



## Newsletters

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### Wasatch Venture Fund First Quarter 2006 Newsletter

Welcome to the First Quarter 2006 Newsletter from Wasatch Venture Fund. In 2006, Wasatch enters its 13th year of investing, with a broad focus across the information technology and lifesciences sectors. Wasatch has \$150 million of capital under management, thirty-seven current portfolio companies and offices strategically located in underserved markets for venture investing - Salt Lake City, Phoenix and Santa Fe.

Wasatch closed 2005 and began 2006 with a flurry of activity. PriceWaterhouse Coopers' MoneyLine Report again listed Wasatch as one of the "Most Active" investors in the United States in Q3 2005. In the quarter, Wasatch completed 8 financings including one new investment, Aspen Avionics. The Wasatch team grew with the addition of Stephanie Spong, who joined as a Principal, based in the Santa Fe office. In addition, Nick Efstratis, a Wasatch Managing Director, and a number of Wasatch portfolio companies received industry awards.

### New Portfolio Companies

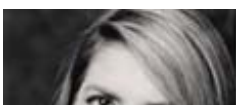


**Aspen Avionics** is a manufacturer of drop-in multi-function device displays for light aircrafts. Recently it was announced that the Aspen will be receiving one of the ten "Innovative Albuquerque" Awards from the Greater Albuquerque Chamber of Commerce.

#### Follow-on financings include:

- **Exagen** is an emerging leader in the discovery and development of practical prognostic genomic markers that enable physicians and patients to make better choices when treating serious diseases.
- **Lignup** is the leading provider of converged communications solutions,
- **Copperkey** is a new generation of technology that automates predictive and economic models to reveal hidden value inside data
- **First Choice** is a provider of a complete end to end solution for insurance car audio replacement when a loss has occurred.
- **Q Therapeutics** is a developer of glial cell-based therapeutic products for central nervous system disorders.
- **Drive Safety** is a developer of the most advanced and affordable driver training solutions available.

### Stephanie Spong Joins Wasatch as a Principal



The Wasatch team has expanded with the addition of **Stephanie Spong** as Principal and Head of the New Mexico office. She brings outstanding credentials and experience to the fund in strategic management

#### Wasatch Events

- Feb. 22&23 – Mike will be attending the Feed Management System User Conference. Attending companies include: USDA, Microsoft, Cargill, and Land O Lakes.
  - Feb. 22 – 24 – Stephanie will be attending the VC in the Rockies Conference
  - Feb. 23&24 – Nick will be attending the DA Davidson Tech Conference
  - Feb. 24 – Katie will be attending the New Mexico Hydrogen Business Council Conference
  - Feb. 24 – Rachel will be attending the technology @ breakfast
  - Feb. 28 – Katie and Stephanie will be at the NM Venture Capital Association event.
  - Feb. to May – Katie and Stephanie will be company advisors at numerous events leading up to the TVC Symposium on May 11.
  - Mar. 14&15 – Nick will be attending the Montgomery & Co Tech Conference
  - Mar. 16 – Stephanie and Katie will be involved at the Coronado Venture Forum.
  - Mar. 23 – Nick and Mike will be judges for the BYU Business Plan Competition
  - March – Katie will be attending the Nanotech New Mexico Event in Albuquerque
- [More ...](#)

#### Community Events

- Community Events
- Feb. 24 – UITA Public Policy Meeting Discussion of Legislative Issues that Affect the State and the IT Industry.
- Mar. 8 – UITA Legal Clinic "To Protect or Not to Protect Intellectual Property"
- Mar. 10 – UITA CTO P2P Forum "CTO Leadership: Improving structural and individual engineering productivity and efficiency."



consulting, internet services operations and investment banking. Prior to joining Wasatch, Ms. Spong worked as a Principal for Greystone Management Consulting, a Managing Director for RazorFish, an Engagement Manager for McKinsey & Company, a Country Director for CitiBank in Mexico and a Consultant with Symmetrix. She was awarded a Master of Business Administration from Harvard Graduate School of Business Administration and received her Bachelor of Arts degree from Brigham Young University, *cum laude*, in Economics and Asian Studies. Prior to attending Harvard, Ms. Spong was a Financial Analyst at Goldman, Sachs & Co. and a Business Analyst at Monitor Company. She is fluent in both Spanish and Japanese.

Ms. Spong will be heading up the New Mexico office of Wasatch Venture Fund based in Santa Fe and will evaluate investment opportunities in New Mexico and the Southwestern region, participate in community outreach events to assist New Mexico entrepreneurs and represent Wasatch on the boards of several portfolio companies. She replaces John Dunning in the New Mexico office. Mr. Dunning is now the CEO of an early-stage technology company in Santa Fe.

## Highlights from our Portfolio



**NetDocuments** and LexisNexis US have created an alliance that entails exclusive NetDocuments service to LexisNexis law firm and corporate legal customers as a new component of the LexisNexis® Managed Network Services.



**Linux Network** has announced that the Department of Defense High Performance Computing Modernization Program has placed the largest single order for Linux Supercomputers in the company's history. The DoD purchased five supercomputers from Salt Lake-based Linux Network including three Advanced Technology Clusters and one LS-1 for the Army Research Laboratory Major Shared Resource Center, and an additional LS-1 for Dugway Proving Ground.



**DivX Labs** announced its DivX Player for Mac. The Player supports playback of .divx, .mov, .avi, .mp4, and more. Features include a "desktop dimmer" for darkening the desktop behind the video window, a "fade out window when playing" function, full player controls when in full-screen mode, and more. DivX Player for Mac is a free, beta release.



**LeftHand Networks** announced its 1000th customer installment, surpassing other iSCSI SAN competitors in the market. LeftHand is now the clear technology leader in the Open iSCSI SAN market with over 3,000 systems installed in multiple industries and more than 20 OEMs shipping its SAN/iQ software. In addition, LeftHand has attracted new customers in manufacturing, government, healthcare and education, resulting in a year-over-year doubling in sales.



Endo Pharmaceuticals Inc., a wholly owned subsidiary of Endo Pharmaceuticals Holdings Inc. (Nasdaq: ENDP), announced today that it has signed a license agreement with **ZARS Pharma** that will give Endo the exclusive North American rights to Synera(TM) (lidocaine 70 mg and tetracaine 70 mg) topical patch.

All news updates are listed on our website at [www.wasatchvc.com](http://www.wasatchvc.com).

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### Utah Investing Environment

Digital IQ assembled a panel of venture capitalist in mid-January 2006 to speak about the Utah investing environment. The panel consisted of Todd Stevens, Wasatch Venture Fund; Larry Cook, Peterson Capital; Steve Grizell, UTFC; Tim Layton, Sorenson Capital; Greg Larson, Ridgeview Capital/Gateway One; Dinesh Patel, vSpring; Dick Shanamna, co-founder of UV Partners; Devin Thorpe, Thorpe Capital; and Jared Hutchings, University Venture Fund. Below is a recap of some of the topics touched upon.

#### Trends

What recent trends are you seeing?

- Strength of the management team that is creating interest from other states
- Increase in financing opportunities
- Increase in exit opportunities especially through M&A.

#### Fund of Funds

What is the impact of the Fund of Funds?

- The Fund of Funds is creating a solution to the problem of the lack of capital available in the region.
- The management of the Fund of Funds by Fort Washington is an advantage as Fort Washington has previously been involved with assessing the need of the market, noticing the voids, and creating programs that create solutions.

#### URS Impact

Should there be an economic development role for Utah Retirement System (URS)?

- URS is not an economic engine and is focused, as is any LP, on the best return for their investors which they have been able to achieve in the past through the investing of top-tier funds.
- The URS is focusing on putting money back into Utah and has made introductions to Pathway and Abbott.
- A program could be formed that focused on emerging managers that would also benefit Utah and the local economy.

#### Angel Groups

Here in Utah, does the increasing formation of angel groups affect VC funding in a positive or negative manner, or does it have any impact at all?

- If structured correctly it is a great thing.
- Utah has seen successful angel investing in the life sciences with some successes on the IT side.

## Recent Awards



[Nick Efstratis](#) has recently been listed as one of the "40 Under 40" in Utah Business Magazine. He has been at Wasatch Venture Fund for eight years, his current position being a Managing Director. He oversees eight of the portfolio companies including such companies as MyFamily, Bungee Labs, Lignup and Medsphere.



[Aspen Avionics](#) will be receiving one of the ten "Innovative Albuquerque" Awards from the Greater Albuquerque Chamber of Commerce. Aspen's AT300 Hazard Awareness Display was also recently recognized as one of the top ten products of 2005 by Internet publication Aero-News Network



[Lumidigm](#) was also a recipient of one of the ten "Innovative Albuquerque" Awards given by the Greater Albuquerque Chamber of Commerce. Lumidigm is a developer of biometric sensors for automatic identification of people.



Ted Stanley, Chairman of [Zars](#), was awarded the Entrepreneur of the Year award by the MountainWest Venture Group.

## 12th Annual Partner's Meeting

Wasatch held its 12th Annual Partner's meeting this past January 13 and 14 at the Chateaux in Deer Valley. The 13th was filled with company presentations, Wasatch updates, and the newly implemented CEO round table, a time for the CEOs of the portfolio companies to ask questions to the [advisors](#) and investors. The roundtable went exceptionally well and will continue to be implemented in future meetings. The 14th was a networking and ski day at Deer Valley resort. We look forward to next year with great anticipation.



### NEWSLETTER SIGNUP

-Angels can provide a strategic relationship with companies by providing mentoring and networking that VC's don't have time to give.

#### Attractive Deal Components

What metrics and qualifications are you looking for in an investment?

-Growing market that includes an unmet need.

-Companies that have been seed funded to get the alpha available and to prepare the company for venture funding.

-Returns that justify the risk involved with each stage of investing.

-Strong market and management for early-stage deals and proven business models for later-stage companies.

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#### NVCA Q3 2005 Summary

"Private equity funds continued to outperform the public markets across all time horizons in the third quarter of 2005, according to Thomson Venture Economics and the National Venture Capital Associations. Long term performance in venture capital enjoying 20 year returns of 16.5% with the short term being more volatile and jumping from 7.8% to 19.7% between Q2 and Q3 in 2005.

The IPO market saw a relative spike during the third quarter with 19 venture-backed companies going public. The venture-backed mergers and acquisitions market also produced strong results with a greater number of companies being acquired at higher values. The exit markets in the third quarter provided general partners a larger arena to exit their investments and thus provide greater distributions back to limited partners."

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