

February 1, 2016

Representative Dan Nordberg
Chair, Legislative Audit Committee
c/o the Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203-2211

Dear Representative Nordberg:

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.

Investment activity as of December 31, 2015, is reported below:

Colorado Fund I (created June 2005) is the initial fund in which the Venture Capital Authority is a limited partner. The following Colorado Fund I investments have been made to date:

<u>Company</u>	<u>Date</u>	<u>Investment Location</u>
Taligen Therapeutics, Inc.	August 2005	distressed urban
Taligen	June 2006	distressed urban
Taligen	May 2007	distressed urban
Taligen	January 2008	distressed urban
Taligen	February 2008	distressed urban
Taligen	September 2008	distressed urban
Taligen	May 2009	distressed urban
Taligen	June 2010	distressed urban
Taligen	August 2010	distressed urban
Theratogs, Inc.	March 2006	rural investment
Theratogs, Inc.	September 2006	rural investment
Theratogs, Inc.	February 2007	rural investment
Theratogs, Inc.	November 2010	rural investment
Surginetics, LLC	March 2006	statewide
Surginetics, LLC	October 2006	statewide
Surginetics, LLC	March 2007	statewide
Smart Care Clinics, Inc.	March 2006	statewide
EnVysion, Inc.	December 2006	statewide
EnVysion, Inc.	March 2008	statewide
EnVysion, Inc.	May 2008	statewide
EnVysion, Inc.	March 2009	statewide
EnVysion, Inc.	October 2009	statewide

EnVysion, Inc.	October 2010	statewide
EnVysion, Inc.	January 2011	statewide
EnVysion, Inc.	July 2012	statewide
LogRhythm, Inc.	January 2007	statewide
LogRhythm, Inc.	October 2007	statewide
LogRhythm, Inc.	March 2009	statewide
LogRhythm, Inc.	November 2010	statewide
Lijit Networks, Inc.	January 2007	statewide
Lijit Networks, Inc.	June 2007	statewide
Lijit Networks, Inc.	July 2008	statewide
Lijit Networks, Inc.	April 2010	statewide
Lijit Networks, Inc.	June 2010	statewide
Lijit Networks, Inc.	February 2011	statewide
Lijit Networks, Inc.	April 2011	statewide
Oberon	August 2007	rural
Oberon	November 2008	rural
Oberon	March 2010	rural
Oberon	June 2011	rural
Oberon	February 2012	rural
Oberon(now Nutrinisic)	December 2013	rural
Atrato	December 2007	statewide
Atrato	January 2008	statewide
Atrato	December 2007	statewide
Atrato	December 2007	statewide
Atrato	December 2007	statewide
Atrato	December 2007	statewide
Sierra Neuropharmaceuticals	July 2008	distressed urban
Sierra Neuropharmaceuticals	January 2009	distressed urban
Aftama	July 2009	rural
Aftama	September 2010	rural
Aftama	January 2012	rural
Aftama	February 2013	rural
Aftama(now Digabit)	May 2013	rural
DCS	March 2011	distressed urban
DCS	June 2011	distressed urban
DCS	February 2012	distressed urban
DCS	October 2013	distressed urban
DCS	August 2014	distressed urban
DCS(now Sinopsys)	October 2014	distressed urban
Qualvu	January 2012	statewide

Colorado Fund II (created January 2010) is the second fund in which the Venture Capital Authority is a limited partner. The following Colorado Fund II investments have been made to date:

<u>Company</u>	<u>Date</u>	<u>Investment Location</u>
Kapost(was Grogger)	May 2010	statewide
Kapost	September 2010	statewide
Kapost	November 2011	statewide
Kapost(now Daily Inches)	December 2012	statewide
Kapost(now Daily Inches)	June 2013	statewide
Kapost(now Daily Inches)	January 2015	statewide
Lijit	June 2010	statewide
Lijit	April 2011	statewide
Endoshape	April 2011	distressed urban
Endoshape	September 2012	statewide
Endoshape	May 2013	statewide
Endoshape	December 2013	statewide
Endoshape	June 2014	rural
Endoshape	July 2015	rural
Endoshape	September 2015	rural
Surefire Medical	April 2011	statewide
Surefire Medical	May 2012	statewide
Surefire Medical	February 2013	statewide
Surefire Medical	August 2013	statewide
Surefire Medical	April 2015	statewide
Clarimedix	May 2011	distressed urban
Rainmaker(now Full Contact)	May 2011	statewide
Rainmaker(now Full Contact)	July 2011	statewide
Rainmaker(now Full Contact)	July 2012	statewide
Rainmaker(now Full Contact)	September 2014	statewide
Oberon	June 2011	rural
Oberon	February 2012	rural
Oberon	December 2013	rural
Oberon(now Nutrinsic)	March 2015	rural
Oberon(now Nutrinsic)	July 2015	rural
Mosaic	June 2011	distressed urban
Mosaic	January 2014	statewide
AktiVax	June 2011	rural

AktiVax	December 2011	rural
AktiVax	March 2012	rural
AktiVax	January 2013	rural
Mosoro	January 2012	statewide
Birdbox	June 2012	statewide
Birdbox	July 2013	statewide
Collective IP	June 2012	statewide
Collective IP	August 2013	statewide
Collective IP	May 2015	statewide
Collective IP	September 2015	statewide
Envysion	October 2012	statewide
Virocyt	November 2012	distressed urban
Virocyt	December 2014	statewide
Qualvu	April 2013	statewide
Qualvu	June 2013	statewide
Digabit (was Aftama)	May 2013	rural
Digabit (was Aftama)	December 2014	rural
Digabit (was Aftama)	May 2015	rural
FitBionic	June 2013	rural
FitBionic	March 2014	rural
Sinopsis	August 2014	distressed urban
VetDC	November 2014	distressed urban
VetDC	March 2015	distressed urban

- Colorado Fund I investments – As of this date, Colorado Fund I has invested a total of \$24,345,974. This total was invested as follows: (a) \$5,477,457 in businesses located in distressed urban communities, which represents over 100% of the Fund’s 10-year investment requirement (due June 20, 2015); (b) \$5,443,250 in businesses located in designated rural counties, which represents over 100% of the Fund’s 10-year investment requirement (due June 20, 2015); and (c) \$13,425,268 in statewide businesses (located in Colorado, but not in distressed urban communities or designated rural counties) which represents over 100% of the Fund’s 10-year investment requirement (due June 20, 2015). The capital contributed to make the investments include certified capital contributed by the VCA of \$21,767,681 and \$2,578,293 contributed by the other partners of Colorado Fund I per the terms of Colorado Fund I’s limited partnership agreement.

- Colorado Fund II investments – As of this date, Colorado Fund II has invested a total of \$24,711,190. This total was invested as follows: (a) \$5,850,061 in businesses located in distressed urban communities, which represents over 92% of the Fund's 10-year investment requirement (due January 4, 2020); (b) \$4,986,584 in businesses located in designated rural counties, which represents over 78% of the Fund's 10-year investment requirement (due January 4, 2020); and (c) \$13,874,544 in statewide businesses (located in Colorado, but not in distressed urban communities or designated rural counties), which represents over 100% of the Fund's 10-year investment requirement (due January 4, 2020). The capital contributed to make the investments include certified capital contributed by the VCA of approximately \$22,673,083 and \$2,038,107 contributed by the other partners of Colorado Fund II per the terms of Colorado Fund II's limited partnership agreement.
- High Country Venture, LLC, as manager of Colorado Fund I and II, has reviewed 1,267 business plans to date, of which 81 were from businesses located in designated rural counties and 112 from distressed urban communities.
- 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 receives 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 has contributed \$5,000,000 from recycled distributions to Fund II to satisfy the contribution commitment.
- In addition, the insurance companies have fulfilled their contract to purchase annual premium tax credits on an annual basis for the contract period.
- The number of jobs created in Colorado from qualified investments made by CFI, as reported by CFI, is 623 and 462 for CFII.
- CFI has received distributions of proceeds from 4 investments totaling \$19,023,059 and CFII has received distributions of proceeds from 1 investment totaling \$173,007.
- Colorado Fund I has paid qualified distributions for expenses related to managing and operating Fund I from certified capital (contributed by the VCA) of \$3,739,561 since the program's inception (June 2005), of which \$54,424 was paid in 2015. Colorado Fund II has paid qualified distributions for expenses related to managing and operating Fund II from certified capital (contributed by the VCA) of \$3,005,750 since the program's inception (January 2010), of which \$516,184 was paid in 2015.

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

- To provide assistance in the formation of new businesses and the expansion of existing businesses which create jobs in the state. Colorado Fund I has made total investments in businesses since the program's inception of \$24,345,974 and such businesses have reported the creation of 623 jobs in the state to date. Colorado Fund II has made total investments in businesses since the program's inception of \$24,711,190 and such businesses have reported the creation of 462 jobs in the state to date.
- 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 the degree that Colorado Fund I and II's investments are successful – which creates the mechanism for a revolving evergreen fund. Since Colorado Fund I and II are seed and early stage funds and it is estimated they will not begin to generate significant funds from investments until years 7-10 (based on industry expectations for seed and early stage funds in general), it is too early to evaluate performance in this area; however the three distributions to date provide an early indication for the potential for success under this program.
- To establish selection criteria and a competitive process for the selection of fund manager(s). The VCA established selection criteria and selected a fund manager after utilizing a competitive request for proposal process.
- 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.
- To invest in businesses from different geographical areas of the State with specific milestones established for such investment. Colorado Fund I has made statewide investments of \$13,425,268, distressed urban community investments of \$5,477,457 and designated rural county investments of \$5,443,250 since the program's inception. Colorado Fund II has made statewide investments of \$13,874,544, distressed urban community investments of \$5,850,061 and designated rural county investments of \$4,986,584 since the program's inception.

Please call me at (303) 339-7263 if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Mark Soane" followed by a horizontal line.

Mark Soane
Chair, Venture Capital Authority