

## **Iowa Innovation Acceleration Fund Program Guidelines and Forms of Financial Assistance**

The Iowa Innovation Acceleration Fund is a competitive application-based program. Funds are provided to the State of Iowa from the U.S. Treasury through the State Small Business Credit Initiative. Prospective applicants should carefully review the application and program guidelines to assist you in determining if this program will fit your economic development project.

### ***Goals***

The fund is to be used to help businesses with a high-growth potential reach a position where they can attract later stage private sector funding and leverage as much private investment as possible. The fund provides financing to eligible businesses through three program components that correspond to three different stages of growth for investment-grade, high-growth enterprises:

### ***Match Requirement***

Companies must match the award with at least one dollar of **private** funds for every one dollar of state funding. Extra consideration will be given to projects that provide more than the minimum match effectively leveraging more State funds. The company must demonstrate their ability to secure a loan which will be a contract condition.

### ***Eligibility***

A company who received an award from the Iowa Economic Development Authority's Demonstration Fund program is eligible to apply to the Iowa Innovation Acceleration Fund. VentureNet Iowa will assist companies in identifying the correct program to apply for based on the appropriate funding stage.

### ***Use of Fund***

Funds awarded by the board may be used for intellectual property development and evaluation, in-depth analysis of market potential, analysis of competitive landscape, advancing proof of concept work for a scientific discovery, designing developing prototypes, conducting research and development, attracting venture capital and other financing, marketing and product promotion, hiring of key personnel, purchasing equipment, and paying construction costs.

### ***Ineligible Use of Funds***

University overhead expenses or any work that was conducted prior to the term of the contract by the applicant or any third-party consultant.

### ***Awards***

The Technology Commercialization Committee can take one of the following actions on each application it considers: approve full funding for the proposal; approve partial funding for the proposal; deny funding for the proposal. If a company receives a partial award, the use of funds presented in the project budget will not change. The reduced award does not result in a pro-rated budget based on the partial award. The IEDA's expectation is that the project applied for is still the project that needs to go forward regardless of whether or not the full funding was awarded.

### ***Forms of Financial Assistance***

**Loan:** Consists of money provided to the business from the Authority for a specific activity or activities where there is a contractual obligation to repay. Funds are typically released up front, so the business can use the cash infusion immediately.

- Repayment amounts are generally spread over 3 – 5 years, but may be structured as balloon payments.

- It would be expected that the loan would be fully secured. Security may include: ILOC, dedicated CD, UCC-1, Personal Guaranty, Corporate Guaranty, etc.

Loans do require collateral, are 0% and carry a 6% penalty upon default calculated from the time the funds were released.

**Royalty:** Consists of money provided to the business from the Authority for a specific activity or activities where there is a contractual obligation to repay an amount larger than what was awarded. The amount of the payments are determined by a percentage of some measure (sales, profit, etc.) taken from the business's year end income statement. Funds are released up front, so the business can use the cash infusion immediately and payments typically begin one year after the funds have been released. The percentage to determine payment amounts, the frequency of payments and total amount to be repaid are negotiated as part of the award.

Royalties do not require collateral.

- Standard terms would require a 1.5 times payback with payments based on 1/0% - 2.0% of annual gross revenues.
- Total payback, payback rate (percentage) and annual payment caps can all be considered.

### ***Reporting Requirements***

Companies will have to report annually if there is any follow on funding received.

## **Step 1 – Review Program Summaries and Guidelines**

Prospective applicants should carefully review the **Iowa Innovation Acceleration Fund** programs' summaries and guidelines to determine which program, if any, is an appropriate fit for the prospective applicant's economic development project. If you have questions about the programs, please contact **VentureNet Iowa** before filling out an application at 515.471.1965 or 515.471.1300.

## **Step 2 – Application Submission**

Prospective applicants must complete the **Iowa Innovation Acceleration Fund** program application and submit it to IEDA. Applications are reviewed for funding decisions on a bi-monthly basis. Please review the 2016-17 Application Deadlines schedule. Complete applications received after a deadline will advance through the application process for the next funding period.

- **One original, signed application form and all required attachments.** Return to:

Iowa Economic Development Authority

ATTN: Iowa Innovation Acceleration Funds – Gail Kotval

200 East Grand Avenue

Des Moines, IA 50309-1819

- One **electronic** copy of the application form and all required attachments. Applications will be processed based on date/time of receipt of complete digital submission. Submit to:

[innovation@iowaeda.com](mailto:innovation@iowaeda.com)

## **Step 3 – Preliminary Application Assessment**

All applications will be reviewed by VentureNet Iowa to determine whether each is complete and conforms to the program requirements. VentureNet Iowa will contact the applicant to discuss presentation to a **Review Panel** at the VentureNet Iowa office for evaluation and feedback.

## **Step 4 – Technology Commercialization Committee**

The Technology Commercialization Committee (TCC) is a sub-committee of the Iowa Economic Development Authority (IEDA) Board. It is charged with assisting the Board by evaluating the project presented in the application to make funding recommendations to the IEDA Board. The TCC will review each application that advances from Step 3. The applicant will present the proposal to the TCC so that the Committee can ask questions and develop a deeper understanding of the proposal under consideration. The TCC will use its best judgment to make a funding recommendation to the IEDA Board of Directors.

## **Step 5 – Iowa Economic Development Authority Board**

The IEDA Board will consider applications reviewed by the Technology Commercialization Committee along with the Committee's recommendations. The IEDA Board will use its best judgment to take one of the following actions on each application it considers: (i) approve funding the proposal as submitted; (ii) approve funding the proposal subject to certain modifications or completion of additional due diligence; or (iii) deny funding for the proposal.

# Iowa's Public Innovation Funding



<b>Purpose</b>	Define & articulate the business opportunity for businesses that have demonstrated a proof-of-concept for their innovative technology.  Functional Minimum Viable Product & a minimum of 2 team members required.	Initial commercialization – marketing, sales & distribution.  Business model refinement.  Refinement of existing market-ready software or platform.	Accelerate the pace of market development for companies that have critical management in place, a validated business model & an established customer base that is generating substantive revenue.	Expansion of product lines in companies with complete management infrastructure, proven historical profitability & with an established customer base. Product refinement, market expansion for unique innovative competitive products.
<b>Target</b>	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Key Industry Clusters
<b>MAX \$</b>	≤\$25,000	≤\$100,000	≤ lesser of \$300,000 or 50% of Project Costs	≤ lesser of \$500,000 or 50% of Project Costs
<b>Match (Private:Public)</b>	1:2	1:2	1:1	1:1
<b>Form</b>	Low interest loan	Royalty or low interest loan	Royalty or low interest loan	Secured low interest loan
<b>Use of Funds</b>	IP development & evaluation, validation of market potential, beta testing, team assembly	Marketing, sales, distribution, product refinement, market research	Recruit/hire key personnel, expand marketing/sales, advanced IP evaluation	Recruit/hire key personnel, equipment purchase & construction costs

**POCR, Demonstration Fund and Innovation Acceleration Fund  
Award Conditions and Loan Terms**

<p><b>Type of Award:</b></p> <p>1) POCR awards are either a grant or a loan.</p> <p>2) Demonstration Fund and IA Fund awards are either a loan or a royalty.</p> <p><b>Terms of the Loan:</b> The Loan shall be awarded to the Business on the following terms and conditions.</p>	
<p><b>Interest Rate: %</b></p>	<p>a) Percentage: Standard is 3%</p> <ul style="list-style-type: none"> <li>Interest shall accrue from the date of first disbursement of fund</li> </ul>
<p><b>Term:</b></p>	<p>Options:</p> <ul style="list-style-type: none"> <li>36 months; 48 months; 60 months,</li> <li>Amortization schedule: five (5) to ten (10) year amortization;</li> <li>Deferment: First payment is deferred (XX) number of months: Standard is 12 months.</li> </ul>
<p><b>POCR Interest Rate and Terms:</b></p>	<p>a) 0% percent five (5) year loan with a 12 month deferral</p>
<p><b>Additional Special Terms and Conditions:</b></p>	<p>If funds are to be awarded in tranches, include conditions and milestones.</p> <p>Basic claw back provisions in the contract: This Loan will be repaid in a lump sum; accruing 6% interest from the date of first disbursement should any of the following events occur during the term of this Contract:</p> <ol style="list-style-type: none"> <li>The business issues an Initial Public Offering (IPO).</li> <li>The business moves the company out-of-state.</li> <li>The business sells 51% or more of the company assets and/or the company.</li> </ol>
<p><b>Promissory Note:</b></p>	<p>The obligation to repay the Loan shall be evidenced by a Promissory Note executed by the Recipient.</p>
<p><b>Security: may include</b></p> <ol style="list-style-type: none"> <li>UCC-1</li> <li>Dedicated CD</li> <li>Irrevocable Letter of Credit</li> <li>Personal Guaranty</li> <li>Corporate Guaranty</li> </ol>	<p><b>UCC-1 Example:</b> Subordinate blanket UCC-1 covering the collateral identified in <i>Exhibit E – UCC-1 Financing Statement</i>. Recipient hereby grants to IEDA a security interest in the collateral described in <i>Exhibit E – UCC-1 Financing Statement</i>. The UCC-1 filing shall be in the form and content of <i>Exhibit E UCC-1 Financing Statement</i>.</p> <ul style="list-style-type: none"> <li>Issues with the UCC on IP – the IEDA has a more involved process to undertake to make this kind of filing.</li> <li>IEDA may consider a subordinate position if a UCC filing is already in place. Subsequent subordination requires IEDA approval.</li> </ul>
<p><b>Condition of Disbursement of Funds</b></p>	<p>Documentation of Required Match. Recipient will be required to document that the non-Innovation Acceleration funds are in hand for State funds to be disbursed. This will need to be documented with bank statements, loan docs, deposit documents, etc.</p>

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### Royalty Agreement

<p><b>Type of Award:</b> The IEDA Board has awarded direct financial assistance to the Recipient to be repaid through royalty payments, on the following terms and conditions:</p>	
<b>Total Royalty Amount to be Repaid:</b>	<p><b>Example:</b> 1.5x award amount paid back @ 3% of total gross revenue Based on a \$250,000 award amount due is \$ 375,000 due with a maximum annual payment of \$75,000.</p>
<b>Royalty Amount Due:</b>	<p><b>Example:</b> A royalty equal to 1.0% of prior-year total Gross Revenues will be due to IEDA on a semi-annual basis until the Total Royalty Amount to be Repaid has been received by IEDA.</p>
<b>Deferment: Length of time to defer</b>	<p><b>Example:</b> Royalty payments shall begin with the calendar year beginning January 1, 2014.</p>
<b>1<sup>st</sup> Payment Due:</b>	Assign date when the first payment is due
<b>1<sup>st</sup> Payment Due: Subsequent Due Dates:</b>	Example: Semiannually on June 1 and December 1
<b>Calculation of Amount Due:</b>	<p><b>Example:</b> The payment amount will be calculated based on the Recipient's full fiscal year-end financial statements, or tax return, prior to the payment date.</p>
<b>Cap or Floor:</b>	Example:

**ABC Company**  
**Contract #12-IAFUND-example**

**DOCUMENTS NEEDED FOR PROCESSING REQUESTS FOR DISBURSEMENT**

**Contract Documents 5.1:**

<b>Received</b>	<b>Responsibility of:</b>
<input type="checkbox"/> Fully executed Contract [§5.1(a)]	<u>Business, IEDA</u>
<input type="checkbox"/> Certified copy of the corporation’s Articles of Incorporation [§5.1(b)]	<u>Business</u>
<input type="checkbox"/> Certificate of Corporate Existence from the Iowa Secretary of State [§5.1(c)]	<u>Business</u>
<input type="checkbox"/> Solid and Hazardous Waste Reduction Plan. To comply with Iowa Code section 15A.1(3)“b”. <i>Submit in a brief paragraph on business letterhead 1) Certifying the business has hazardous waste and who disposes of it for the business (include a copy of the plan, if applicable), 2) If not hazardous waste, then the name of who the business contracts with for disposal of solid waste (wastepaper) and the frequency, 3) How the business intends to reduce waste.</i> [§5.1(e)]	<u>Business</u>
<input type="checkbox"/> <b>Executed Promissory Note (LOANS ONLY)</b> [§4.2(f)]	<u>Business</u>
<input type="checkbox"/> Documentation of satisfactory credit history of Business and guarantors [§5.1(f)]	<u>IEDA</u>
<input type="checkbox"/> <b>Security Documents:</b>	<u>IEDA</u>
<input type="checkbox"/> <b>Blanket UCC-1 Financing Statement</b>	
<input type="checkbox"/> Documentation of Required Match. Recipient will be required to document that the non-Innovation Acceleration funds are in hand for State funds to be disbursed. This will need to be documented with bank statements, loan docs, deposit documents, etc.[§5.1(g)]	<u>Business</u>
<input type="checkbox"/> Signed SSBCI Certification and Release of Information form	<u>Business</u>
<input type="checkbox"/> Signed Sex Offender Certification form ( <u>to be completed by Applicant and all investors</u> )	<u>Business</u>
<input type="checkbox"/> Signed Lender/Investor Certification for Use of Proceeds form ( <u>to be completed by all investors</u> )	<u>Business</u>

**“Other” Documents:**

<input type="checkbox"/> Signed Request for Disbursement Form (GAX)	<u>Business, IEDA</u>
<input type="checkbox"/> W-9 form	<u>Business</u>
<input type="checkbox"/> Other _____	

***IEDA USE ONLY***

I certify all original signed contract documents have been received and appropriate documentation supporting this payment of \$\_\_\_\_\_ has been reviewed and approved.

\_\_\_\_\_  
 CT Project Manager

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 CT Team Leader

\_\_\_\_\_  
 Date