

**261—115.2 (15E) Definitions.** For purposes of this chapter, unless the context otherwise requires:

*“Affiliate”* means a spouse, child, or sibling of an investor or a corporation, partnership, or trust in which an investor has a controlling equity interest or in which an investor exercises management control.

*“Authority”* means the economic development authority created in 2011 Iowa Acts, House File 590.

*“Board”* means the same as defined in Iowa Code section 15.102 as amended by 2011 Iowa Acts, House File 590, section 3.

*“Community-based seed capital fund”* means a fund that meets the following criteria:

1. Is organized as a limited partnership or limited liability company;
2. Has, on or after January 1, 2011, a total of capital commitments from both investors and investments in qualifying businesses of at least \$125,000, but not more than \$3 million. If the fund is either a rural business investment company under the Rural Business Investment Program of the federal Farm Security and Rural Investment Act of 2002 or an Iowa-based seed capital fund with at least 40 percent of its committed capital subscribed by community-based seed capital funds, the fund may have more than \$3 million of capital commitments from both investors and investments in qualifying businesses; and
3. Has no fewer than five investors that are not affiliates, with no single investor and affiliates of that investor together owning a total of more than 25 percent of the ownership interests outstanding in the fund.

*“Controlling equity interest”* means ownership of more than 50 percent of the outstanding equity interests of a corporation, partnership, limited liability company or trust.

*“Entrepreneurial assistance program”* includes the entrepreneur investment awards program administered under Iowa Code section 15E.362, the receipt of services from a service provider engaged pursuant to Iowa Code section 15.411(1) or the program administered under Iowa Code section 15.411(2).

*“Equity”* means common or preferred corporate stock or warrants to acquire such stock, membership interests in limited liability companies, partnership interests in partnerships, or near equity. Equity shall be limited to securities or interests acquired only for cash and shall not include securities or interests acquired at any time for services, contributions of property other than cash, or any other non-cash consideration.

*“Investor”* means a person that makes a cash investment in a community-based seed capital fund or in a qualifying business on or after January 1, 2011, and before July 2, 2015. “Investor” also means a person making a cash investment in a qualifying business on or after July 2, 2015. “Investor” does not include a person that holds at least a 70 percent ownership interest as an owner, member, or shareholder in a qualifying business for investments made on or after January 1, 2011.

*“Management control”* means holding more than 50 percent of the voting power on any board of directors or trustees, any management committee, or any other group managing a corporation, partnership, limited liability company or trust.

*“Person”* means an individual, corporation, limited liability company, business trust, estate, trust, partnership or association, or any other legal entity.

*“Qualifying business”* means, in the case of investments made on or after July 2, 2015, a business that meets all of the following criteria:

1. The principal business operations of the business are located in the state of Iowa;
2. The business has been in operation for six years or less, as measured from the date of the investment for which a credit is claimed;
3. The business is participating in an entrepreneurial assistance program. The authority may waive this requirement if a business establishes that its owners, directors, officers, and employees have an appropriate level of experience such that participation in an entrepreneurial assistance program would not materially change the prospects of the business. The authority may consult with outside service providers in consideration of such a waiver;
4. The business is not a business engaged primarily in retail sales, real estate or the provision of health care services or other services requiring a professional license;
5. The business does not have a net worth that exceeds \$10 million as of the date of the investment for which the credit is claimed; and
6. The business shall have secured all of the following at the time of application for tax credits:
  - At least two investors.
  - Total equity financing, binding investment commitments, or some combination thereof, equal to at least \$500,000 from investors.

For purposes of paragraph “6,” “investor” includes a person that executes a binding investment commitment to a business.

*“Services requiring a professional license”* includes but is not limited to the professions listed in Iowa Code section 496C.2.

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