

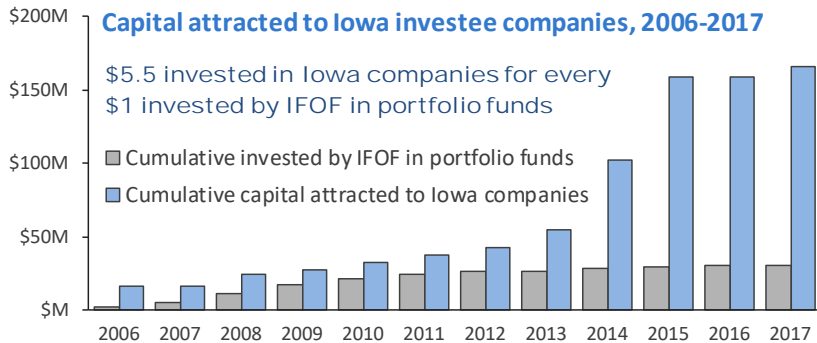
**REPORT
OF THE IOWA CAPITAL INVESTMENT CORPORATION
AND IOWA FUND OF FUNDS
ACTIVITIES THROUGH 2022**

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SUMMARY

The Iowa Fund of Funds program (IFOF) was established to encourage private venture capital and growth equity investment in emerging, expanding, and restructuring business enterprises in communities throughout Iowa, create jobs for Iowans and help diversify the state’s economic base. These objectives have been accomplished in great measure.

From the commencement of investment in 2005, IFOF has invested \$30.6 million in venture capital funds. In turn, Iowa companies received close to \$57.7 million in private capital funding through the program, which enabled them to attract an additional \$54.4 million in co-investments and \$54.5 million in loans for a total of \$166.6 million. The Iowa investee companies represented a broad spectrum of industries and ranged in size from less than 10 employees to more than 350 employees, with several of the firms experiencing dramatic growth.



IFOF invested
\$30.6 million

attracted \$166.6 million
to Iowa companies

catalyzed \$1.49 billion
in economic impact

at no cost
to the State

Through 2017, when the last formal analysis of the program was conducted, the total economic impact on the Iowa economy of the companies receiving investment from IFOF’s portfolio funds is estimated at \$1.49 billion. The eight investee companies that participated and provided data for the impact study accounted for 322 retained jobs, 830 new jobs and \$79.3 million in direct annual payroll.

Over the years, the IFOF manager hosted and organized five statewide venture capital forums and over twenty networking events for angel investor groups. The IFOF portfolio was assembled through outreach to experienced venture capital funds across the country. Over 500 firms were evaluated. Seven funds received commitments of capital from IFOF.

Through 2022 the program has produced its results at a cost to the State of \$0 per job. All Iowa companies have exited from the portfolio but most remain active and continue to grow, reporting over 700 total Iowa employees.

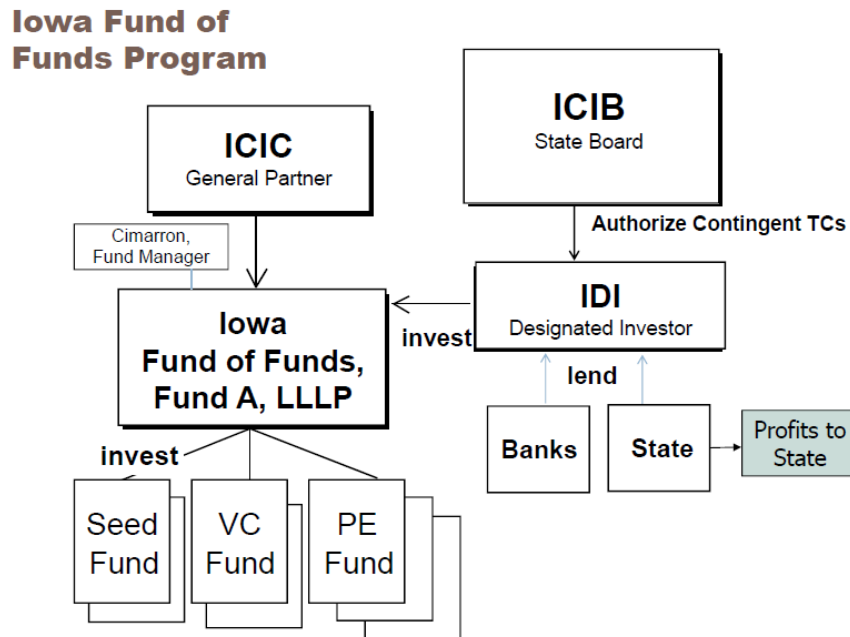
BACKGROUND

The Iowa fund of funds program was established pursuant to the provisions of Iowa Code §§ 15E et seq., enacted in 2002 and amended in 2005 and 2013 (the “Act”). The Act was designed to encourage private venture capital investment in emerging, expanding, and restructuring business enterprises in communities throughout Iowa, create jobs for Iowans and help diversify the state’s economic base. The Act authorized creation of the Iowa Capital Investment Corporation (“**ICIC**”), which was organized as a private, nonprofit corporation on May 7, 2002. ICIC has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and has been served by volunteer directors.

On October 30, 2003, ICIC organized the Iowa Fund of Funds, Fund A, LLLP (“**IFOF**”) as a private, for-profit limited partnership. In accordance with the Act, the purpose of the IFOF was to make investments in private seed and venture capital funds in a manner that would enhance venture capital investment within the State of Iowa. IFOF commenced investing in 2005.

ICIC serves as the general partner of the IFOF. ICIC engaged Cimarron Capital Associates I, LLC, (“**Cimarron**”) as fund manager to select and recommend venture capital fund investments by IFOF and to manage the day-to-day activities of the IFOF. The fund manager was chosen through a competitive process.

The principals of Cimarron organized a special purpose entity, Iowa Designated Investor, Inc. (“**IDI**”) to serve as a limited partner and investor in the Fund of Funds. IDI received contingent tax credit certificates when it made capital commitments to the Fund of Funds. It used tax credit certificates as collateral to secure loans, the proceeds of which were used to invest in the Fund of Funds and to pay expenses.



The tax credit certificates that support this program were issued by the Iowa Capital Investment Board, a state governmental board (“Board” or “ICIB”). A primary duty of the Board was to establish criteria and procedures for the issuance, transfer, and redemption of contingent tax credits for investments made in the IFOF.

On August 8, 2012, the partnership agreement of IFOF was amended to mark the portfolio complete, and to commence the orderly liquidation of the assets in the fund.

FUND OF FUNDS ACTIVITIES

From 2005 to 2008 the Iowa Fund of Funds committed to seven venture capital funds. Through 2022, the IFOF portfolio and affiliate funds had invested in ten Iowa companies located in Ankeny, Dubuque, Des Moines, Fairfield, Iowa City, Farley, Algona, and Sioux City.

At December 31, 2022, of the \$34.9 million in capital committed to the seven funds, \$30.6 million had been drawn. The success of the businesses in which those funds invested has led to distributions of \$58.9 million to IFOF. The fair market value of the remaining portfolio at December 31, 2022 was \$7.1 million for a total value of the IFOF portfolio or \$66 million. The multiple of total value to capital paid in was 2.16 and the internal rate of return on the IFOF investments was 10.8%. This places the performance of the IFOF in the top quartile in comparison with comparable funds.

Financing

The program has been financed with the support of the Board through the issuance of contingent tax credit certificates. These enabled IDI to secure \$40 million of financing from banks to fund its capital contributions to IFOF. This loan was repaid in full and retired on June 30, 2017, through distributions received by IDI from IFOF and through proceeds of a note from the State of Iowa (Iowa note) made possible through the sale of tax credits. The balance at December 31, 2022 on this Iowa note stood at \$11.6 million, including the sum of \$2.8 million in accrued interest converted to principal; such conversion of unpaid interest taking place at the beginning of each fiscal year. Since inception of the Iowa note in 2017 through December 21, 2022 the total interest paid to the state has been \$4.4 million and the principal payments have totaled \$20.8 million. IDI holds approximately \$7.5 million in cash for contingencies. The Iowa note is scheduled to be repaid in full by December 31, 2027. After repayment of loans and costs, profits accrue to the state.

Impact Analysis

An analysis of the impact of these investments was conducted in November 2017 by Applied Economics, a firm based in Phoenix, Arizona specializing in studies of this type. The following sections are a summary of the report.

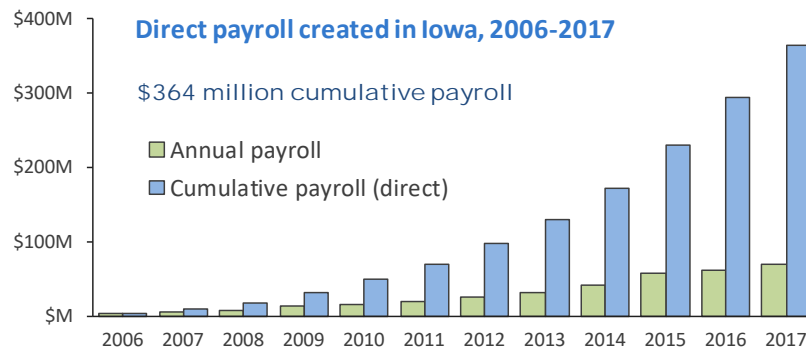
Of the ten investee companies, eight provided sufficient information to be included in the analysis. The report looks at the job, payroll, and tax contributions of these companies and the overall impact value of the program to Iowa. The first investment in an Iowa company occurred in 2006. Over the twelve-year period from 2006 through 2017, the companies represented here

¹ Benchmarks provided by Pitchbook Data Inc., 2023

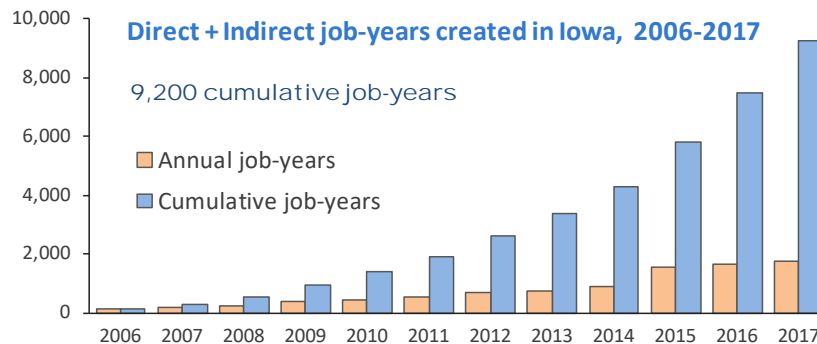
received close to \$57.7 million in private capital funding through the program, which enabled them to attract an additional \$54.4 million in co-investments and \$54.5 million in loans for a total of \$166.6 million. The eight companies that are included in the analysis range in size from less than 10 employees to more than 350 employees, with several of the firms experiencing dramatic growth during the 2006 to 2017 time period. These companies also represent a broad spectrum of different industries.

Economic Impacts

- The total economic impact on the Iowa economy over the last twelve years of the companies receiving investment from IFOF’s portfolio funds is estimated at \$1.49 billion. These results reflect the operations of eight companies from 2006 to 2017.
- The eight companies that participated and provided data for this study accounted for **322 retained jobs and 830 new jobs and \$79.3 million in direct annual payroll**, counting each company only once at its ending year job level. Cumulative payroll for these companies during the period was \$364 million.



- The economic impacts created by the **participating companies resulted in a total of over 9,200 job-years and \$520.3 million in personal income over twelve years**. These results include the direct impacts created by the eight companies themselves, as well as additional jobs at local businesses that sell to these companies and their employees.



- While these impacts are significant based on the invested private capital of \$57.7 million, it is important to keep in mind that many of the participants will continue to operate and the true benefits of their operations in Iowa have not been fully realized. The program’s

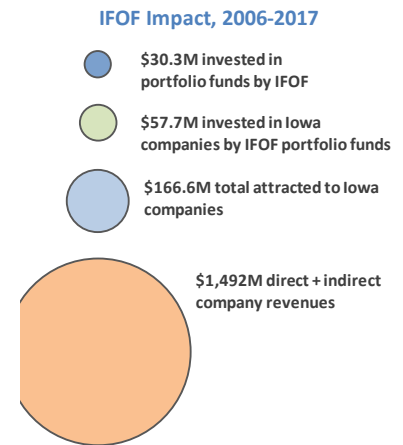
investments in venture capital and private equity funds represent investments in the future economy of the State.

Revenue Impacts

- In addition to supporting jobs and economic activity, the companies in the IFOF program have generated a sizeable amount of state and local tax revenue. **The direct and indirect employees of the companies receiving investment from IFOF portfolio funds have generated an estimated \$49.4 million in state and local revenues since 2006.** This is in addition to revenues generated by the participating companies themselves, including sales taxes, property taxes and corporate income taxes in Iowa that are not quantified in this analysis.

Impact Value

- The IFOF program generated an impact value of \$25.88 per dollar invested over the twelve years since 2006, based on investments by portfolio funds of \$57.7 million and a **cumulative economic impact of \$1.49 billion.**
- Through 2017, the IFOF program has been operated at no cost to the state. The IFOF program resulted in 1,152 new and retained jobs from the eight companies included in this analysis, with \$0 cost per job.



Building the Entrepreneurial Ecosystem

From 2006 through 2017 the Iowa Capital Investment Corporation made a strong commitment to not only build an effective portfolio of funds, but also to help build the State’s entrepreneurial ecosystem. The program’s overarching objective was to multiply the number of contacts between venture capitalists and Iowa entrepreneurs and to bring more equity financing options to growing Iowa companies.

This entrepreneurial ecosystem strategy began with selecting venture capital and growth equity firms possessing a good fit with the existing entrepreneurial and business communities in the State. These firms were introduced to the State’s institutions of higher education, seed capital funds, bankers, and business leaders to discuss the best networks for tapping the flow of investment opportunities. Each investee fund committed to a written plan for how it would search for and connect with the State’s entrepreneurs.

As part of its strategy for building the entrepreneurial ecosystem, ICIC hosted and sponsored many networking events:

Iowa Venture Forums

The ICIC stepped up in 2009 to re-invigorate the Iowa Venture Forum as part of the Iowa Entrepreneurs Conference. The Iowa Department of Economic Development hosted this annual

entrepreneurial event, and they asked ICIC to host the Iowa Venture Forum as a component. ICIC brought together the entrepreneurial community in Iowa to showcase the best early stage investment opportunities. A total of five ICIC-sponsored Venture Forums were held, bringing hundreds of entrepreneurs in touch with investment capital sources. The venture forums included a structure for vetting deals, coaching companies on presentations, selecting the top candidates, having one-on-one meeting opportunities and making presentations to venture capitalists, seed and angel investors, and growth capital equity companies. These venture forums have been a great collaboration of many entrepreneurial groups in Iowa, including the Technology Association of Iowa, the Entrepreneurial Development Center, other entrepreneurial groups and associations, the universities, and the seed and angel groups from across the state.

Iowa Seed and Angel Groups

Beginning in 2008, and through 2014, ICIC led the effort to organize the many seed and angel groups in Iowa. ICIC hosted quarterly meetings of over 25 seed and angel groups held in various locations across the state. These meetings gave early stage investors in Iowa an opportunity to meet and discuss issues of importance to the early stage investment community. This group initiated the effort to reinstate the Iowa Angel Tax Credit program, which, with the contribution of the entire entrepreneurial community, passed the Iowa legislature in 2010.

One of the many benefits of the meetings of the Iowa Seed and Angel Groups is the opportunity for early-stage investors to hear from other like-minded investors on successes and failures of investing strategies. Speakers were invited to talk about various issues of common interest, such as: valuations, how to structure deals, and exit strategies. By meeting and hearing from one another, these investors had an opportunity to get to know each other, and had the option to make co-investments that would diversify their risk and bring more breadth to their investment portfolios. Each meeting featured several companies making their investment presentations. The presenting companies were sponsored by a seed or angel group to assure the investors that the deals were serious candidates.

ICIC also sponsored and participated in dozens of entrepreneurial events in Iowa, including the Okoboji Institute, the Technology Association of Iowa’s Pitch and Grow Conferences, the Prometheus Awards, the Startup City Des Moines, the Innovation EXPO, the Heartland Greenup and many others.

Connecting Venture Funds to Iowa

In building the IFOF portfolio, the Cimarron managers interviewed hundreds of venture capital funds across the nation. Many of these were invited to visit Iowa to meet companies, researchers, and other investors. As site visits happened, connections were made, and Iowa gained a reputation as “open for business” for venture investors. Each fund in the portfolio made commitments to be visible and accessible to Iowa entrepreneurs, and to spend their resources to identify viable projects. Ultimately, investment professionals from the portfolio funds spent over 800 person-days in Iowa from 2005 to 2017.

Visible and Accessible: Days Spent in Iowa by Investment Professionals from IFOF Portfolio Funds, 2005-2017

