital fund that receives
57 funds from the Utah fund of funds under Subsection (3)(a)(i) invest at least 50% of those funds
58 in Utah based entities and businesses; and

59 (iii) shall require that any fund that receives at least \$10,000,000 from the Utah fund of
60 funds maintain an office in Utah.

61 (b) The manager of the Utah fund of funds may not waive the requirements under
62 Subsections (3)(a)(ii) and (iii).

63 [~~3~~] (4) The Utah fund of funds may invest funds in a newly created venture capital
64 fund only if the managers or management team of the fund have the experience, expertise, and
65 a successful history in the investment of venture capital funds as described in Subsection (1)(c).

66 [~~4~~] (5) (a) An investment or investments by the Utah fund of funds in any venture
67 capital fund may comprise no more than 20% of the total committed capital in the venture
68 capital fund.

69 (b) (i) No more than 50% of the funds invested by the Utah fund of funds may be made
70 with venture capital entities with offices in the state established prior to July 1, 2002, unless it
71 is necessary to meet the requirement in Subsection (3)(a)(i).

72 (ii) The restriction under Subsection [~~4~~] (5)(b)(i) shall remain in place until three
73 additional venture capital entities open new offices in the state.

Legislative Review Note
as of 2-2-10 8:55 AM

Office of Legislative Research and General Counsel

S.B. 158 - Utah Venture Capital Enhancement Act Amendments

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.
