ENTREPRENEUR

Utah remains an active hub for business creation, but entrepreneurs report that it is still difficult, if not impossible, to secure local funding. While out-of-staters snap up the good deals, and the Utah Fund of Funds struggles to define itself, entrepreneurs continue the monumental effort of building successful companies in a down economy.

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BIG-D CONSTRUCTION

We'd like to thank Brad Bertoch, president of the Wayne Brown Institute, for moderating the discussion.

PARTICIPANTS:

Back Row:
Marc Porter, *Holland & Hart;* **Adam Slovik,** *Double Eagle Ventures;* **Robb Kunz,** *KnowlegeBlue;* **William Borghetti,** *Sendside Networks;* **Andy Raguskus,** *Otokinetics, Inc.;* **Hunter Jackson,** *Navigen;* **Mike Alder,** *BYU;* **Brad Bertoch,** *Wayne Brown Institute;* **Luke Sorenson,** *Sorenson Capital*

Front Row:
Lance Black, *Eli Kirk;* **Scott Johnson,** *AtTask;* **Gary Goodrich,** *ProPay, Inc.;* **Brock Blake,** *Lendio;* **Kent Thomas,** *Advanced CFO Solutions;* **JD Gardner,** *ZenPrint;* **Michelle McCullough,** *Startup Princess;* **Tamee Roberts,** *Utah Fund of Funds;* **Matt Wells,** *Holland & Hart;* **Mark Newman,** *HireVue*

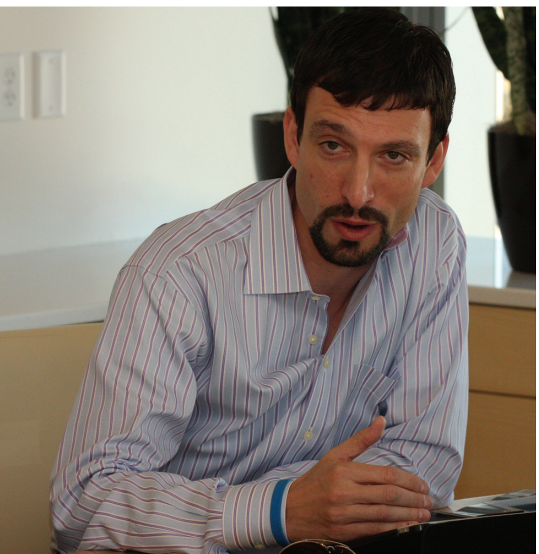
Seated:
Ragula Bhaskar, *FatPipe Networks;*
Dave McNally, *Domain Surgical, Inc.;*
Hal Widlansky, *Radiate Media;*
Dan Young, *PC Laptops*

What are the things that have affected entrepreneurship in Utah? What is going well, and what is going not so well?

WIDLANSKY: I'm a transplant to Utah—I'm eight years into my five-year plan to be in Utah. A lot has happened in the last eight years. When I came to Utah in 2003 to run a medical technology company, there was relatively little venture capital infrastructure. There were basically three firms, and they all knew each other. You didn't have the variety of introductions you could get in Silicon Valley, where folks focused on a specific area and you could narrow cast your message to a particular set of investors.

If you contrast that with today, you have a broader set of investors here in Utah, but you also have a ton of money coming into Utah from other places. The funds that we raised at my current company, the majority of venture funds came from the East Coast. We have participation with a local lead investor, but the vast majority of the funds came from outside the state.

We'll be announcing later this week we closed a round of financing in record time, under eight weeks, and grew our company from 50 people to 240. We led that out of the East Coast. Eight years ago it was very difficult to get an East Coast venture fund to pay attention to a Utah company. The exits that we have seen, both IPOs and acquisitions, in the last five or six years have really shown the rest of the venture market how mature this community is in terms of growing startup companies. That's a pretty dramatic change.



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– HAL WIDLANSKY

RAGUSKUS: Raising money for Sonic Innovations 13 or 14 years ago was easy. There were a lot of Utah private investors who got the seed round started, and then we brought in West Coast and East Coast big-name venture firms, and then Goldman Sachs took us public and it was a great big success.

Based on that success, I went back to those same people from a new company and nobody was interested in investing in a startup. So I am not sure that the word venture still applies to the term venture capital. Everybody wants to be a late-stage investor, when most of the risk is gone. The big change I've seen is the risk-averse nature of investors, whether they be the individual angels or professional VC funds.

What does an entrepreneur do? You look at the environment and try to find a path to win as opposed to whining about all the problems. So we found some angels on the East Coast who gave us $7 million to get started, and now we're going to skip all the VC stuff in the middle that we went through last time and go directly to a strategic requirer.

Do you think it's because of the nature of the medical device industry?

RAGUSKUS: Yes. Traditionally, the Food and Drug Administration has given its highest level of approval, called the PMA, to about 100 to 120 companies a year. Last year it was 12 companies, this year it's three. So the FDA is just shutting off innovation for whatever reason, bureaucracy or saving money, inattention. I don't know. When the FDA will not approve products, companies don't get funded. VC money has pretty much dried up for medical devices.

SLOVIK: The good part and the bad part about doing work in Utah is it's still a relatively small community. The good part is that I can get a meeting with practically anyone. Everyone here is one or two introductions away.

That's also bad in that everyone knows you, so it's easy for someone who doesn't like you to kill a deal. If someone had a bad experience with you, they're like, "That person is terrible." Next thing you know, everyone knows about it. So you don't have that anonymity, and you don't have the kind of resources of having a large ecosystem.

We suffer a bit from all the successful companies here. There are exceptions, but they take too early an exit. What that means is the top two or three people make a lot of money, and they might go create another startup and that's great. Whereas if you stay the course and go public, and you create 50 millionaires, now you have 50 people out there who have a positive experience and money to go and do it, so it grows much faster.

When you're in the Bay Area, you see how many Oracle and Google millionaires there are, and all those people go start companies and start investing, I am not sure that the word venture still applies to the term venture capital. Everybody wants to be a late-stage investor, when most of the risk is gone.

– ANDY RAGUSKUS

whereas here the top two or three guys make money, but the rank and file don't. That also creates an atmosphere where people devalue stock options. Usually, the number one negotiating issue is how many stock options am I getting. Here it's like, "I don't care about that. What's your 401(k) like?"

THOMAS: A business gets an offer for $20 million—they're out. We just helped one of our clients sell for exactly that number. It was two to three years earlier than she was expecting to sell her business, but the offer—I am not criticizing, because I don't know that I wouldn't have done exactly the same thing in the same situation—but there isn't an attitude of, "This business can be a $100 million company, we're going to stick it out and increase that value."

I also see a lot of individuals who have a great licensing idea—something that is a product in a product line as opposed to a business. Entrepreneurs tend to get this idea of, "This is my baby, it can be $100 million, it's the greatest thing since sliced bread," but they don't really understand the market, don't really understand the customers that well, and have this grandiose idea that they can take this product to $100 million when the reality is either because of cost or because of the niche that it's in, it's maybe a $20 or $30 million idea, but it's probably not a company.

It's really hard to get people to not build a company around the idea. Let's find a strategic partner to take it to market. Let's do a licensing deal. Let's do something else that makes sense. You've got a great product, a great idea, great technology, but this would fit as a plug-in to something that already exists. Let's get a strategic investor and see where we go.

So is it an idea issue—we see that the idea isn't big enough—or is there a financing problem here?

McNALLY: It's situational with respect to the business. We sold our last company. I was one of the cofounders of Devex International, which we grew for 22 years, ultimately selling it for $84 million. We looked at that as an opportunity to cash out investors that had been incredibly patient with us. The markets we were serving were not nearly as large as the market opportunities that we serve now. We get to start over with a clean slate at Domain Surgical.

I look back on that experience and realize we took that company, in the constraints of the businesses that we were in, about as far as we could without fear of the upturns and downturns of the market punishing our shareholders. So we ended up delivering a great return for our shareholders.

Then I look at our new opportunity at Domain Surgical and the size of the markets that we are able to serve, and I think about it in the context of wanting to have as much time as possible to realize our vision for this business because we believe it can be a billion dollar business.

So it starts from the character of the business and the vision of the founders from the beginning. Some businesses are better off to be family-run businesses, private businesses that may some day be either legacy or sold. Other businesses are fast-track for the potential to be a public company or some other type of exit, but down the road.

GOODRICH: Utah is a great place to do business, and our infrastructure is improving dramatically. But having worked on both coasts and 15 years in the Bay Area as well, there's an infrastructure that is very conducive to taking companies public. All the service providers have done it hundreds of times. We're developing that infrastructure. It's not here yet, but we are getting there. I'd say that the VC and funding environment has dramatically improved since I came back to Utah to run ProPay in 2000. So we are on the right track.

Our bigger problems are in Washington, D.C. If Washington would just go away a little bit, Utah would do great.

GARDNER: It's great to see, as we have more and more of a spotlight on the economy and the woes of different states, how stellar Utah is in terms of the business climate, especially within the entrepreneurial realm. At the same time, having lived in that realm, it also can be very hard and stressful.

On the exit side, it's almost like a self-fulfilling dynamic, because on the one hand I've been a part of some deals that, at the time, I thought were selling way short. And yet looking back after two or three years, that was literately the very top price that company could have gotten. So for those founders, and even for investors, we should be straight-up grateful that there was enough motivation around that team to take the deal when they did.

Once you get a company to a certain point, you really need to have that funding continuum and the human capital of people who can take the company from a double-digit million dollar company to $50 to $100 million and build that infrastructure to become a public company.

We are starting to see that infrastructure develop in the form of Omniture, Skullcandy, Fusion-io, but they are still very few and far between. It's almost like with every deal we do, we swing for the fences, but then realize taking a base hit or advancing the objective of the founders and being smart as the market changes is probably the more important priority

As entrepreneurs, what are your greatest challenges?

YOUNG: In 2002 up to 2006, I used to go to the Oyster Bar, and there were 100 of us with Ferrari F360s. We used to go to Vegas and rent a whole club for two days, right? That changed. A lot of people got wiped out. So there is a lot of fear. There's still a lot of false evidence that appears real in the minds. That's why you're seeing a lot of companies and serial entrepreneurs exiting deals quicker because they want to throw some gold or something stable into their vault.

I don't think a lot of CEOs have a plan. They're reacting instead of responding now because of fear. That fear is in all our hearts, every entrepreneur I have talked to. But the beauty is that right now, when so many people are down, people are scared to put their chips on the table, but a good investment right now—we'll look back, 10 years from now, saying, man, I should have done that. I should have bought 10 of those. That's going to happen. I would say shed a little bit fear and take a little bit of risk here.

McCULLOUGH: I deal in a little bit of a different space because I'm dealing with a lot of small businesses, a lot of women who are branching out, and they don't know how to find funding, but they are bootstrapping. They're doing so successfully and growing businesses. One of the things I love about Utah is it's easy to start and grow a business. The networking here—as was mentioned, you can get meetings with people in one or two introductions and make connections that will help grow your business.

The only problem I am seeing is we have lots and lots of little businesses that are all trying to compete for the same eye, that are all trying to stand out. Then what ends up happening is they get gimmicky instead of standing on their space of what they know and being able to promote what they are good at. They are trying to separate themselves with a gimmick instead of separating themselves with value and quality.

BROCK: There's some exciting things happening in Utah, and some disappointing things as well. The angel community is really starting to get some momentum. Alan Hall was very influential in that several years ago, and then others have really made a huge impact on the establishment of the angel community. I like the mentor capital programs that are going on—BoomStartup, for example. There's tons of momentum. Those really early-stage companies get those ideas off the ground. It's exciting to see that.

The big hit on Utah historically was that we weren't able to grow billion-dollar companies and we were selling out too early, but Altiris and Omniture have kind of led the way, and we're starting to see the infrastructure to build some of those larger companies that can go public and make many millionaires.

The most disappointing thing for me is the VCs here in Utah. So many of them look elsewhere for deals. We have all these VCs from Silicon Valley and back East cherry picking deals that are right under the nose of our VCs here in Utah. Highway 12 Ventures, who we raised our round from, sits up in Boise and just picks off deals.

BoomStartup is a different approach both in terms of the investment vehicles that you're dealing with, the types of companies you're dealing with, the push to exit, etc. What are you seeing and what do you think is needed?

KUNZ: Looking back five or six years, we have done a great job in terms of building more formal angel groups. Not only building those groups, but syndication among those groups has been substantially better. As a guy that's very focused on the early-stage companies, our seed capital is still really broken in this state. I was just in the Bay Area yesterday in a room full of 15 startup companies and 100 investors, and there was probably over $1 million dollars of checks written in that room within 45 minutes.

So we really need to work on figuring out seed capital. We have a lot of great entrepreneurs in this state, we have a lot of good things going, but we need fuel right at that earlier stage so that we can get the big exits later on. Everybody is still moving upstream and nobody wants to write those early-stage, higher risk checks. That's going to be a critical ingredient for success in the future.

JOHNSON: The VCs here in Utah are very willing to participate in a deal, but not as willing to lead in a deal. Maybe that boils down to technology vision, technology experience—the confidence that you can pick a winner and make a difference in its success. That's really what's needed to be able to lead a deal.

We have had a lot of experience with local companies where they told us no forever until somebody else wanted in, and then they wanted in too. By then you just don't want to continue forward that way.

Another challenge we have is anybody who wants to be a serious technology executive has an issue with Utah. That's something we're starting to fix, but it's really tough to recruit experienced tech executives to Utah because of the stereotypes. This is a fantastic place to do business. We have a great pool of rank and file here that is great at getting stuff done. But when you want to find somebody who's built a large organization and knows how to run that straight path between A to Z to a public company, it's slim pickings here in Utah.

As we get the critical mass and we see the Fusion-ios, the ProPays, and eBay and Twitter, and we get a good conglomeration of tech companies here, we'll be able to attract tech executives who realize that if you come to Utah and something goes awry, there is still a lot of opportunity to have a career in technology here.

Bhaskar, you've served on the governor's economic development board. What are you hearing? Are we continually playing catch-up?

…entrepreneurs are starving for some mentorship and guidance from people who don't want anything in return.

– ADAM SLOVIK

BHASKAR: The need for seed capital was short even in 2002. That's when we started the concept of the Fund of Funds to help seed capital. The Fund of Funds evolved into funding higher-level companies rather than seed capital. So the very purpose of Fund of Funds was emasculated in the process of becoming acceptable to the government for it to give tax credits and tax guarantees.

Things that are needed in this state are more uniform incentivizing for job creation so that when you create a job, you won't have to fill out a big set of long forms or need to hire lobbyists, consultants to get tax incentives from the state. We need something where if you create jobs, you should be able to send in a simple form, and maybe the first year get incentives to create jobs, because the more jobs we create, the better the economy.

We have seen a slow down funds, beyond startup seed funding. When you want to put in a $10 million, $20 million or even $100 million factory, there is little money in this state. Most of the banks are very small and can only do $1 or $2 million deals. You have Zions on the higher end. All Wells Fargo decisions are made in San Francisco.

What we now have are more entrepreneurs and a little bit of increase in money, but the problem is the same. There is a gap between need and availability. We really need more of our currently successful entrepreneurs to create more venture funds—because they understand business, they know how to invest in business, and they know how to help management. The more millionaires we create, obviously, the more venture funds we will create.

Currently, it's taking more of the form of angel investing rather than organized VC groups because it's hard to get very strong personalities to form a VC group. Overall, VCs have grown quite a bit. The biggest venture fund was $5 million in the state. So we have come a long way. But even when we needed money, we got some money from Utah, but most of our money came from the East or West Coast. So nothing has changed during the last 10 years. It's just more entrepreneurs clamoring for more money.

WIDLANSKY: I hate to say it's cultural, because that's a loaded concept in Utah, but it is. A lot of folks here look for that early exit. There's a lot of risk aversion here. When I joined my current company, one of the first things I told the management team is my philosophy is that a home run is way better than two doubles. And that's how we are going to run this company.

That's a mind-set. It's partly because I spent 10 years in Silicon Valley and Los Angeles during the hayday, when we took Citysearch public and a lot of people went and bought new cars. But that mind-set that it is possible to swing for the fences and occasionally knock one over the fence is still somewhat foreign here.

To Adam's point, we don't have companies that get to $100 or $200 million and create 30 or 50 people that then want to go out and start something and be an executive again. We create three, and they become Josh James who becomes his own venture fund. So we create these little pockets of wealth and that's who the venture funds here back. They back the same two or three guys. You end up with a small ecosystem of folks who can get funded.

You can have the best idea come out of a student group at the University of Utah, but if they don't have a relationship with somebody, they're not going to get funded and they're not going to be able to find that angel who exited a Fusion-io and who wants to come in and be a CEO because there just aren't that many of them floating around. At the most, we can encourage companies to grow, to get to the point where they have options, whether that's going public or selling for $100 million and creating 50 new entrepreneurs. The more we can get folks to be willing to double down on their own bets, the more we're going to advance the whole ecosystem forward rather than look for those early exits.

McNALLY: We have very few venture capital companies here in Utah. As a

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>
> – LUKE SORENSON

result, we don't have the depth within those organizations to address the needs of the companies around this table. There is expertise in certain areas, but not others.

The greater problem is that we don't have great seed funding sources to proliferate those ideas early on. As we talk about creation of new organizations and cultivating new ideas, pretty much to do it these days you have to have already done a deal to have the capital to go in. I personally had to seed fund our deal and wring the risk out on my own dollar.

Now, think about if we had some way to accelerate brilliant entrepreneurs, like all of us were the first time around, and accelerate those deals—how much more powerful that would be rather than waiting for every one of us to exit and our staff to exit to go on and do the next deal.

What we are missing is that original vision of the Fund of Funds to be able to seed fund and help entrepreneurs who are willing to put everything on the line—we need a way to help to bet on entrepreneurs.

NEWMAN: I have heard this "good deal" analogy 50 times in the last year. If you think about it, the definition of a good deal is totally relative in this state. In other markets a good deal is a great company, a great potential. A good deal here means getting the terms you wanted. I have seen investors here kill more companies than produce them. At this point, a good deal is, "I want your first born, I want pre-money valuation." You're going to have a hard time raising your next round of capital because you're going to have 40 percent of your company already taken by the angels who can't re-up for the next round.

I was on a plane two weeks ago, and the group in front of me was from one of the local venture groups. They're like, "Oh, yeah, we passed on you guys. Didn't really like the deal that much. Are you guys even still around?" I'm like, "Yes, we raised $8 million in capital. We just added Apple as a client." The reason those guys passed is because they wanted 40-something percent in the first round, with the terms of more coverage, more control.

So the definition of a good deal isn't based on it being a good company or good potential. The definition of a good deal is, "What sort of deal can I get personally to enrich my own pockets before building the company?"

SLOVIK: We have been talking about funding, and obviously that's essential to entrepreneurs, but there's another piece to it, which is that entrepreneurs are starving for some mentorship and guidance from people who don't want anything in return. If you're a potential investor, then the entrepreneur always knows, "This is not exactly an objective person I am dealing with. Whatever guidance they are giving me might be because they want something in return."

I have just recently started making myself available with Wayne Brown Institute, and I must have had 20 people ask me, "Would you be willing to take a lunch with me? I just want to bounce some ideas off you." And it actually helped when I said, "Listen, I don't invest in restaurants or whatever, but I'll be glad to sit with you and give you some advice." They need that.

This is something that we as a community can help with—find a way to give an hour a month to take one of these guys to lunch, or let them take you to lunch, without asking for anything in return so they know it's unbiased help.

BORGHETTI: The ability of entrepreneurs to give back is immensely valuable. Let's see how we can bring in some great minds in the community and really approach it from a different perspective.

The part we've got to get away from in this community is saying, "Go get your deal ready and then bring it to me when it's perfect." That's really what the investment community here is saying. Really what entrepreneurs need is to be steered in the right direction. By far the greatest value we can impart to entrepreneurs is to connect the dots and put people in touch with decision makers, get them in touch with prospective customers, prospective investors.

Luke, you have the enviable position to be not the only venture capitalist here, but probably one of the two with money.

SORENSON: I agree with everything that's been shared. What's happened in the venture capital community over the last five years is the industry has been hammered, and compounding that is the distribution of returns in venture capital is not a bell curve. You have top decile funds that do very well, and almost everyone else has done pretty poorly.

So you have a lot of firms that have assets under management, but they may or may not raise a fund. If they do, it will be very difficult for them to do so. They are motivated by fear. Deals are very hard to do, and the way they can justify doing a deal is by setting outrageous terms.

There is a lot more money that has come into Utah, but there are still significant gaps. It's something that is frustrating for me, where oftentimes we will see a deal that may be a very good deal, but it's not our investment mandate. So that good deal may not get done.

In Utah, we have gaps in terms of the size of funding from seed to late-stage growth equity. We also have significant gaps in terms of expertise. We have historically a little bit more software investing, and some life sciences, even medical devices could be much stronger in this state. Anything that is more industrial or manufacturing—we need a more well-rounded set. When you get those things, you have the result of good deals in Utah getting funded by backers in Utah.

BLACK: I have dozens of people walk in my office on a quarterly basis in the startup market. They are all frustrated with the lack of angel and seed money. As a matter of fact, one of them recently told me, "Everybody is willing to put a log on an existing roaring fire, but nobody wants to give me kindling."

It's not all bad news because they've been able to go to friends and family and get enough money to get something generated. The cool thing about the advancements in technology and APIs is today you can build a nice prototype that generates revenue for $50,000, whereas a few years ago you might need $300,000 or even a million. So people are able to self-fund through friends and family, and they're sticking their nose up to the angels and saying, "I know you guys are looking for VC deals, so we're going to do this on our own."

There's been some frustration with where the Fund of Funds is. There's tax credits that have been unused, and there's possibly some new action, new revitalizing of the Utah Fund of Funds. Tamee, can you comment on all that?

ROBERTS: There's been a lot of talk about what the original intent of the Utah Fund of Funds was. I am happy to acknowledge any sort of original intent. I have heard the idea that we never intended to invest in any VCs in Utah because we want to attract venture capital into the state. One of the challenges of the Utah Fund of Funds is we are privately funded and state backed. There are no state tax dollars used. Our legislature has been very, very clear with us: do not ever cash those tax credits.

Everyone shifted up as we're looking at our models and trying to avoid ever coming back to the state and cashing those tax credits. We've had to move further up the chain. This is mostly because of our debt structure with our first financing. As you can imagine, we could not raise an equity product right out of the gate. We had no track record. So we went and got a loan, basically a one-for-one on $100 million in tax credits, or $100 million from Georgia Bank, and with all the fees and interests on that, we will break even.

We have some speed bumps to overcome until we head into our next plan, which is to raise—either through equity, a bond, some sort of debt structure, some hybrid of that—a very much higher-leveraged fund against our last $180 million. We had $180 million in tax fund and leveraged that to perhaps $500.

If we had a $500 million investment fund, we could have a very small card out that would probably saturate the market here for angel and seed. That's what we are working toward. We have to test the market. This is a strange machine, this tax voucher, this tax credit. We don't know what we can do with it in an equity hybrid. We have to go to market with that and see what we can get.

BHASKAR: How much of the money you have now is invested in in-state companies versus out-of-state companies?

ROBERTS: Within our portfolio, we have eight in-state VCs out of 28.

BHASKAR: And how much is actually invested in the state?

ROBERTS: About $270 million has gone to Utah companies from our portfolio. So that's not just Utah, that's our entire portfolio. And I guess as a return you can say let's take $300 million in tax credits. What's been our return to the state? We've used a lot of different numbers. We've used the $270 from Utah companies, or syndicated dollars has been over a billion, or we can say we used no tax dollars and brought in 1,200 jobs. We are also working on parameters, one of those metrics of how to actually measure what we have done.

Another comment I wanted to throw is that I have questioned what the role of government is. As we're looking at a cash-poor state, the pressure that Utah Fund of Funds has received, I wanted to say: you want a seed fund, go back to the legislature, get yourself a fiscal note on a bill and get some money out of the coffers. Don't undermine the Utah Fund of Funds by having us invest in risky investments that will end up shaming us later.

Discuss the roles of the local universities regarding commercializing university-based technology.

BHASKAR: The state has modified their COE program. They used to give $300,000+ to entrepreneurs to get started with a university idea. We moved away from that to $40,000 plus a grant. The thing that we find is that professors don't want to leave the university, they just want to come up with the next incremental creation, and we can't get them to take that idea to go outside and get it started.

Another thing we find is lack of mentorship. We talked about how we can do some mentoring to help them prepare a proper proposal. A lot of the problem is we can't get them to give up their ideas to outside companies, number one. Number two, they want to do it themselves. They don't want to leave the university and go start something. It's tough.

JACKSON: I was formerly on the faculty at the university when I left to start NPS Pharmaceuticals. That was in 1986. It's a very different environment now. As we have all talked about, capital is a problem, but I'd like to draw a very bright line between capital that's required for tech deals and capital that's required for life science deals, be they device deals or pharmaceutical deals. Both of those are longer, riskier, more capital intensive. Other than that, they are extremely attractive. The punch line of course is that the potential payoff is huge.

But it is a real challenge in this environment to get people to take the risks associated with those kinds of deals. We need more of a public-private partnership in Utah, because the life science industry in Utah has stagnated, and the pharmaceutical industry in Utah is virtually nonexistent. There are some ways to try to foster that, but those policies and those resources are currently not in place.

I just have to make a quick comment: if the government in Washington goes away, the life science industry in Utah will go away. The University of Utah brings in something on the order of $350 million a year in federal funding. Tech ventures bring in license and royalty income something on the order of $10 million a year. So when you think of the emphasis that's put on the tech ventures effort– and I have been a part of that effort, so I'm not trying to disparage it—but in terms of economic impact, in terms of the University of Utah as a driver for Utah's economy, federal government dollars coming in dwarf what's accomplished in terms of revenue or royalty in licensing dollars through tech ventures.

As a USTAR board member, I think USTAR has been tremendously successful in the first part of its mission to provide funds to the University of Utah and Utah State University to hire extraordinarily bright and productive people who work in areas where there is very strong commercial potential. Those people are now on the ground. They are bringing in lots of federal dollars for every state dollar that's been invested in hiring them.

But are they creating companies that in turn are creating jobs, that in turn are creating tax revenue for the state? The answer is no. And that's a problem that we are all going to have to face up to and think about what USTAR 2.0 is going to look like, where those dollars need to go to actually move technologies into companies that actually make and sell products. UB

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