CERTIFIED CAPITAL COMPANIES PROGRAM

November 1, 2017 Annual Report

The Certified Capital Companies (CAPCO) Program was enacted by the legislature during the 2001 session. The Colorado Office of Economic Development & International Trade (OEDIT) implemented this program as required by C.R.S. 24-48.5-106 and C.R.S. 10-3.5-101 through 110. The legislation authorized OEDIT to allocate $100 million in insurance premium tax credits to eligible CAPCOs on a first come, first served basis. In 2002, the CAPCOs utilized the tax credits to obtain funding from insurance companies (certified capital), of which then approximately 50% of the insurance funding was generally made available to provide loans and/or equity to Colorado businesses. The primary purpose of the program is for CAPCOs to provide assistance to support the formation of new businesses and the expansion of existing businesses in Colorado. The CAPCOs are authorized to utilize up to 5% of the $100 million, or $5 million, a year for operations. Additionally, unique and extraordinary expenses above the stated 5% may be eligible expenses.

The CAPCOs are required to invest 100% of their individual allocations within 10 years (by April 22, 2012). If a CAPCO has not invested 100% within the 10 year period, the CAPCO is restricted from making any distributions from certified capital or proceeds from investments except for payment of indebtedness. If a CAPCO invests 100% prior to the 12 year anniversary of its allocation date, the CAPCO will then be required to complete certain required internal rate of return calculations to determine if they need to remit any of the remaining funds to state designated entities or if they maintain full ownership of all remaining funds. If the CAPCOs do not meet the 100% within 12 year mark, the percent to be remitted to state designated entities may increase through year 16 if the results of the calculations require such remittance. The EDC, pursuant to C.R.S. 24-48.5-106 shall oversee the CAPCO program pursuant to C.R.S. 10-3.5-101 through 110.

The six CAPCOs have reported investing approximately $73 million out of the $100 million as follows:

- CAPCO A was allocated approximately $22 million and since the allocation date has reported investing approximately $22 million. CAPCO A is 100% invested and is no longer regulated by OEDIT; however, internal rate of return calculations will be completed prior to the State’s fiscal year end of June 30, 2018 to determine if any of its remaining funds will need to be remitted to state designated entities.
- CAPCO B was allocated approximately $22 million and since the allocation date has reported investing approximately $13 million and within the last year, CAPCO B has reported investing $0. Final review of internal rate of return will be performed prior to the State’s fiscal year end of June 30, 2018, to determine if any of its remaining funds will need to be remitted to state designated entities.
- CAPCO C was allocated approximately $6 million and since the allocation date has reported investing approximately $3 million. No further information will be available because CAPCO C has voluntarily decertified, will not reach the 100% requirement, is not active and is not regulated by OEDIT.
- CAPCO D was allocated approximately $22 million and since the allocation date has reported investing approximately $22 million. CAPCO D is 100% invested and is no longer regulated by OEDIT.

- CAPCO E was allocated approximately $6 million and since the allocation date has reported investing approximately $6 million. CAPCO E is 100% invested and is no longer regulated by OEDIT. Internal rate of return calculations will be completed prior to the State's fiscal year end of June 30, 2018, to determine if any of its remaining funds will need to be remitted to state designated entities.
- CAPCO F was allocated approximately $22 million and since the allocation date has reported investing approximately $7 million and within the last year, CAPCO F has reported investing $0. Internal rate of return calculations will be completed prior to the State's fiscal year end of June 30, 2018, to determine if any of its remaining funds will need to be remitted to state designated entities.