



COLORADO

Office of Economic Development
& International Trade
Venture Capital Authority

Eric Drummond, Chair

Venture Capital Authority
c/o Business Funding and Incentives
1600 Broadway, Suite 2500
Denver, CO 80202

May 20, 2020

Senator Nancy Todd
Chair, Legislative Audit Committee
c/o the Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203-2211

Dear Senator Todd:

This letter contains the Venture Capital Authority's report on the effects of the results of the implementation of Article 3.5 of Title 10, C.R.S., "the Venture Capital Program Act", and is hereby submitted in accordance with 24-46-206 C.R.S.

The VCA's mission and goals follow, along with results to date:

- To provide assistance in the formation of new businesses and the expansion of existing businesses that create jobs in the State.
- To utilize the enterprise fund as a revolving evergreen fund to provide continued seed and early stage investment capital to qualified businesses. The VCA has entered into Limited Partnership Agreements that provide for return of principal and a negotiated percent of profits to create a mechanism for a revolving evergreen fund. CO Fund I has been dissolved; it achieved a 1.71 ratio of Distributions to Paid in Capital. The calculated IRR on the VCA investment is 14.81%.
- To establish selection criteria and a competitive process for the selection of fund manager(s). The VCA has established selection criteria and selected managers for three funds utilizing a competitive request for proposal process.
- To invest in businesses based in different geographical areas of the State with specific goals for each fund.
- To establish an insurance premium tax credit selling process that will provide funds for the program at an offering of no less than eighty cents on the dollar. The VCA successfully completed the sale of all tax credits at an average price of eighty-six cents on the dollar— with no individual transaction completed for less than eighty cents on the dollar.

The VCA committed to contribute \$21,766,408 in certified capital to Colorado Fund I and \$25,374,260 in certified capital to Colorado Fund II over each of the 10-year terms of each fund from payments the Venture Capital Authority received from the insurance companies that purchased the premium tax credits. Since the program's inception, \$21,766,408 of certified capital has been paid by the insurance companies to the VCA for Colorado Fund I and \$20,374,260 for Colorado Fund II. The VCA contributed \$5,000,000 from recycled distributions to Fund II to satisfy the contribution commitment. The VCA now operates on evergreen funds.

The insurance companies have fulfilled their contract to purchase annual premium tax credits through the contract period.

Fund activity as of December 31, 2019 follows.

Colorado Fund I created June 2005 was the initial fund in which the Venture Capital Authority was a limited partner.

Colorado Fund I completed investments in 2014. Colorado Fund I had invested a total of \$24,350,717. This total was invested as follows:

	Investment Target	All Funds Invested
Statewide	\$10,883,204.00	\$13,425,265.79
Urban Distressed	\$5,441,602.00	\$5,477,458.47
Rural	<u>\$5,441,602.00</u>	<u>\$5,447,992.81</u>
Total	\$21,766,408.00	\$24,350,717.07

The capital contributed to make the investments include certified capital contributed by the VCA of \$21,772,226 and \$2,578,491 contributed by the other partners of Colorado Fund I per the terms of Colorado Fund I's limited partnership agreement.

The number of jobs created in Colorado from qualified investments in CFI were 884 as of December 31, 2018, the final report for the Fund prior to dissolution.

This partnership has been dissolved (the plan of liquidation and dissolution was executed on December 13, 2018). Prior to the dissolution of CFI in 2019, the Fund received distributions of proceeds from 4 investments totaling \$44,156,761, the VCA received almost \$39M. Four companies remain unsold, and the partners hold equity securities in these.

Colorado Fund I has paid qualified distributions for expenses related to managing and operating Fund I from certified capital (contributed by the VCA) of \$3,823,106 since the program's inception (June 2005) through 2018.

Investments were as follows:

<u>Company</u>	<u>Investment Date</u>	<u>Investment Location</u>	<u>Company</u>	<u>Investment Date</u>	<u>Investment Location</u>
Taligen Therapeutics, Inc.	Aug-05	distressed urban	Oberon	Aug-07	rural
Taligen Therapeutics, Inc.	Jul-06	distressed urban	Oberon	Nov-08	rural
Taligen Therapeutics, Inc.	May-07	distressed urban	Oberon	Apr-10	rural
Taligen Therapeutics, Inc.	Jan-08	distressed urban	Oberon	Jun-11	rural
Taligen Therapeutics, Inc.	Feb-08	distressed urban	Oberon	Feb-12	rural
Taligen Therapeutics, Inc.	Sep-08	distressed urban	Oberon (now Nutrinsic)	Sep-13	rural
Taligen Therapeutics, Inc.	May-09	distressed urban	Oberon (now Nutrinsic)	Dec-13	rural
Taligen Therapeutics, Inc.	Jun-10	distressed urban			
Taligen Therapeutics, Inc.	Aug-10	distressed urban	Atrato (Sherwood)	Dec-07	statewide
			Atrato (Sherwood)	Jan-08	statewide
Theratogs, Inc.	Feb-06	rural			
Theratogs, Inc.	Sep-06	rural	Sierra Neuropharmaceutica	Jul-08	distressed urban
Theratogs, Inc.	Feb-07	rural	Sierra Neuropharmaceutica	Jan-09	distressed urban
Theratogs, Inc.	Nov-10	rural			
			Aftama	Jul-09	rural
Surginetics, LLC	Mar-06	statewide	Aftama	Sep-10	rural
Surginetics, LLC	Dec-06	statewide	Aftama	Jan-12	rural
Surginetics, LLC	Mar-07	statewide	Aftama (now Digabit)	Feb-13	rural
			Aftama (now Digabit)	May-13	rural
Smart Care Clinics, Inc.	Mar-06	statewide			
			DCS	Mar-11	distressed urban
EnVysion, Inc.	Dec-06	statewide	DCS	Jun-11	distressed urban
EnVysion, Inc.	Mar-08	statewide	DCS	Jul-12	distressed urban
EnVysion, Inc.	May-08	statewide	DCS (now Sinopsys)	Oct-13	distressed urban
EnVysion, Inc.	Mar-09	statewide	DCS (now Sinopsys)	Oct-14	distressed urban
EnVysion, Inc.	Oct-09	statewide			
EnVysion, Inc.	Oct-10	statewide	Qualvu	Jan-12	statewide
EnVysion, Inc.	Jan-11	statewide	Qualvu	Feb-12	statewide
EnVysion, Inc.	Jul-12	statewide	Qualvu	Sep-12	statewide
LogRhythm, Inc.	Jan-07	statewide			
LogRhythm, Inc.	Oct-07	statewide			
LogRhythm, Inc.	Mar-09	statewide			
LogRhythm, Inc.	Nov-10	statewide			
Lijit Networks, Inc.	Jan-07	statewide			
Lijit Networks, Inc.	Jun-07	statewide			
Lijit Networks, Inc.	Jul-08	statewide			
Lijit Networks, Inc.	Apr-10	statewide			
Lijit Networks, Inc.	Jun-10	statewide			
Lijit Networks, Inc.	Feb-11	statewide			
Lijit Networks, Inc.	Apr-11	statewide			

Colorado Fund II (created January 2010) is the second fund in which the Venture Capital Authority engaged as a limited partner.

Colorado Fund II has invested all capital commitments, and recycled funds totaling \$27,463,867.34. The capital contributed to make the investments including certified capital contributed by the VCA of approximately \$25,374,260 and \$2,089,607 contributed by the other partners of Colorado Fund II per the terms of Colorado Fund II's limited partnership agreement.

	Investment Target	All Funds Invested
Statewide	\$12,687,130.00	\$14,700,516.85
Urban Distressed	\$6,343,565.00	\$6,425,060.82
Rural	<u>\$6,343,565.00</u>	<u>\$6,338,289.67</u>
Total	\$25,374,260.00	\$27,463,867.34

The number of jobs created in Colorado from qualified investments in CFII were 769 as of December 31, 2019.

To date, CFII has received distributions of proceeds from 4 investments totaling \$7,114,970.

Colorado Fund II has paid qualified distributions for expenses related to managing and operating Fund II from certified capital (contributed by the VCA) of \$3,965,641 since the program's inception (January 2010), of which \$161,430 was paid in 2019.

The following Colorado Fund II investments have been made:

Company	Investment Date	Investment Location	Company	Investment Date	Investment Location
AktiVax	Jun-11	Rural	Kapost (Grogger)	May-10	Statewide
AktiVax	Dec-11	Rural	Kapost	Sep-10	Statewide
AktiVax	Mar-12	Rural	Kapost	Nov-11	Statewide
AktiVax	Jan-13	Rural	Kapost (Daily Inches)	Dec-12	Statewide
			Kapost (Daily Inches)	Jun-13	Statewide
BirdBox	Jun-12	Statewide	Kapost (Daily Inches)	Feb-15	Statewide
BirdBox	Jul-13	Statewide			
			Lijit	Jun-10	Statewide
Clarimedix	May-11	Urban Distressed	Lijit	Apr-11	Statewide
Covalent Data	Jun-12	Statewide	Mosaic	Jun-11	Urban Distressed
Covalent Data	Aug-13	Urban Distressed	Mosaic	Jan-14	Statewide
Covalent Data	Jun-15	Urban Distressed			
Covalent Data	Sep-15	Urban Distressed	Mosoro (dissolved)	Jan-12	Statewide
Covalent Data	Feb-16	Urban Distressed			
			Nutrinsic	Jun-11	Rural
Digabit	Jun-13	Rural	Nutrinsic	Feb-12	Rural
Digabit	Dec-14	Rural	Nutrinsic	Dec-13	Rural
Digabit	May-15	Rural	Nutrinsic	Mar-15	Rural
Digabit	Mar-17	Rural	Nutrinsic	Jul-15	Rural
Digabit	Oct-17	Rural	Nutrinsic	Mar-16	Rural
Digabit	Jan-19	Rural			
			QualVu	May-13	Statewide
Endoshape	Jan-11	Urban Distressed	QualVu	Jun-13	Statewide
Endoshape	Jul-12	Statewide			
Endoshape	Sep-12	Statewide	Sinopsys	Aug-14	Urban Distressed
Endoshape	May-13	Statewide	Sinopsys	Oct-14	Urban Distressed
Endoshape	Dec-13	Statewide	Sinopsys	Sep-16	Statewide
Endoshape	Mar-14	Statewide	Sinopsys	Oct-17	Statewide
Endoshape	Jun-14	Rural	Sinopsys	Dec-17	Statewide
Endoshape	Aug-14	Rural	Sinopsys	Jun-18	Statewide
Endoshape	Jul-15	Rural	Sinopsys	Dec-18	Statewide
Endoshape	Sep-15	Rural	Sinopsys	Jun-19	Statewide
Endoshape	Dec-17	Rural	Sinopsys	Sep-19	Statewide
			Sinopsys	Dec-19	Statewide
Envysion	Jul-12	Statewide			
			SureFire Medical	Apr-11	Statewide
FitBionic	Aug-13	Rural	SureFire Medical	May-12	Statewide
FitBionic	Feb-14	Rural	SureFire Medical	Mar-13	Statewide
FitBionic	Mar-14	Rural	SureFire Medical	Sep-13	Statewide
			SureFire Medical	Jun-15	Statewide
FullContact	May-11	Statewide	SureFire Medical (TriSalus)	Jun-19	Statewide
FullContact	Sep-11	Statewide			
FullContact	Jul-12	Statewide	VetDC	Nov-14	Urban Distressed
FullContact	Sep-14	Statewide	VetDC	Apr-15	Urban Distressed
			VetDC	Jul-16	Urban Distressed
			ViroCyt	Nov-12	Urban Distressed
			ViroCyt	Dec-14	Statewide

Greater Colorado Venture Fund I (GCVFI) created in July 2018 is the third fund in which the Venture Capital Authority is a limited partner.

As of December 31, 2019, GCVFI had invested a total of \$3,450,000. This fund is focused on investing solely in qualified rural counties. All investments have been made in businesses located in rural Colorado.

The capital contributed to make the investments include certified capital contributed by the VCA of \$3,109,134 and \$340,866 contributed by the other partners of the Greater Colorado Venture Fund per the terms of the limited partnership agreement. The VCA's has a 75.8% stake in the Fund which has a total capital commitment of \$17,536,000.

The number of jobs created in Colorado from qualified investments in GCVFI are 200 as of December 31, 2019.

GCVFI is investing, and has not yet made any distributions of proceeds.

Greater Colorado Venture Fund I has paid qualified distributions for expenses related to managing and operating GCVF I from certified capital (contributed by the VCA) of \$261,033 (net of adjustments) since the Fund's inception (July 2018), of which \$34,670 was paid in 2019.


The following investments have been made.

Company	Capital Call Date	Investment Location
Agile (AMP)	Aug-19	Rural
Felt, Inc.	Aug-18	Rural
Infocu5	Mar-19	Rural
Marble Distillery	Oct-19	Rural
MuniRevs, Inc.	Aug-18	Rural
MuniRevs, Inc.	Aug-19	Rural
Online Web Services US, Inc. (VST)	Oct-18	Rural
QuietKat	Oct-19	Rural
Rever Moto, Inc.	Aug-18	Rural
Smart Media/Fast G8	May-19	Rural
Three Guys Farms	Jan-19	Rural
Venga Group, Inc	Sep-19	Rural
Verve Culture, LLC	Sep-19	Rural
Verve Culture, LLC	Oct-19	Rural
Western Rise, Inc.	Oct-18	Rural

Page **8** of **8**

Thank you for your time and attention in this matter. Please contact me at (719) 314-8215 or Sonya Guram, Staff, Venture Capital Authority at (303) 892-3804, if you have any questions pertaining to this report.

Sincerely,

DocuSigned by:


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Eric Drummond

Chair, Venture Capital Authority