



COLORADO
Office of Economic Development
& International Trade
Venture Capital Authority

Eric Drummond, Chair
Thea Chase, Vice Chair
Dave Saunders, Treasurer

VENTURE CAPITAL AUTHORITY

Annual Report to State Auditor 2021





COLORADO

Office of Economic Development
& International Trade

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

Eric Drummond, Chair
Theresa Chase, Vice Chair
Dave Saunders, Treasurer

Venture Capital Authority
c/o Office of Economic Development & International Trade
Business Funding and Incentives
1600 Broadway, Suite 2500
Denver, CO 80202

January 31, 2022

Dianne E. Ray
State Auditor
Office of the State Auditor
State Services Building
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Dianne E. Ray:

This letter contains the Venture Capital Authority's annual report on the "Venture Capital Program" in accordance with C.R.S. 24-46-206 C.R.S. and documents implementation of the legislative declaration in C.R.S. 10-3-5-102.

Thank you for your time and attention in this matter. Please contact Sonya Guram, staff for the Venture Capital Authority at (720) 541-1180, if you have any questions pertaining to this report.

Sincerely,

DocuSigned by:
A handwritten signature in black ink, appearing to read 'Eric Drummond', is enclosed in a blue rectangular box.

Eric Drummond

Chair, Venture Capital Authority



This report contains the Venture Capital Authority’s mission and goals, along with program results for the life of the program through calendar year 2021.

- ▶ 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.

- ▶ Provide assistance in the formation of new businesses and the expansion of existing businesses that create jobs in the State.
- ▶ Manage 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.
- ▶ Establish selection criteria and a competitive process for the selection of fund manager(s). The VCA has established selection criteria and selected managers for four funds utilizing a competitive request for proposal process.
- ▶ Invest in businesses that are headquartered and have principal business operations in Colorado and are based in different geographical areas including rural, urban distressed and statewide. The VCA and fund managers may set specific location goals for each fund.

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	\$13,425,266
Urban Distressed	\$5,441,602	\$5,477,458
Rural	\$5,441,602	\$5,477,993
Total	\$21,766,408	\$24,350,717

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.

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.

This partnership has been dissolved (the plan of liquidation and dissolution was executed on December 13, 2018). The Fund received distributions of proceeds from 4 investments totaling \$44,156,761; the VCA received almost \$39M. The Fund achieved a 1.71 ratio of Distributions to Paid in Capital. The calculated IRR on the VCA investment is 14.81%. Four companies remain unsold, and the partners hold equity securities in these.

The portfolio businesses and their geographic location are provided in the table below:

Company	Investment Location	County
Atrato (Sherwood)	statewide	Jefferson
Digabit (Aftama)	rural	Mesa
EnVysion, Inc.	statewide	Boulder
Lijit Networks, Inc.	statewide	Boulder
LogRhythm, Inc.	statewide	Boulder
Oberon	rural	Clear Creek
Qualvu	statewide	Jefferson
Sierra Neuropharmaceuticals	distressed urban	Adams
Sinopsys (DCS Surgical)	distressed urban	Adams
Smart Care Clinics, Inc.	statewide	Boulder
Surginetics, LLC	statewide	Boulder
Taligen Therapeutics, Inc.	distressed urban	Adams
Theratogs, Inc.	rural	San Miguel

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 \$27,460,883. The capital contributed to make the investments including certified capital contributed by the VCA of approximately \$25,374,260 and \$2,086,623 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	\$12,904,886	\$14,899,217
Urban Distressed	\$6,452,443	\$6,225,061
Rural	\$6,452,443	\$6,336,604
Total	\$25,809,772	\$27,460,883

The number of jobs created in Colorado from qualified investments in CFII were 769 as of December 31, 2020.

To date, CFII has received distributions of proceeds from 6 investments; the VCA received \$8,886,800.37.

Colorado Fund II has paid qualified distributions for expenses related to managing and operating Fund II from certified capital (contributed by the VCA) of \$4,023,117.53 since the program's inception (January 2010), of which \$49,722.19 was paid in 2021.

The portfolio businesses and their geographic location are provided in the table below:

Company	Investment Location	County
AktiVax	Rural	Gilpin
BirdBox	Statewide	Boulder
Clarimedix	Urban Distressed	Arapahoe
Covalent Data (Collective IP)	Statewide	Boulder
Digabit (Aftma)	Rural	Mesa
Endoshape	Urban Distressed	Boulder
Envysion	Statewide	Boulder
FitBionic	Rural	Clear Creek
FullContact (CloudCenter)	Statewide	Denver
Kapost (Grogger/Daily Inches)	Statewide	Boulder
Lijit	Statewide	Boulder
Mosaic	Urban Distressed	Arapahoe
Mosoro	Statewide	Jefferson
Nutrinsic (Oberon)	Rural	Clear Creek
QualVu	Statewide	Jefferson
Sinopsys	Urban Distressed	Boulder
SureFire Medical (Trisalus)	Statewide	Jefferson
VetDC	Urban Distressed	Larimer
ViroCyt	Urban Distressed	Denv

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, 2021, GCVFI had invested a total of \$10,397,255 in Colorado businesses. 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 \$6,696,385 and \$3,700,870 contributed by the other partners of the Greater Colorado Venture Fund as well as recycled proceeds per the terms of the limited partnership agreement. The VCA has a 75.8% stake in the Fund which has a total capital commitment of \$17,536,000. The FirstMile Ventures 2020 Fund invested \$2,877,997 along side the VCA fund.

A total of 233 full-time jobs and 30 part-time jobs have been created in Colorado by GCVFI portfolio businesses as of September 30, 2021.

Through December 31st 2021, GCVFI has made distributions of proceeds to the VCA from 2 investment for a total of \$ 5,519,500.

The VCA has been charged management fees and expenses for GCVF I totaling \$992,418 since the Fund's inception (July 2018), of which \$330,840 was incurred in 2021.

The portfolio businesses and their geographic location are provided in the table below:

Company	Investment Location	County
32 Waves	Rural	Mesa
Agile Space Industries, Inc.	Rural	La Plata
Barn Owl	Rural	Otero
Bravrr, Inc.	Rural	Fremont
Campground Booking (Nomad Reservations, LLC)	Rural	Montrose
Cloudrise	Rural	Mesa
Felt, Inc.	Rural	San Miguel
Glade Optics, LLC	Rural	Summit
ArtMap Inc. (Hacker Noon)	Rural	Eagle
Haekka (Day Zero, Inc.)	Rural	Routt
InFocu5 (Focus Commerce, LLC)	Rural	San Miguel
Iona Tech	Rural	San Miguel
Iron IQ	Rural	Mesa
Leopard	Rural	Pitkin
Marbe Distilling Company, Inc.	Rural	Garfield
MuniRevs, Inc.	Rural	Montezuma
QuietKat, Inc.	Rural	Eagle
Revel Bikes, Inc (Why Cycles, Inc.)	Rural	Garfield
Rever Moto, Inc.	Rural	Eagle
SheFly Apparel, LLC	Rural	Gunnison
Sky Peak Technologies	Rural	Mesa
Smart Media Tech (FastG8)	Rural	Garfield
Three Guys Farm, Inc	Rural	Alamosa
Venga Group, Inc	Rural	Routt
VS Tracking (Online Web Services US, Inc.)	Rural	Montezuma
Western Rise, Inc.	Rural	San Miguel

FIRSTMILE VCA 2020 was formed in February 2021 as the fourth fund in which the Venture Capital Authority has invested as a limited partner. This fund operates as a sidecar to FirstMile Ventures 2020, which may invest in portfolio companies located outside of Colorado; the FirstMile VCA 2020 partnership only participates in investments in Colorado companies.

As of December 31, 2021, FirstMile VCA 2020 had invested a total of \$2,741,998 in Colorado businesses. The geographic focus of the fund is statewide; it does not include specific goals for investing in businesses located in urban distressed or rural areas of the state.

The capital contributed to make the investments include certified capital contributed by the VCA of \$2,714,568 and \$27,420 contributed by the other partners of FirstMile VCA 2020. The VCA has a 99.00% stake in the Fund which has a total capital commitment of \$9,909,090.

A total of 37 full-time jobs have been created or retained in Colorado by portfolio businesses receiving qualified investments by the fund.

Through December 31st 2021, no distributions of proceeds from investments have been made.

The VCA has been charged management fees and expenses for FirstMile VCA 2020 totaling \$ 319,110, all incurred in 2021.

The portfolio businesses and their geographic location are provided in the table below:

Company	Investment Location	County
Credo	Statewide	Denver
Demoflow (Swivel Demos, Inc)	Statewide	Denver
Giide	Statewide	Boulder
IA Technologies, Inc.	Statewide	El Paso
Magenta	Statewide	Denver
Monocle Insights, Inc.	Statewide	Arapahoe
Nyla Technologies, Inc.	Statewide	Larimer
Pain Theory (Sway Health, Inc.)	Statewide	Denver
Pomp Beauty, Inc.	Statewide	Denver
PreCog Data, Inc	Statewide	Boulder
Resurface	Statewide	Boulder