

September 10, 2007

Sally Symanski, CPA
Office of the State Auditor
200 E. 14th Ave.
Denver, Co 80203

Dear Ms. Symanski:

This response is to your letter dated August 13, 2007, regarding the Venture Capital Authority's performance audit completed in February 2007. The implementation status of the audit recommendations is as follows:

1. On page 27 of the audit report, the first recommendation was to continue monitoring High Country Venture, LLC's (HCV) level of investment in businesses located in designated rural counties and continue cooperating with the Office of Economic Development and International Trade (Office) to identify investment opportunities in these areas.

The Venture Capital Authority (VCA) has continued to implement this recommendation and is reviewing designated rural investments by the fund manager on a quarterly basis, directing rural funding inquiries received to HCV, informing HCV of rural marketing opportunities and discussing rural investment strategy with HCV. Since the last audit review period (December 31, 2006), HCV has made two additional rural investments. The actual investment percentage to date has increased from 37% to 73% of the 3-year rural investment requirement. HCV has until June 29, 2008 to meet the 3-year rural investment requirement.

2. On page 29 of the audit report, the second recommendation was to take steps to resolve problems identified with the current staffing arrangement with the Office of Economic Development and International Trade.

The Venture Capital Authority is in the process of contracting with the Office for a .6 full time equivalent (fte) staff person to perform administrative and financial duties concerning the operation of the VCA program. Resumes from job applicants are currently being reviewed by OEDIT.

3. On page 31 of the audit report, the third recommendation was to include information on the financial and operational performance of the Venture Capital Authority program in the annual report to the State Auditor.

The VCA will provide additional information requested as a result of the VCA performance audit in its next annual report to the State Auditor due February 2008. The VCA and OEDIT staff are also working with the National Association of Seed and Venture Funds and other

entities to determine the types of performance metrics that may be appropriate for this type of fund and for comparison to similar funds on a national level.

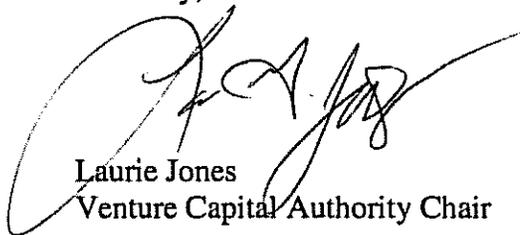
4. On page 33 of the audit report, the fourth recommendation was to comply with provisions of the Local Government Budget and Audit Laws by preparing and submitting the required financial reporting documents in accordance with statutorily required timelines.

The VCA pursued obtaining a formal exemption to the Local Government Budget Law during the 2007 Legislative Session; however, said efforts were not successful. Therefore, the VCA is going forward with the process needed to comply with the provisions of these laws.

5. On page 35 of the audit report, the fifth recommendation was to improve the annual review of fund managers. At a minimum, the annual review should include determining whether qualified businesses are expending certified capital as required by statute and reviewing source documentation to verify the accuracy of performance data reported by fund managers.

The VCA will review source documentation to confirm that qualified businesses are expending certified capital in compliance with statutory requirements and to verify the accuracy of the fund manager's reported job data during its next annual review of the fund manager's records in the fourth quarter of 2007.

Sincerely,



Laurie Jones
Venture Capital Authority Chair