

# U students work with millions

## Students gain real-world experience operating their own venture capital fund

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On the eighth floor of the Wells Fargo Building in downtown Salt Lake City, a small group of U and other college students control \$11 million.

Rather than memorizing theories or reading case studies in a classroom, these students spend their time researching private companies through the University Venture Fund. They determine strengths and weaknesses along with potential threats and opportunities in the market.

This analysis creates a 360-degree view of the business and its competition. The information is used to decide whether to invest in the startup or not.

"We are really looking for something new in the market. Usually these companies are presenting something to us that is going to revolutionize, or they have found a niche that's going to do something different than what's initially been there," said Colin Mackey, junior in international studies and associate of the University Venture Fund.

The University Venture Fund comprises 25 students, most of whom attend the U, but other participants are from Brigham Young University, Westminster College and Wharton School at the University of Pennsylvania. Members outside Utah participate in weekly meetings through conference calls.

The U is one of only a handful business schools, including the University of Michigan and Cornell University, at which students essentially run venture capital funds. Others schools, including the University of Maryland, sponsor venture funds that involve students to varying degrees in evaluating investment prospects.

"The main purpose is to give students a very rich entrepreneurial and business education," said Mark Campbell managing director.

The group researches about 70 deals a year and chooses about in which five to co-invest, Campbell said. Professional venture capital groups research 1,000 deals each year and choose two.

The increase in the ratio of deals invested to those researched is because UVF only works on deals given to it by one of its 18 partnering firms, such as the Wasatch Venture Fund and vSpring Capital.

"We are looking at deals that will most likely be getting funding, if not from us, from some other source," Campbell said.

The UVF has invested in eight companies in the past two years, including Infinera, a telecommunications provider; Omniture, a Web-site analytics supplier and Handi Quilter, which manufactures quilting machines, framers and tables.

Most grants run between \$250,000 and \$500,000 and are a small part of a financing package with other venture capital firms.

The group expects to lose its money on the majority of its investments, but the revenue from the one or two deals that pan out will generate more than enough funds to make up the difference.

The majority of the revenue, 80 percent, goes back to the investors, while the UVF keeps 20 percent. Because the group is a nonprofit organization, the money will be given to charities or used for scholarships for low-income students.

Although hundreds of thousands of dollars go in and out of the venture fund, the students running the organization do not receive a penny for their efforts.

But Mackey says working 15 to 20 hours a week for free pays off when it comes time to land a job. Of all the students who have participated in UVF, there has been a 100 percent job placement after graduation.

"You learn so much more than you really could ever in class. Working here makes you feel like you are more competent and more capable of walking into a situation (in which) most others might feel a little insecure," Mackey said.

Kent Madsen of the Wasatch Venture Fund said the group is an exceptional forum to give young entrepreneurs exposure to real-world capital formation.

Jared Hutchings, a student who was earning a bachelor's degree in finance at the U, started UVF five years ago. Without money, Hutchings and the other members analyzed the market and competition on deals sent to them by partnering firms.

"Over time we decided there was a real viable model of investing in the deals if we could raise some money," Campbell said.

The group raised money from local banks and received help from Tim Draper, a prominent Silicon Valley financier whose past investments include [www.hotmail.com](http://www.hotmail.com).

Before ever raising a dime, the group moved into its office in the Wells Fargo Building simply by asking. Mostly empty at the time, the building's owners said yes, knowing they could get a tax write-off as a result of the group's being a nonprofit organization.

With a central office, the group expanded its membership beyond the business school to include students from other majors such as engineering, political science and biochemistry.

The various backgrounds help with understanding technologies the group is researching, said Trevor Franich, junior finance and entrepreneur major.

Mackey said the greatest benefits in participating in the UVF are networking and rubbing shoulders with prominent people, both in Salt Lake City and around the country.

The group recently traveled to Omaha, Neb., for a second time to meet with Warren Buffett, a self-made billionaire investor.

The group spent the day with Buffett, who answered questions from the group and took members on a tour of one of his companies, Berkshire Hathaway.

He told the group in a 2005 meeting: "If this were around when I was in school, I would probably still be in school."

Franich said he had no idea of what he was getting into when he first started, but added that the experience has been invaluable. He's worked as an associate for seven months.

"It has actually made my classes easier because you already know what is going on." Franich said.

The group is looking for more students to join. Anyone interested can apply by sending his or her résumé to [apply@uventurefund.com](mailto:apply@uventurefund.com).

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