

## **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.