

LDS Church as venture capitalist: Here's a glimpse into where it invests in innovation

[Dodge, Ethan Gregory](#). [The Salt Lake Tribune](#); **Salt Lake City, Utah**. 03 June 2024.

Abstract

None available.

Full Text

As The Church of Jesus Christ of Latter-day Saints oversees its major holdings in U.S. stocks and mutual funds, filings show, it spreads billions of dollars across industries from Big Tech to real estate, from health care and banking to consumer goods.

But what does it back when it's risking money as a venture capitalist?

New drugs. Oil and gas. And chumboxes.

A recent settlement with the U.S. Securities and Exchange Commission made it clear the church must continue to be more transparent than it has in the past about certain holdings. That agreement — in which the church paid a \$1 million penalty and its Salt Lake City-based investment arm Ensign Peak Advisors paid \$4 million — was based on the requirement that any entity trading over \$100 million on U.S. public stock exchanges must file quarterly public disclosures of the shares it controls and their value.

But under certain circumstances, smaller venture capital investments in startups and other private companies also must be disclosed in public documents — offering a narrow glimpse into what emerging innovations or businesses draw the church's interest.

To discover these bets, The Salt Lake Tribune searched for companies that had disclosed church subsidiaries as early investors between Jan. 1, 2001, and Dec. 31, 2023. In that period, 14 companies received funding from Ensign Peak Advisors or its wholly owned subsidiary Marshfield Advisors LLC and hit milestones — such as moving to sell shares on stock markets — that revealed the investments.

The companies were all in one of three sectors: Drug development, for targets such as cancer and lung diseases, oil and gas development, or technology, including Outbrain. The advertising platform is among companies infamous for their promotion of "chumboxes" — dramatic or sometimes bizarre clickbait headlines, typically with eye-catching or odd photos, arranged in a grid below stories on news sites.

In some cases, such as Outbrain, it's clear the Utah-based faith made handsome gains. In others, it's murky.

Mixed results are the rule for venture capitalists. The startups they back famously aim for a lucrative "exit" by going public — which means they can raise money by selling shares on stock markets — or by selling to another company, notes University of Pennsylvania Carey Law School professor Elizabeth Pollman.

But failure is more likely, she noted in a recent paper, pointing to research that showed at least 75% of venture-backed startups fizzle. "By some estimates it is far greater," she wrote, before exploring how reform could better support failing companies — and protect the valuable flow of innovation created by startups and venture capital.

In a typical V.C. portfolio, Harvard Business Review notes, "more than half the companies will at best return only the original investment and at worst be total losses ... V.C. reputations are often built on one or two good investments."

None of the businesses responded to questions from The Tribune, including queries about how the church came to invest in them. The church did not comment on the list or on questions submitted by The Tribune, including how much of its venture capital investment is represented by these companies.

Church spokesperson Doug Andersen said in a statement: "As part of a balanced portfolio, Ensign Peak Advisors, and its subsidiary Marshfield Advisers, have invested directly and indirectly in private companies, including in private equity and venture capital funds and co-investments related to these funds. As companies prepare to go public, they must disclose certain of their investors. Consequently, we may be included in these disclosures periodically."

Here are descriptions of each of the companies and what's public about the church's venture capital investments.

TechnologyOutbrain

"Photos Of Beach Girls That Are Inappropriate for Kids." "Chuck Norris Says Your Health Is Under Attack." "10 of The Most Bizarre Mormon Beliefs."

These headlines appear on recent Outbrain advertising teasers placed on websites of the New York Post, Washington Post and Fox News — along with more mundane temptations like "This is a savior men's shirt for all occasions!"

The platform for recommending paid content was founded in 2006 by Ori Lahav and Yaron Galai, who had served together in the Israeli navy during their mandatory military service.

In 2015, Marshfield Advisers bought 1,699,851 shares during Outbrain's eighth round of private fundraising, which meant the church owned 1.81% of the company, according to prospectus documents Outbrain filed before it went public in July 2021.

A private company that plans to sell public stocks in the United States must file a prospectus to register them with the SEC, explains Salt Lake City-based securities attorney Brent R. Baker. The prospectus, otherwise known as an S-1 filing, discloses the company's financial obligations and, typically, its investors.

Baker works for the business law firm Buchalter, which has offices across the western United States. Baker previously spent 15 years as special counsel at the SEC investigating and prosecuting securities violations.

The S-1 "can include all investors who want to register and sell stock," he said. "It can be a very short list if there are few private investors or a long list if there are lots of investors in the private company."

Data in S-1 filings vary, however, including differences when early investors do or do not want the option to immediately sell shares. So an investor's number of shares purchased and the price aren't always disclosed.

Assuming all seven investors paid similar prices in Outbrain's \$50 million funding round in 2015, the church would have paid the company over \$15 million.

The church's stake in Outbrain was worth almost \$34 million when the company went public in July 2021. Today, as the company struggles and Galai has recently stepped down as co-CEO, it wouldn't be worth even \$7 million.

It doesn't appear the church still holds the shares. They're not listed in Ensign Peak's most recent disclosure, nor in its disclosure immediately after Outbrain's initial public offering. Ensign Peak could have sold them between Outbrain's prospectus filing date and the end of that same quarter.

Under the reasoning in the SEC's cease-and-desist order, Ensign Peak would need to disclose securities that Marshfield, its subsidiary, holds but Ensign Peak actually controls.

The disclosures to the SEC are done on an honor system; the federal agency does not have insight into an institution's holdings unless the investor or the company report them.

In 2020, based on filings by the businesses, the nonprofit newsroom Truth & Transparency reported that the church had invested in private companies Fastly, Gossamer Bio and aTyr Pharma through Marshfield.

Outbrain, headquartered in New York City, shed workers during layoffs in 2022 and 2023, and its December 2023 financial disclosure said it then employed 942 people, with 40% in Israel.

Fastly

To speed up how fast their websites display content for readers, companies like Reddit, Yelp and The New York Times store digital assets on servers owned by Fastly all over the world. Fastly then can fetch the content from a point closer to the reader.

Founded in 2011, Fastly filed its prospectus to go public in April 2019 — revealing Marshfield as a private investor. The number of shares held by each investor was not disclosed.

Fastly went public the next month, opening at \$16 per share and surging more than 60% in the first 24 hours.

Ensign Peak's most recent trading report states it held 53,358 Fastly shares collectively worth \$692,053, as of the end of March. Today, the stock is worth about \$13 per share.

The San Francisco-based company employed 1,207 people in December 2023.

Monitronics

Monitronics International is the Dallas-based parent company of Brinks Home, a home security and alarm company. Monitronics was founded in 1994 and filed its initial prospectus to be publicly traded before 2001.

In connection with its first bankruptcy, however, Monitronics submitted a new prospectus in December 2019. The report shows Ensign Peak owned a significant 9.67% chunk of the company at that time.

But Monitronics continued to struggle. It announced it would stop trading publicly in January 2021. That month, Ensign Peak was among the investors who signed an agreement terminating their rights to have their shares registered for sale.

The company filed for bankruptcy a second time in May 2023.

Pharmaceuticals Phathom Pharmaceuticals

Phathom Pharmaceuticals is the only pharmaceutical company in the church's portfolio with a market-ready offering, approved late last year. Voquezna and its three variants treat "erosive esophagitis," or damage to the esophageal lining caused by acid reflux.

The drug "represents the first major innovation" in the U.S. market for such patients in more than 30 years, the company said. Voquezna was approved for commercial use in November 2023 and generated \$700,000 in revenue in the third quarter, according to financial statements.

Phathom first offered public shares in 2019 at \$19. Its prospectus discloses a loan of \$2.5 million from Marshfield. The debt was repaid with holdings in the company.

In March, Ensign Peak owned 2,280,000 shares in Phathom worth \$24,213,600.

Headquartered in Florham Park, New Jersey, Phathom has an accumulated deficit of \$928.7 million, according to recent SEC filings. As of December 2023, the company had 452 full-time employees.

Gossamer Bio

Founded in 2015, San Diego-based biopharmaceutical company Gossamer Bio is developing a drug aimed at treating pulmonary arterial hypertension, a progressive disorder that causes high blood pressure in the lungs.

Gossamer announced in May a \$160 million infusion of funding, via a reimbursement payment for the development costs of seralutinib, along with other financial support in a new deal with Italian drugmaker Chiesi Group. The company currently employs 135 people.

Marshfield was listed as an early investor when the company filed its prospectus in December 2018. But the amount and value of its holdings was not disclosed, and Ensign Peak's most recent public disclosure does not list any holdings in Gossamer.

Gossamer went public on NASDAQ in February 2019, and initial shares sold for just below \$18. The price has since plummeted, selling at less than a dollar.

aTyr Pharma Inc.

A gene therapy by aTyr Pharma is under development as a treatment for pulmonary diseases like fibrosis, sarcoidosis and sclerosis. Its "tRNA synthetase" treatment is in various stages of clinical trials.

The San Diego company went public in 2015 for \$17 per share. Its stock price now hovers between \$1 and \$2 per share.

Marshfield's investment in aTyr was disclosed in its prospectus, but not the amount. Ensign Peak's most recent disclosure does not list any holdings in the company.

The biotech company has lost money every year since its founding in 2005 and has an accumulated deficit of \$468 million, according to recent SEC filings. It has 59 employees, all based in the U.S., as of December 2023, according to an annual report.

Nuvation Bio

Biopharmaceutical company Nuvation Bio Inc. claims to be addressing "the greatest unmet needs in oncology." It has therapies in clinical trials and has 51 full-time employees, according to its most recent quarterly filing.

Founded in San Francisco in 2018, Nuvation filed its initial prospectus in June 2020 and began trading on the New York Stock Exchange in August that year.

In an amended prospectus filed in March 2021, Nuvation disclosed that Marshfield owned 848,664 shares and planned to sell 500,000. The maximum price Marshfield could have sold those shares for was \$10.26, totaling \$5.13 million.

It's unclear how and when Marshfield came to own those shares. It's possible it was an early investor, but it's also possible Marshfield bought in after Nuvation went public.

Ensign Peak's trading disclosures do not list Nuvation holdings until September 2022, when it owned 225,413 shares worth \$505,000. Its December 2023 trading disclosure listed 63,763 shares in Nuvation Bio worth \$96,282. It has since sold all of its holdings in Nuvation.

Gritstone Biology

In April, Gritstone Biology reported disappointing results in a clinical trial for its colorectal cancer vaccine, Fierce Biotech reported. Headquartered in Emeryville, California, the biotech company's cornerstone research is on vaccines that could target cancer cells and help cure various forms of the disease.

It does not yet have a product on the market, but has partnered with some big names. Gritstone is developing an HIV vaccine in partnership with Gilead, according to SEC filings, and teamed up with the Gates Foundation to develop an HPV vaccine.

Its most recent endeavor is a "next generation" COVID-19 vaccine, but a scheduled trial has been delayed after the U.S. Food and Drug Administration found raw materials that did not meet industry standards. CEO and President Andrew Allen said the delay until fall "may enable us to contemporaneously address the latest seasonal variant," but it also led to layoffs, the San Francisco Business Times reported.

The company has lost money every year of its existence, and it expressed "substantial doubt" in its most recent annual report to the SEC about whether it could survive the year without significant capital investment. It had 231 employees at the end of 2023 but cut 40% of its workforce in February, according to the report.

It was founded in 2015 as Gritstone Oncology and went public in 2018 at \$15 per share. Marshfield was listed in the prospectus as an early investor. But the filing did not say how much its holdings were worth.

Ensign Peak's March disclosure lists ownership of 1,467,880 Gritstone shares — up from 797,880 in December — totaling \$3,772,452.

Akouos Inc.

Akouos Inc. made headlines in January after an 11-year-old boy with congenital deafness was able to hear following his treatment with its gene therapy.

The Boston-based pharmaceutical company, now owned by Eli Lilly, is developing gene therapy for hearing loss. It went public in 2020 for \$17 a share, and public filings show Marshfield was an investor, though they do not say how many shares investors owned.

Ensign Peak's most recent public disclosure reveals ownership of 705,927 shares in Eli Lilly valued at \$411,498,968, as of the end of March 2024.

Akouos was acquired by Eli Lilly in 2022 for \$327 million, or \$12.50 per share, according to SEC filings. It does not yet have a product on the market; the gene therapy is still in clinical trials.

Fractyl Health Inc.

Massachusetts-based Fractyl Health is a "metabolic therapeutics" company working on new treatments for type 2 diabetes and obesity.

Its first treatment, called Revita, has been approved to treat Type 2 diabetes in Europe. Revita is an endoscopic procedure that uses "thermal ablation" — heat — to target the part of the small intestine that begins the process of nutrient absorption and is damaged in patients with Type 2 diabetes.

Its promise, according to the company, is that it's quick, noninvasive and doesn't require "ongoing therapeutic maintenance." In a recent annual report, Fractyl said it expects some preliminary U.S. data from a 2021 clinical trial later this year. If the results are positive, the company — with 102 full-time employees — will file for premarket approval with the FDA.

Founded in 2010, Fractyl has lost money every year and did not go public until February, opening at \$12.85 a share. It has already lost nearly 50% of its value.

Marshfield's investment in Fractyl was disclosed, but the amount was not listed. In its March disclosure, Ensign Peak listed owning 834,254 shares in Fractyl, collectively valued at \$6,173,480.

A second Fractyl treatment, Rejuva, is being developed as a treatment that would use gene therapy on Type 2 diabetes and obesity.

EnergySandRidge Energy Inc.

Oklahoma and Kansas landscapes are dotted with oil wells connected to SandRidge Energy. Based in Oklahoma City, the company had no active oil drilling rigs as of December 2023, according to its most annual report, but it owns interests in and operates roughly 1,000 actively producing oil and natural gas wells across the two states.

The company went public in 2007, a year after its founding, and raised \$746 million in its initial public offering. Filings indicate only that Ensign Peak was an early investor.

Ensign Peak did not list ownership of Sandridge holdings in its most recent public filing. According to financial disclosures, SandRidge earned nearly \$7 million less from its active wells in 2023 than it did in 2022.

The company paid out a combined \$55.6 million to investors in February of this year as a one-time cash dividend and increased its quarterly dividend to 11 cents per share in March. It had 102 full-time employees at the end of 2023, according to its annual filing.

KGen Power Corp.

KGen Power was a Houston-based energy company founded in December 2006. The company immediately acquired four power plants throughout the South, according to its November 2007 prospectus.

Later that month, it sold 55,476,784 shares to nearly 400 investors through various asset management companies. Among those investors was Ensign Peak Advisors, which acquired 121,706 shares.

KGen intended to give those investors the opportunity to trade their shares on the NASDAQ under the symbol "KGEN." However, on Aug. 18, 2009, the company withdrew its offering.

The Texas government's business search shows that KGEN Power Corp. is no longer a taxable entity in the state. It's unclear when the company dissolved.

Trident Resources Corp,

Trident Resources was a Canadian energy company that also ended up withdrawing its prospectus — twice.

Based in Calgary, Alberta, Trident initially filed to be traded on the New York Stock Exchange on July 24, 2006. It withdrew, however, on Feb, 5, 2007, citing “market conditions” and the company’s “financing plans.”

The second proposal was filed Nov. 10, 2008, and withdrawn March 8, 2011, shortly after the company filed for Chapter 11 bankruptcy. Ensign Peak was listed in the first prospectus among Trident’s initial investors, though the amount of shares owned was not disclosed.

After a restructuring, the company continued operations, but it shuttered in 2019, walking away from 4,700 wells where it was drilling for oil.

Because Trident never went public in the United States, it is difficult to assess if Ensign Peak had any holdings remaining when the company dissolved.

Rio Vista Energy Partners

The Tribune’s investigation also found two documents related to Ensign Peak investment in Rio Vista Energy Partners of Houston. In November 2008, Ensign Peak owned 535,879 shares, around 6.8155% of the public company.

The SEC requires institutional investors to report — through filings under what is known as Schedule 13G — when they hold 5% or more of outstanding shares of a publicly traded company’s stock.

Exceeding that percentage required Ensign Peak to disclose its ownership, which it did. By February 2009, Ensign Peak had sold over 500,000 shares, reducing its ownership to 0.97% in three months.

Rio Vista had started selling shares on NASDAQ in 2003 but then was acquired by Central Energy Partner in 2010. Central Energy dissolved in 2015.

Editor’s note • *The Salt Lake Tribune submitted its questions to The Church of Jesus Christ of Latter-day Saints on May 6. Its statement was issued June 1, after The Tribune’s print deadline, so it does not appear in the print edition. This story is available to Salt Lake Tribune subscribers only. Thank you for supporting local journalism.*

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