

**ECONOMIC DEVELOPMENT AUTHORITY[261]**

**Adopted and Filed Emergency**

Pursuant to the authority of 2011 Iowa Acts, House File 590, section 7, the Economic Development Authority hereby adopts Chapter 117, "SSBCI Demonstration Fund," Iowa Administrative Code.

The rules create a program called the SSBCI Demonstration Fund. On August 30, 2011, the state of Iowa received an allocation of more than \$13 million from the United States Department of the Treasury for purposes of the State Small Business Credit Initiative (SSBCI). As part of that initiative, the Authority is obligated to spend \$5 million for purposes of an SSBCI Demonstration Fund. These rules implement the federal requirements of this program.

Pursuant to Iowa Code section 17A.4(3), the Authority finds that notice and public participation are impracticable and contrary to public interest because of the need to have application procedures in effect immediately in order to make certain federal funds available to Iowa businesses by the end of November 2011.

The Authority further finds, pursuant to Iowa Code section 17A.5(2)"b"(2), that the normal effective date of these rules should be waived and these rules should be made effective upon filing. The Authority's finding is based upon the fact that the rules will confer a benefit upon the public by providing opportunities for additional discussion before these rules are amended further.

These rules are published herein under Notice of Intended Action as **ARC 9848B** to allow for public comment.

The Economic Development Authority adopted these rules on October 20, 2011.

The Governor's Office pre-cleared the rules on October 18, 2011.

After analysis and review of this rule making, no adverse impact on jobs has been found. These rules implement economic development policy in the state by means of a collaboration between government and the private sector. The collaboration allows the Economic Development Authority and the Iowa Innovation Corporation to further economic development policy. These rules allow Iowa to create a business environment which is competitive with other states in order to ensure job growth and retention.

These rules are intended to implement 2011 Iowa Acts, House File 590, section 5, subsection 1, and 2011 Iowa Acts, House File 590, section 7.

These rules became effective October 26, 2011.

The following amendment is adopted.

Adopt the following new 261—Chapter 117:

CHAPTER 117  
SSBCI DEMONSTRATION FUND

**261—117.1(84GA, HF590) Authority.** The authority for establishing rules governing the SSBCI demonstration fund under this chapter is provided in 2011 Iowa Acts, House File 590.

**261—117.2(84GA, HF590) Purposes, goals, and promotion.**

**117.2(1) Purposes.** The SSBCI demonstration fund is established to provide financial and technical assistance to innovative entrepreneurs and businesses. The purposes of providing such assistance are to help innovative entrepreneurs overcome the challenges associated with launching new ventures, attract private capital investment, and expand the volume of high-technology prototype and concept development activities which have a clear potential to lead to commercially viable products or services within a reasonable period of time.

**117.2(2) Goals.** The fund will be used to help businesses with a high growth potential to reach a position from which they will be able to attract later-stage private sector funding and to leverage as much private investment as possible in accordance with the goals and requirements of the federal SSBCI program.

**117.2(3) Promotion.** The authority will market and promote the fund in a way that reflects the purposes of subrule 117.2(1).

**261—117.3(84GA, HF590) Definitions.** For purposes of this chapter, unless the context otherwise requires:

“*Authority*” means the economic development authority.

“*Award*” means the provision of financial or technical assistance to a project.

“*Board*” means the members of the board in whom the powers of the authority are vested pursuant to Iowa Code chapter 15.

“*Committee*” means the technology commercialization committee created by the board.

“*Financial assistance*” means assistance provided only from the funds, rights, and assets legally available to the authority and includes but is not limited to assistance in the form of grants, loans, forgivable loans, and royalty agreements.

“*Fund*” means the SSBCI demonstration fund established in this chapter.

“*Innovative business*” means a business applying novel or original methods to the manufacture of a product or the delivery of a service. “Innovative business” includes a business engaged in one of the following industries classified by the NAICS:

1. Biosciences.
2. Information technologies.
3. Advanced manufacturing.

“*IP*” means intellectual property.

“*NAICS*” means the North American Industry Classification System.

“*SSBCI*” means the State Small Business Credit Initiative established by the United States Department of the Treasury.

**261—117.4(84GA, HF590) Project funding.**

**117.4(1)** Awards shall be made on a per-project basis upon board approval. Each award shall be designed in such a way as to most effectively implement the purposes and goals of the fund as described in rule 261—117.2(84GA, HF590).

**117.4(2)** The board may determine the appropriate amount of financial assistance for a single project based on the merits of the project, the amount of private investment to be leveraged by the project, the amount of moneys available for purposes of the fund, and the requirements of the SSBCI program.

**117.4(3)** 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 and developing prototypes, conducting research and development to attract venture capital and other financing, marketing and product promotion, hiring of key personnel, purchasing equipment, and paying construction costs.

**117.4(4)** Funds may not be used for university overhead expenses or for any work that was conducted prior to the term of the contract by the applicant or by any third-party consultant.

**117.4(5)** The forms of financial assistance may consist of, but are not limited to, loans, forgivable loans, grants and such other forms of assistance the board deems appropriate and consistent with the needs of a given project.

**261—117.5(84GA, HF590) Leverage of financial assistance required.** In order to be eligible for financial assistance, an applicant must demonstrate the ability to secure one dollar of private moneys for every one dollar of financial assistance received from the authority. The board shall consider the amount of private moneys leveraged that is in excess of the minimum matching amount required by this rule and shall make awards of financial assistance to those projects that most efficiently leverage the amount of moneys available in the fund.

**261—117.6(84GA, HF590) Eligible applicants.** An eligible applicant must be located in Iowa, demonstrate the potential for high growth, and be an innovative business.

**261—117.7(84GA, HF590) Ineligible applicants.** The following businesses are not eligible for financial assistance from the fund:

**117.7(1)** A business which is engaged in retail sales or provides health services.

**117.7(2)** A business which closes or substantially reduces its workforce by more than 20 percent at an existing operation in order to relocate substantially the same operation to another area of the state. Such a business is ineligible for financial assistance for 36 consecutive months at any of its Iowa sites from the date the new establishment opens.

**117.7(3)** A business that does not meet the requirements of the federal SSBCI program.

**261—117.8(84GA, HF590) Application and review process.**

**117.8(1)** An eligible business must submit an application for financial and technical assistance from the fund to the Iowa Economic Development Authority, 200 East Grand Avenue, Des Moines, Iowa 50309, on a form provided by the authority. Required forms and instructions are available at this address or in electronic form on the authority's Web site.

**117.8(2)** To apply for financial assistance from the fund, a business shall submit an application to the authority on a form provided by the authority. The application will be reviewed by authority staff, the committee and the board. The committee will make a recommendation to the board about an application. The board has final decision-making authority on requests for financial assistance from the fund. The board may approve, defer or deny an application.

**117.8(3)** The authority may contract with third-party service providers for assistance with the evaluation and review of applications.

**117.8(4)** An application for assistance shall include all information required by the authority including, but not limited to, the following:

*a.* Proposed product or service. A description of the proposed product or service, the experience of those involved in the proposed project, and the company resources.

*b.* Market research. A market research analysis that addresses questions such as:

(1) What are the competing or alternative technologies?

(2) What is the advantage of this new approach?

(3) What are the distribution plans?

(4) What is the estimated return on investment?

*c.* Commercialization. A description of the key next steps to making an impact with the innovation and a description of funding requirements necessary to overcome obstacles to success.

*d.* Work plan. A description of the strategy and key elements to be funded to address goals of the work plan, including project milestones.

*e.* Resources and budget. A budget that includes a detailed description of the sources, including the required match, and uses of the funds.

**261—117.9(84GA, HF590) Application selection criteria.** In reviewing applications for financial assistance, the committee and the board shall consider the following criteria:

**117.9(1)** Intellectual property, and how the ownership of the IP is structured. More points will be awarded for greater IP control by the business, with the greatest number of points being awarded for exclusive IP ownership by the business.

**117.9(2)** Experience. The business's experience in productization and commercialization, and ongoing product maintenance.

**117.9(3)** Estimate to completion.

*a.* What are the work requirements; how quickly will the work be completed?

*b.* How credible is this estimate relative to the business's experience?

*c.* Does the business have the resources to fulfill these requirements?

**117.9(4)** Market research.

*a.* Is there a competitor?

*b.* How large is the market outside Iowa?

*c.* How credible is the marketing plan?

- d. Does the business have experience in this industry?
- e. Is there an industry in Iowa that would be a natural client/market?

**117.9(5) Financial requirement.**

- a. Have the matching and necessary funds been secured?
- b. Is the amount of funds available sufficient to take the product to market?

**117.9(6) Distribution.** Do the channels already exist to take the product to market?

**117.9(7) Expected return.** Is the expected return quantified based on time to break even and long-term economic impact?

**261—117.10(84GA, HF590) Contract and reporting.**

**117.10(1) Notice of award.** Successful applicants will be notified in writing of an award of assistance, including any conditions and terms of the approval.

**117.10(2) Contract required.** The authority shall prepare a contract, which includes, but is not limited to, a description of the project to be completed by the business, conditions to disbursement, required reports, the repayment requirements imposed on the business, the procedures and remedies available if there is an event of default under the contract, and any other specific repayment provisions (“clawback” provisions) to be established on a project-by-project basis.

**117.10(3) SSBCI requirements.** The contract required pursuant to subrule 117.10(2) shall include any and all provisions necessary for compliance with federal SSBCI program requirements. An applicant shall submit any and all information required by the authority in sufficient detail to permit the authority to prepare the reports required under the federal SSBCI program.

These rules are intended to implement 2011 Iowa Acts, House File 590, section 5, subsection 1, and 2011 Iowa Acts, House File 590, section 7.

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