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Texas Comptroller of Public Accounts

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AUSTIN, TEXAS 78711-3528

The Honorable Rick Perry, Governor  
The Honorable David Dewhurst, Lieutenant Governor  
The Honorable Thomas R. Craddick, Speaker of the House

Fellow Texans:

In accordance with Article 4.73(a) of the Texas Insurance Code, I present herewith the first biennial report on the results of the implementation of a program establishing Premium Tax Credit for Investment in Certified Capital Companies (CAPCOs) for the period since program inception to January 1, 2006.

This report provides information concerning the certification and investment activities of private venture capital companies formed to stimulate job creation and to increase the availability of growth capital for small businesses located in the state.

During 2005, ten Texas CAPCOs were certified to raise \$200 million through the issuance of certified capital notes or "qualified debt instruments" to insurance companies. In return for their investments, 110 participating insurance companies will receive premium tax credits equal to 100 percent of the amount of their investments.

This report includes the number, name, and amount of certified capital invested in each CAPCO; the amount each CAPCO has invested in qualified businesses as of January 1, 2006; the amount of tax credits granted for each year that credits have been granted; the renewal and reporting performance of each CAPCO; the size and industrial sector classification of qualified businesses receiving investment; the total number of jobs created and average wages paid for those jobs as a result of CAPCO investments; the total number of jobs retained and the average wages paid for those jobs as a result of CAPCO investments; and any CAPCOs that have been decertified or failed to renew with the reason for any decertification.

If you have any questions about this report, please contact Paul Ballard, Chief Executive Office of the Texas Treasury Safekeeping Trust Company, by e-mail at [paul.ballard@cpa.state.tx.us](mailto:paul.ballard@cpa.state.tx.us), by phone at 1-800-531-5441, extension 3-1870, or direct in Austin at 512/463-1870, or you can contact me directly at 512/463-4444.

Sincerely,

Carole Keeton Strayhorn  
Texas Comptroller

c: Paul Ballard

# 2006 Biennial Certified Capital Companies Report

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## **Reference to Authorizing Legislation and Regulations**

This report is issued in accordance with the statute for the CAPCO program which may be found in the Texas Insurance Code-Not Codified, Article 4.51-4.73. The statute is the product of Senate Bill 601 passed by the 2001 Legislature, as amended by House Bill 2425 passed by the 2003 Legislature. The regulations for the Texas Certified Capital Companies program are contained in the Texas Administrative Code at:

TITLE 34.PUBLIC FINANCE  
Part 1. COMPTROLLER OF PUBLIC ACCOUNTS  
Chapter 3. TAX ADMINISTRATION  
Subchapter GG. INSURANCE TAX  
34 TAC §3.833

**Certified Capital Invested in each Certified Capital Company**

<b>CAPCO</b>	<b>Amount of Certified Capital Invested in each CAPCO</b>
Accent Texas Fund I, LP	\$23,412,844
Aegis Texas Venture Fund, LP	\$22,534,863
Enhanced Capital Texas Fund, LLC	\$23,412,844
Lonestar CAPCO Fund, LLC	\$8,600,000
Republic Holdings Texas, LP	\$4,975,230
Stonehenge Capital Fund Texas, LP	\$23,412,844
Texas ACP I, LP	\$23,412,843
Waveland NCP Texas Ventures, LP	\$23,412,844
Whitecap Texas Opportunity Fund, LP	\$23,412,844
Wilshire Texas Partners I, LLC	\$23,412,844
Total Invested in all CAPCOs	<u><u>\$200,000,000</u></u>

## Investments in Qualified Businesses by Certified Capital Company

CAPCO	Names of Business	Amount of Certified Capital Invested
Accent Texas Fund I, LP	Team Championship Intl	\$518,750
Accent Texas Fund I, LP	Commerçant	\$1,000,000
<b>Accent Texas Fund I, LP Total</b>		<b><u>\$1,518,750</u></b>
Aegis Texas Venture Fund, LP	BizSupplies	\$3,200,000
Aegis Texas Venture Fund, LP	Vuico	\$500,000
Aegis Texas Venture Fund, LP	Team Championship Intl	\$135,000
Aegis Texas Venture Fund, LP	Commerçant	\$1,000,000
Aegis Texas Venture Fund, LP	Bynari	\$100,000
Aegis Texas Venture Fund, LP	Mobile Medical Technologies	\$10,000
<b>Aegis Texas Venture Fund, LP Total</b>		<b><u>\$4,945,000</u></b>
Republic Holdings Texas, LP	Sweet Leaf Tea	\$746,248
Republic Holdings Texas, LP	Mobley Oilfield Services	\$746,248
<b>Republic Holdings Texas, LP Total</b>		<b><u>\$1,492,496</u></b>
Texas ACP I, LP	Quickoffice	\$749,998
Texas ACP I, LP	Commerçant	\$500,000
<b>Texas ACP I, LP Total</b>		<b><u>\$1,249,998</u></b>
Whitecap Texas Opportunity Fund, LP	HBH Systems I, LP	\$930,000
<b>Whitecap Texas Opportunity Fund, LP Total</b>		<b><u>\$930,000</u></b>
Wilshire Texas Partners I, LLC	KJK Unlimited Corporation	\$2,000,000
Wilshire Texas Partners I, LLC	Summit Systems	\$3,500,000
Wilshire Texas Partners I, LLC	Fortress Data Management	\$3,250,000
Wilshire Texas Partners I, LLC	Business Connect	\$3,200,000
<b>Wilshire Texas Partners I, LLC Total</b>		<b><u>\$11,950,000</u></b>
<b>Grand Total</b>		<b><u><u>\$22,086,244</u></u></b>

**Schedule of Tax Credits Granted for each Year Credits have been Granted**

Legislation establishing premium tax credits authorized insurance companies that invested in Certified Capital Companies to begin utilizing their credits no earlier than 2009. The insurance companies were granted \$200 million in available tax credits upon investment in qualified debt instruments during 2005. These premium tax credits may be used at a maximum rate of 25 percent per year.

Anticipated utilization of premium tax credits by tax year:

Tax Year	Credits to be Utilized by Year
2009 .....	\$50,000,000
2010 .....	\$50,000,000
2011 .....	\$50,000,000
2012 .....	\$50,000,000

## Renewal and Reporting Performance of each Certified Capital Company

<u>CAPCO</u>	<u>Certification Renewal</u>	<u>Annual Reporting</u>
Accent Texas Fund I, LP	Renewed as of January 1, 2006	In Compliance
Aegis Texas Venture Fund LP	Renewed as of January 1, 2006	In Compliance
Enhanced Capital Texas Fund, LP	Renewed as of January 1, 2006	In Compliance
Lonestar CAPCO Fund, LLC	Renewed as of January 1, 2006	In Compliance
Republic Holdings Texas LP	Renewed as of January 1, 2006	In Compliance
Stonehenge Capital Fund Texas, LP	Renewed as of January 1, 2006	In Compliance
Texas ACP I, LP	Renewed as of January 1, 2006	In Compliance
Waveland NCP Texas Ventures, LP	Renewed as of January 1, 2006	In Compliance
Whitecap Texas Opportunity Fund, LP	Renewed as of January 1, 2006	In Compliance
Wilshire Texas Partners I, LLC	Renewed as of January 1, 2006	In Compliance

**Size and Industrial Sector Classification  
of Qualified Businesses Receiving Investment**

<b>Certified Capital Company</b>	<b>Names of Business</b>	<b>Business Size Prior to Investment</b>	<b>Industrial Sector</b>	<b>NAICS</b>
Accent Texas Fund I, LP	Team Championship Intl	<\$1mm	Promoters of Sports events w/o Facilities	711320
	Commericant	<\$1mm	Wireless Communication Equipment	33422
Aegis Texas Venture Fund, LP	BizSupplies	<\$1mm	Internet Retail Sales & Office Supplies	454111
	Vuico	<\$1mm	Software Development	511210
	Team Championship	<\$1mm	Promoters of Sports Events w/o Facilities	711320
	Commerciant	<\$1mm	Wireless Communications Equipment	33422
	Bynari	<\$1mm	Software Publishers	511210
Republic Holdings Texas, LP	Mobile Medical Technologies	<\$1mm	Software Publishers	511210
	Sweet Leaf Tea	<\$1mm	Beverage-based Merchant Wholesale	424490
Texas ACP I, LP	Mobley Oilfield Services	>\$5mm	Specialized Freight	484220
	Quickoffice	\$1-\$5mm	Software Publisher	511210
Whitecap Texas Opportunity Fund, LP	Commerciant	<\$1mm	Wireless Communication Equipment	33422
	HBH Systems I, LP	<\$1mm	Natural Gas (Propane) Distribution	2212
Wilshire Texas Partners I, LLC	KJK Unlimited Corp.	<\$1mm	Business Support Services	561499
	Summit Systems	<\$1mm	Data-processing, Hosting and Related Services	518210
	Fortress Data Management	<\$1mm	Data-processing, Hosting and Related Services	518210
	Business Connect	<\$1mm	Business Support Services	516499



## Number of Jobs Created and Retained and Average Salaries for those Jobs

CAPCO	Names of business	Total number of jobs created	Average annual wages of jobs created	Total number of jobs retained	Average annual wages of jobs retained
Accent Texas Fund I. LP	Team Championship Intl	0		0	
Accent Texas Fund I. LP	Commerçant*	1.6	\$65,690	6.4	\$85,125
<b>Accent Texas Fund I. LP Total</b>		<b>1.6</b>		<b>6.4</b>	
Aegis Texas Venture Fund, LP	BizSupplies	3	\$35,000	3	\$45,000
Aegis Texas Venture Fund, LP	Vuico	4	\$56,500	4	\$60,000
Aegis Texas Venture Fund, LP	Team Championship	0	-	0	-
Aegis Texas Venture Fund, LP	Commerçant*	1.6	\$65,690	6.4	\$85,125
Aegis Texas Venture Fund, LP	Bynari	0		3	\$ 50,000
Aegis Texas Venture Fund, LP	Mobile Medical Technologies	0		0	
<b>Aegis Texas Venture Fund, LP Total</b>		<b>8.6</b>		<b>16.4</b>	
Republic Holdings Texas, LP	Sweet Leaf Tea	0	-	10	\$46,000
Republic Holdings Texas, LP	Mobley Oilfield Services	0	-	49	\$52,979
<b>Republic Holdings Texas, LP Total</b>		<b>0</b>		<b>59</b>	
Texas ACPI. LP	Quickoffice	0	-	31	\$ 82,629
Texas ACPI. LP	Commerçant*	.8	-	3.2	\$85,125
<b>Texas ACPI. LP Total</b>		<b>.8</b>		<b>34.2</b>	
Whitecap Texas Opportunity Fund, LP	HBH Systems I, LP	0	-	4	\$36,000
Whitecap Texas Opportunity Fund, LP	Emergent Technologies	0		0	
<b>Whitecap Texas Opportunity Fund, LP Total</b>		<b>0</b>		<b>4</b>	
Wilshire Texas Partners I, LLC	KJK Unlimited Corporation	9	\$24,181	1	\$ 75,000
Wilshire Texas Partners I, LLC	Summit Systems	1	\$36,000	0	-
Wilshire Texas Partners I, LLC	Fortress Data Management	1	\$48,000	0	-
Wilshire Texas Partners I, LLC	Business Connect	1	\$40,000	0	-
<b>Wilshire Texas Partners I, LLC Total</b>		<b>12</b>		<b>1</b>	
<b>Grand Total</b>		<b>23</b>		<b>121</b>	

\*Commerçant – Three CAPCOs made investments in this business during 2005. Job creation and retention is apportioned between the CAPCOs based on the relative amount of their investment.

## **Certified Capital Companies Either Decertified or Non-renewing**

There were no de-certifications or non-renewals of Certified Capital Companies during the biennial period ended January 1, 2006.

