



Venture Capital Authority (VCA)

Purpose:

This venture capital program was initially funded in April of 2005, with the primary purpose being that a fund manager only make seed or early-stage investment in qualified businesses or qualified rural businesses, except that the VCA may allow a qualified investment in a qualified rural business that is not a seed or early-stage investment if the investment is appropriate and later-stage capital investments are not otherwise available to the qualified rural business. This program encourages new business development by making 50% of its funding to the establishment of a statewide venture capital fund, 25% of its funding to the establishment of a rural venture capital fund and 25% of its funding to the establishment of a distressed urban community venture capital fund.

Funding Source:

Insurance premium tax credits (tax credits) of \$25 million in total from the State were sold to insurance companies on an annual basis and the proceeds were allocated to a fund manager on an annual basis. The fund manager can fund businesses by using debt, equity, or debt with a conversion option into equity. Once the business is determined to be generally eligible under the VCA statute the fund manager has the final decision making authority as to whether to invest in such business.

Eligible Businesses: (as defined by the Colorado VCA statute, policies and procedures)

Such as:

The business must be headquartered and have principal business operations in Colorado;

The business must be a small business concern as described in the small business size regulations of the SBA;

The business must not be predominantly engaged in:

- Professional services provided by accountants, doctors, or lawyers;
- Banking or lending;
- Real estate development;
- Insurance;
- Oil and gas explorations;
- Direct gambling activities;

Requirements

The businesses must be able to supply all the information and certifications requested by the fund manager needed to follow the VCA statute, LP agreement, policies and procedures.

Terms

- The funding parameters are negotiable between the fund manager and the business.
- The funding range by the fund manager is generally between \$250,000 and \$3,375,000. The fund manager targets individual investment size between \$1,000,000 and \$2,000,000.
- The fund manager may partner with other funding institutions if needed. (banks, OEDIT Business Loan Funds and/or other venture capital funds)

Process:

Initially a business should contact the fund manager to inquire about submitting their information for consideration. The fund manager will then review the information submitted and decide if they will proceed with further analysis of the business. If the fund manager determines to invest in the business, they will submit a determination statement of the business to the OEDIT for compliance review of the VCA statute, policies and procedures. OEDIT will generally have 30 business days to determine whether the investment and the business meet the applicable eligibility determinations. If approved the fund manager will have 6 months to make the investment, before the approval is voided.

For further information, please contact:

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Additional information is available at www.AdvanceColorado.com. For complete program information and requirements, please call the designated contact person.