

CHAPTER 105
DEMONSTRATION FUND

261—105.1(15) Authority. The authority for adopting rules governing the demonstration fund under this chapter is provided in Iowa Code section 15.411.

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.2(15) Purpose. The program established in this chapter shall be known as the demonstration fund. The purpose of the demonstration fund is to provide financial and technical assistance to encourage high-technology prototype and concept development activities that have a clear potential to lead to commercially viable products or services within a reasonable period of time. The primary objective of the fund is to help businesses with high-growth potential reach a position where they are able to attract later stage private sector funding.

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.3(15) Definitions.

“*Authority*” means the economic development authority created in Iowa Code section 15.105.

“*Board*” means the members of the economic development authority appointed by the governor and in whom the powers of the authority are vested pursuant to Iowa Code section 15.105.

“*Committee*” means the technology commercialization committee established by the board pursuant to 261—Chapter 1.

“*Fund*” means the demonstration fund.

“*IP*” means intellectual property.

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

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.4(15) Project funding.

105.4(1) Awards shall be made on a per-project basis upon board approval.

105.4(2) The maximum award shall not exceed \$150,000 for a single project.

105.4(3) Funds may be used for refining a prototype, acquiring managerial expertise, purchasing equipment, or creating marketing materials.

105.4(4) Funds may not be used for university overhead expenses or any work that was conducted prior to the term of the contract by the applicant or any third-party consultant.

105.4(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.

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.5(15) Matching funds requirement. In order to receive financial assistance, an applicant must demonstrate the ability to secure one dollar of nonstate moneys for every two dollars received from the authority.

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.6(15) Eligible applicants. Eligible applicants must be located in Iowa, demonstrate the potential for high growth, and be included in one of the following industries classified by the NAICS:

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

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.7(15) Ineligible applicants. The following businesses are not eligible for this fund:

- 105.7(1)** A business which is engaged in retail sales or provides health services is ineligible.

105.7(2) A business which closes or substantially reduces its workforce by more than 20 percent at existing operations in order to relocate substantially the same operation to another area of the state is ineligible for 36 consecutive months at any of its Iowa sites from the date the new establishment opens. [ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.8(15) Application and review process.

105.8(1) An eligible business seeking financial or technical assistance under the fund must submit an application to the Economic Development Authority, 200 East Grand Avenue, Des Moines, Iowa 50309, on a form provided by the authority. Required forms and instructions are available by contacting the authority at that address or from the authority's Web site at www.iowaeconomicdevelopment.com.

105.8(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.

105.8(3) An application for assistance shall include all information required by the department 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.

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.9(15) Application selection criteria. In reviewing applications for financial assistance, the committee and board shall consider the following criteria:

105.9(1) *Intellectual property.* How the ownership of the IP is structured. (More points are awarded for greater IP control by the business, with the greatest number of points being awarded for exclusive IP ownership by the business.)

105.9(2) *Experience.* The business's experience in productization and commercialization, and ongoing product maintenance.

105.9(3) *Estimate to completion.*

- a. What are the work requirements; how quickly will it 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?

105.9(4) *Market research.*

- a. Is there a competitor?
- b. How large is the market outside of 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?

105.9(5) *Financial requirement.*

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

105.9(6) *Distribution.* Do the channels already exist to take the product to market?

105.9(7) *Expected return.* As part of the evaluation process, is the expected return quantified based on time to breakeven and long-term economic impact?

[ARC 0611C, IAB 2/20/13, effective 3/27/13]

261—105.10(15) Contract and reporting.

105.10(1) *Notice of award.* Successful applicants will be notified in writing of an award of assistance, including any conditions and terms of the approval.

105.10(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 in the event the business does not fulfill its obligations described in the contract and other specific repayment provisions (“clawback” provisions) to be established on a project-by-project basis.

105.10(3) *Reporting.* An applicant shall submit any information requested by the authority in sufficient detail to permit the authority to prepare any reports required by the authority, the board, the general assembly or the governor’s office.

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These rules are intended to implement Iowa Code section 15.411(3).

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