

Certified Capital Companies (CAPCOs)

Purpose

This venture capital program was funded in April of 2002, with the primary purpose being to provide assistance in the formation of new businesses and the expansion of existing businesses that create jobs in the State by providing funds to invest in Colorado businesses. This program encourages new business development and expansions of businesses by making a \$75 million statewide pool available for investment statewide throughout Colorado and a \$25 million rural pool available for investment in designated rural counties in Colorado.

Funding Source

Insurance premium tax credits (tax credits) of \$100 million from the state were allocated to six Certified Capital Companies (CAPCOs). These CAPCOs then sold the tax credits to insurance companies to generate the funds utilized for this program.

Eligible Businesses: (as defined by the Colorado CAPCO statute and regulation)

Businesses must meet certain requirements to be eligible, including:

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; and

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;
- Making loans to or investing in a CAPCO or an affiliate of a CAPCO or insurance company.

Requirements

The businesses must be able to supply all the information and certifications requested by the CAPCO needed to follow the CAPCO statute and regulations.

Terms

The following items generally outline the terms available to Colorado businesses:

- The CAPCOs can fund the businesses by using debt, equity, or debt with a conversion option into equity. Once the business is determined to be generally eligible under the CAPCO statute and regulation, the CAPCOs have the final decision making authority as to whether to invest in such business.
- The funding parameters are negotiable between the CAPCO and the business.
- The funding range by the CAPCOs is generally between \$100,000 and \$3,300,000. The CAPCOs may consider requests for less than \$100,000 on a case-by-case basis.
- The CAPCOs may partner with other funding institutions if needed (such as banks, the Office of Economic Development and International Trade, Business Loan Funds and/or other venture capital funds).

Process

Initially a business should contact any or all of the CAPCOs to inquire about submitting their information to the CAPCO for consideration. The CAPCO will then review the information submitted and decide if it will proceed with further analysis of the business. If the CAPCO is interested in investing in the business, it will submit a determination statement of the business to the OEDIT for a compliance review. OEDIT will generally have 10 business days to determine whether the investment and the business meet the applicable eligibility requirements. If approved, the CAPCO will have six months to make the investment before the approval is voided.