

IOWA CAPITAL INVESTMENT BOARD
FINAL REPORT
Issued October 8 , 2018

BACKGROUND

The Iowa Capital Investment Board (“Board”) was established in 2002 by an Act of the General Assembly (2002 Iowa Acts, House File 2078). The Board is created as a state governmental board. The purpose of the Board is to mobilize venture equity capital for investment that will result in a significant potential to create jobs and to diversify and stabilize the economy of the state of Iowa.

The Board consists of five voting members and four nonvoting members. The five voting members are appointed by the Governor and subject to confirmation by the Senate. The four nonvoting members consist of one member each appointed by the Majority Leader of the Senate, the Minority Leader of the Senate, the Speaker of the House and the Minority Leader of the House. The Board is a public board subject to public notice and open meetings. A listing of the voting and nonvoting members of the Board is attached to this report.

Statutory Duties of the Board

The primary duties of the Board include the following:

- 1) Develop a system for issuance, registration and authorization of tax credits for investments in qualifying businesses and community-based seed capital funds as provided in Iowa Code section 15E.43. This program provides for a tax credit equal to 20% of the equity investment in a qualifying business or community-based seed capital fund. The tax credit was capped at \$10 million, and this cap was reached in January 2008. The Board has not issued any tax credits since January 2008 related to this tax credit program. This program was renewed by the Iowa legislature in 2011 as part of 2011 Iowa Acts, Senate File 517.
- 2) Establish a system for the issuance and redemption of tax credits for investments in venture capital funds as provided in Iowa Code section 15E.51. This program provides for a tax credit equal to 6% of the equity investment in a venture capital fund. This tax credit was repealed by the legislature as part of 2010 Iowa Acts, Senate File 2380. The last tax credit certificates for this program were issued in September 2010.
- 3) Establish criteria and procedures for the issuance, transfer and redemption of contingent tax credits for investments made in the Iowa Fund of Funds administered by the Iowa Capital Investment Corporation as provided in Iowa Code section 15E.66. The maximum contingent tax credit that could be issued totaled \$60 million. 5% of this credit, or \$3 million, was reserved for programs related to loan guarantees and other credit related enhancements to rural and small business owners. The remaining contingent credit available totaled \$57 million.

Settlement – Iowa Fund of Funds

The Board had approved the issuance of a \$57 million contingent tax credit certificate in February 2011 related to investments in the Iowa Fund of Funds with a final maturity date of February 22, 2012. This allowed the Iowa Fund of Funds to secure \$40 million of financing from Regions Bank and the Bank of Oklahoma (the lenders) through a line of credit that was available until February 2012.

The Board had been advised in late 2011 that the \$40 million financing secured by the contingent tax credits may not be renewed in February 2012. The lenders agreed to extend the financing of the line of credit beyond February 2012, and negotiations commenced between the Iowa Capital Investment Corporation, the Fund of Funds, the Board and the lenders to reach a resolution of this matter. An agreement was reached in August 2012 among all parties involved in the Iowa Fund of Funds tax credit program. The Board agreed to the issuance of a verified tax credit of \$25,595,383, and a contingent tax credit was issued to the lenders for the difference between the \$57 million and the \$25,595,383, or \$31,404,617. In addition, a Tax Credit Sales Agreement was reached whereby the lenders will sell \$4 million of tax credits each year over the next six to eight years. These credit sales will first be offered to corporations who entered into an agreement with the Iowa Designated Investor, Inc. to purchase these tax credits. The proceeds from these tax credit sales will go to the lenders to satisfy their loans. This enabled the lenders to continue to advance funds to the Fund of Funds when capital calls are required and to pay expenses. In addition, distributions received from the Iowa Fund of Funds related to their investments will also go the lenders to satisfy their loans.

In addition, the State of Iowa now has a subordinated note whereby after the lenders' debt has been satisfied, the state will be reimbursed for the tax credits that have been issued, as well as reimbursement for outside attorney fees and a .5% fee for expenses in issuing and selling tax credits. The State will receive interest on these amounts until they are satisfied.

2013 Legislation

As part of 2013 Iowa Acts, Senate File 452, sections 129-131, the Iowa legislature passed legislation to reflect the terms of the settlement between all the parties related to the wind down of the Fund of Funds Program. Some of these provisions included the following:

- The Iowa Fund of Funds cannot make new investments in private seed and venture capital partnerships or entities.
- A designated investor cannot make any investment in the Iowa Fund of Funds unless such investment was required by the Agreement.
- No additional tax credits will be issued, redeemed or verified unless required by the Agreement or deemed necessary by the Director of Revenue and the Iowa Attorney General's office.
- No new fund managers can be involved in the Fund of Funds program.
- Tax credit certificates can no longer be pledged as security for a loan unless provided in the Agreement.
- The \$3 million of credits reserved for loan guarantees and credit related enhancements on loans to rural and small business borrowers has been repealed.

- The Iowa Capital Investment Corporation will assist the Iowa Capital Investment Board, the Department of Revenue, and the Attorney General’s office in winding down the Fund of Funds program.
- Any investment returns for the Fund of Funds in excess of the rate guaranteed to investors will be deposited in the general fund of the state of Iowa after the revolving debt is satisfied.
- The issuance of contingent and verified tax credit certificates related to the Fund of Funds program is to be governed by the Agreement.
- The Fund of Funds program will be repealed on the expiration or termination of the Agreement or December 31, 2027, whichever is the later.

Activities During 2017 and 2018

The Board held no meetings in 2017. The Board was updated by the tax credit sales coordinator on a quarterly basis about the amount of tax credits sold, loan balances, and distributions received by the Iowa Fund of Funds.

The Board held a meeting on January 16, 2018. The Board received a report from the Iowa Capital Investment Corporation (“ICIC”) Board, attached hereto as Exhibit “A.” During that meeting, the State reported that the lenders had been paid in full.

Pursuant to the terms of the Settlement Agreement, a Verified Tax Credit Certificate in the amount of \$411,893.00 and a Contingent Tax Credit Certificate in the amount of \$31,404,617 were surrendered to the Board. The Board cancelled both Certificates. There are currently no outstanding Verified or Contingent Tax Credit Certificates for the Iowa Fund of Funds Program. Furthermore, Iowa Code Section 15E.72 provides for the wind up of the Fund of Funds program and prohibits issuance of new Verified or Contingent Tax Credits. The Board has completed its duties pursuant to the wind up of the Iowa Fund of Funds Program, and has no further statutory duties.

IOWA CAPITAL INVESTMENT BOARD (ICIB)

Rick Neumann, Chair

Term ends April 30, 2021

Nyemaster, Goode, West,
Hansell & O'Brien P.C.
700 Walnut, Suite 1600
Des Moines, IA 50309-3899
Business Phone: (515) 283-3121
Fax: (515) 283-3108
Cell Phone: (515) 240-7951
e-mail: grneumann@nyemaster.com

Thomas Bernau

Term ends April 30, 2020

Arona Corporation
526 39th Street
Des Moines, IA 50312-3502
Business Phone: (515)225-9029 (ext. 104)
Fax: (515) 274-1596
Cell Phone: (515) 250-3968
e-mail: tbernau@aronaco.net

Natalie Merrill

Term ends April 30, 2018

Renewable Energy Group Inc.
416 S. Bell Ave.
Ames, IA 50010
Business Phone: (515) 329-8041
Fax: (515) 239-8029
e-mail: natalie.merrill@regi.com

Keith Wiggins

Term ends April 30, 2019

Iowa Realty
116 3rd Street SE
Cedar Rapids, IA 52401
Business Phone: (319) 378-6755
e-mail: kwiggins@iowarealty.com

Jennifer Pavlovec

Term ends April 30, 2022

e-mail: pavljen@iastate.edu

LEGISLATIVE MEMBERS (NON-VOTING)

Senate:

Bill Anderson – Pierson

Term ends January 13, 2019

William Dotzler Jr – Waterloo

Term ends January 13, 2019

Annette Sweeney – Alden

Replaced Fmr. Sen. Anderson on 6/15/2018

Term ends January 13, 2019

House:

Charlie McConkey – Council Bluffs

Term ends January 13, 2019

Gary Mohr – Bettendorf

Term ends January 13, 2019

STAFF

Alana Stamas

IDR – Hoover Bldg., 4th Floor

Des Moines, IA 50319

Business Phone: (515) 725-2265

Fax: (515) 242-6040

e-mail: alana.stamas@iowa.gov

Hollie Welch

IDR – Hoover Bldg., 4th Floor

Des Moines, IA 50319

Business Phone: (515) 281-3204

Fax: (515) 242-6156

e-mail: hollie.welch@iowa.gov

Donn Stanley

AG – Hoover Bldg., 2nd Floor

Des Moines, IA 50319

Business Phone: (515) 281- 5056

Fax: (515) 281-4209

e-mail: donald.stanleyjr@iowa.gov

EXHIBIT "A"
Iowa Capital Investment Corporation Report

[SEE ATTACHED]

**REPORT
OF THE IOWA CAPITAL INVESTMENT CORPORATION
AND IOWA FUND OF FUNDS
ACTIVITIES THROUGH 2017**

December 22, 2017

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 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 began operations on October 30, 2003.

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 has 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.

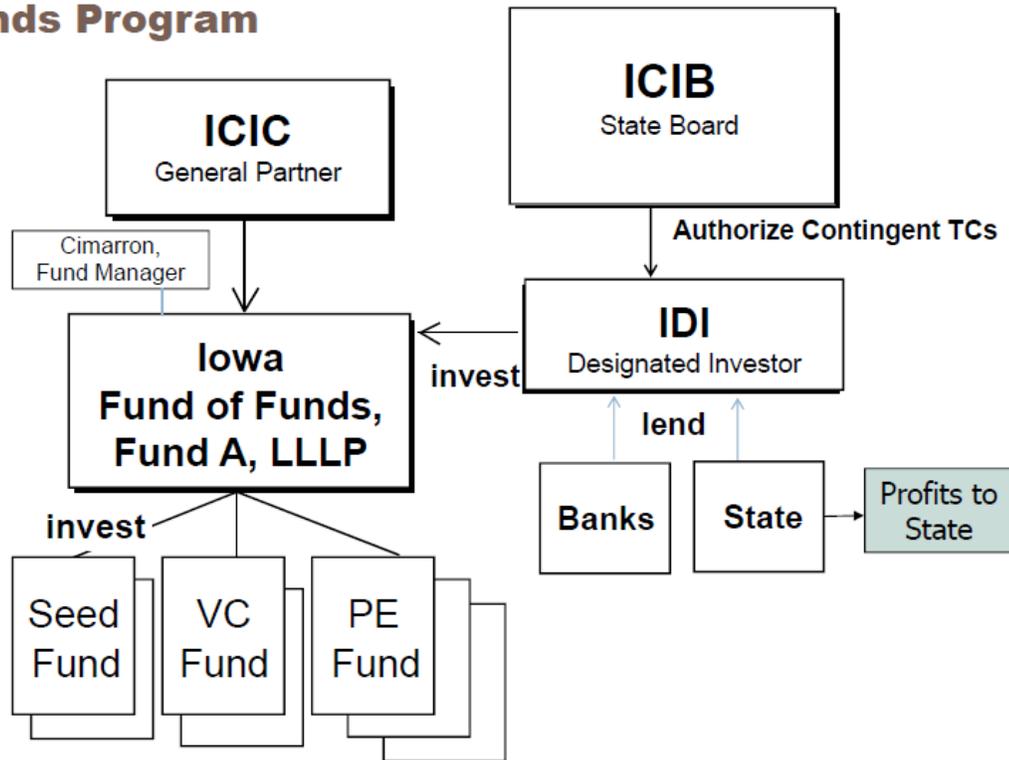
IFOF has invested in seven venture funds, each of which committed to consider equity investments in businesses in Iowa and to maintain a physical presence in Iowa. Those venture funds, along with ICIC and Cimarron, have engaged in activities to connect with companies, entrepreneurs and economic development organizations in the state.

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 prohibit investment in additional venture funds and to prohibit additional investment in existing funds. The August 8, 2012 amendments provide, among other matters, that IFOF is to dissolve no later than December 31, 2027.

The Act was revised in 2013 to codify portions of the August 8, 2012 amendments and to restrict the authority of ICIC to actions needed to comply with existing agreements and to wind down IFOF.

Iowa Fund of Funds Program



FUND OF FUNDS ACTIVITIES

From 2006 to 2008 the Iowa Fund of Funds committed to seven venture capital funds. Through 2017, the IFOF portfolio and affiliate funds had invested in ten Iowa companies located in Ankeny, Dubuque, Des Moines, Fairfield, Iowa City, Mason City, and elsewhere in the state.

At June 30, 2016, of the \$34.9 million in capital committed to the seven funds, \$30.3 million has been drawn. Distributions of \$26.6 million have been received. Fair value of the remaining portfolio is \$24.3 million for a total value of \$50.9 million. The multiple of total value to capital paid in is 1.68 and the internal rate of return is 9.8%.

Financing

The program has been financed with the support of the Board through the issuance of contingent tax credit certificates. The first certificate of \$10 million was issued in 2006. The latest certificate in the amount of \$57 million was issued in 2011 with a final maturity date of February 22, 2012, subsequently extended and restructured, enabling the Iowa Designated Investors Inc. (IDI) to secure \$40 million of financing from Regions Bank and the Bank of Oklahoma (the Banks) to fund its capital contributions to the Iowa Fund of Funds (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 made possible through the sale of tax credits. The balance on this note stands at \$29.8 million with accrued interest thereon of \$0.7 million, of which \$5.0 million represents capitalized and accrued interest. 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 Phoenix AZ firm specializing in studies of this type. Attached is the full report. 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 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 \$166.8 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.
- 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 begins with selecting venture capital and growth equity firms possessing a good fit with the existing entrepreneurial and business communities in the State. These candidates were connected with organizations across Iowa including the State's institutions of higher education, seed capital funds, bankers, and business leaders to discuss the investment opportunities and best networks for tapping the flow of information. And each investee fund committed to a written plan for how it would search for and connect with the State's entrepreneurs.

Cimarron has maintained regular dialogue with the venture and growth capital funds of the Iowa Fund of Funds, discussing events and strategies that would likely bring them into contact with investment opportunities.

As part of the strategy for building the entrepreneurial ecosystem, ICIC has hosted and sponsored a number of 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

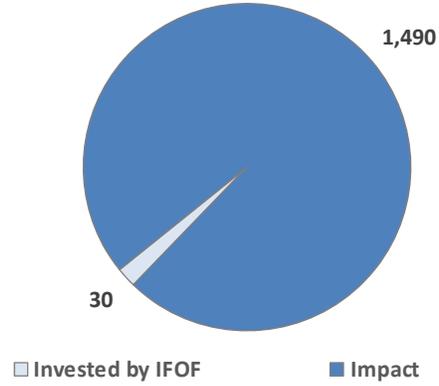
Beginning in 2008, and through 2014, ICIC led the effort to organize the many seed and angel groups in Iowa. ICIC hosted quarterly meetings of over 25 seed and angel groups held in various locations across the state. These meetings gave early stage investors in Iowa an opportunity to meet and discuss issues of importance to the early stage investment community. This group initiated the effort to re-instate 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.

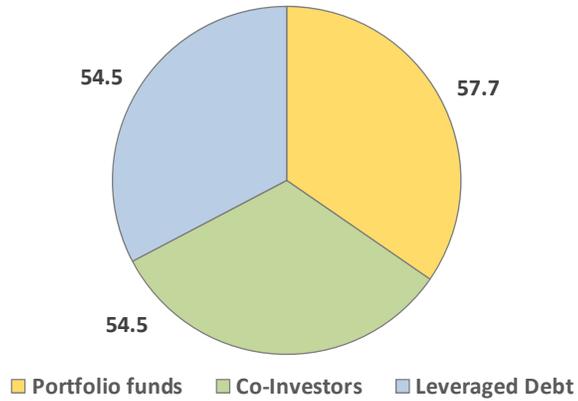
ICIC also sponsored and participated in dozens of entrepreneurial events in Iowa, including the Okoboji Institute, the Technology Association of Iowa's Pitch and Grow Conferences, the Prometheus Awards, the Startup City Des Moines, the Innovation EXPO, the Heartland Greenup and many others.

IFOF Impact Measures, 2006-2017

IFOF Total Economic Impact 2006-2017

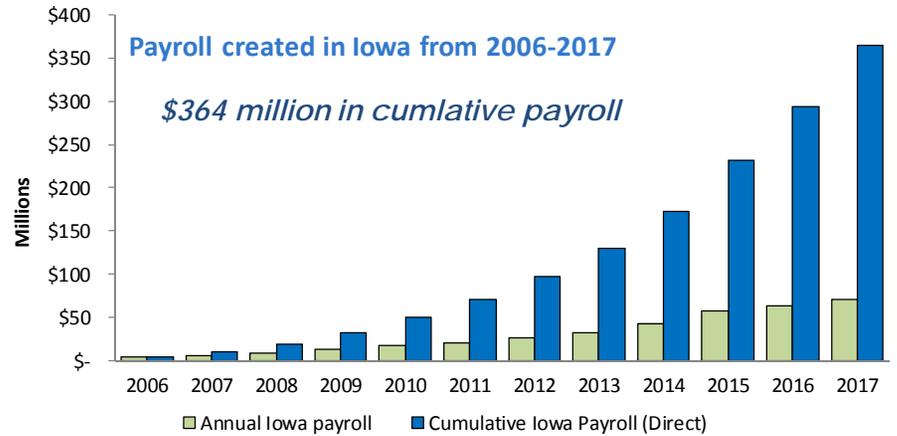
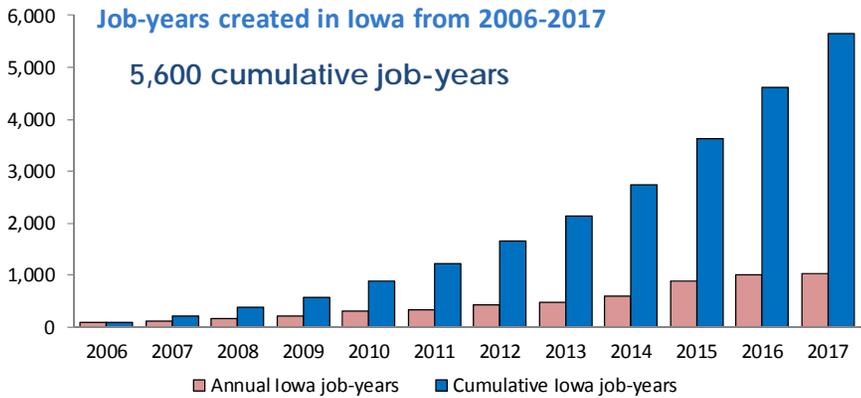
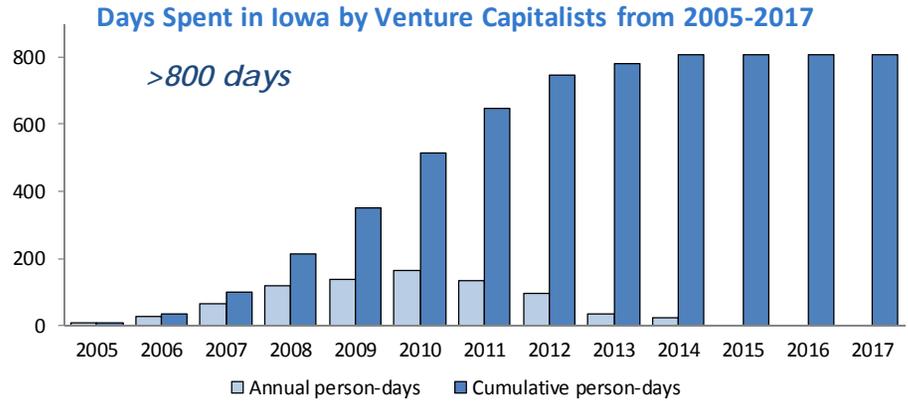
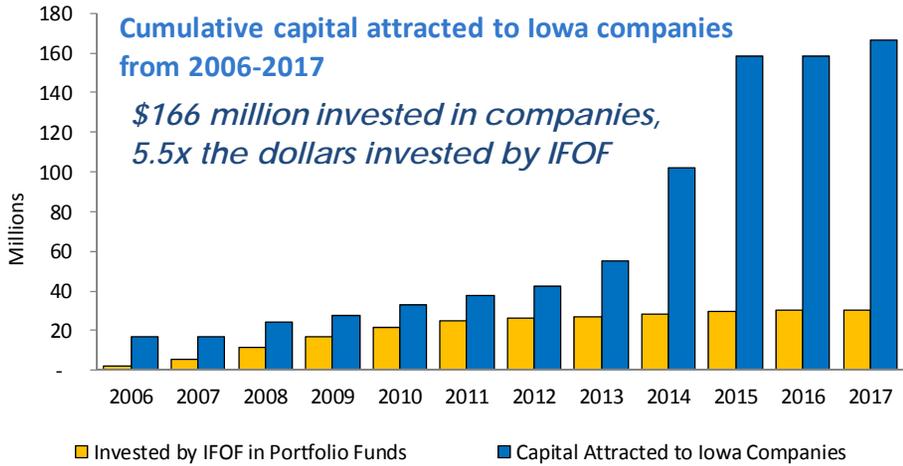


Capital Attracted to Iowa Portfolio Companies 2006-2017



Source: Economic Impacts of the Iowa Fund of Funds, Applied Economics, November 2017, and fund investment data from Cimarron Capital Partners.

IFOF Impact Measures, 2006-2017



Source: Economic Impacts of the Iowa Fund of Funds, Applied Economics, November 2017, and fund investment data from Cimarron Capital Partners.



APPLIED ECONOMICS

**ECONOMIC IMPACTS OF THE
IOWA FUND OF FUNDS**

PREPARED BY:

**APPLIED ECONOMICS
11209 N. TATUM BLVD, SUITE 225
PHOENIX, AZ 85028**

NOVEMBER 2017

1.0 INTRODUCTION

Applied Economics has been retained by the Iowa Capital Investment Corporation, the general partner and oversight body for the Iowa Fund of Funds (IFOF) program to prepare an economic impact analysis of their capital financing program on the State of Iowa from inception through 2017. During this period, the portfolio and affiliate funds were invested in ten companies, of which eight provided sufficient information to be included in the impact analysis. This report looks at the job, payroll, and tax contributions of these companies and the overall impact value of the program to Iowa.

The IFOF was started in 2005 to help bring professional investing expertise, networks and capital to Iowa's entrepreneurs. Its main tool is the investment in carefully selected venture capital and private equity funds. To do this, the program raises private capital backed by contingent state tax credits and commits this capital to funds specializing in life sciences, medical services, information technology, media, manufacturing, distribution and services. In turn, these funds invest a portion of their capital in Iowa companies. The program has operated without State appropriations.

The first investment in an Iowa company occurred in 2006. Over the twelve year period from 2006 through 2017, the companies represented here 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.

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.

The impacts represented here show a year-by-year snapshot of the companies assisted in each year. Most companies reported payroll and employment numbers for multiple years and are therefore included in totals for each of the reported years. However, once a company was no longer active in Iowa, they were no longer included in the impacts.¹

Economic impact analysis is a way to quantify not only the direct impacts of new jobs, payroll and sales generated by companies, but also their effects on the state's economy overall. It provides a robust approach to understanding the impact value from financing programs like IFOF that are designed to stimulate economic growth. Economic impacts utilize input-output analysis as a means of examining relationships within an economy, both between businesses and between businesses and final consumers. The resulting mathematical formulae allow for examination of the effects of a change in one or more individual businesses on the entire economy. The IMPLAN model, which is an input-output model for economic impact estimation, is used in this analysis. IMPLAN is a simple, yet robust tool and is currently used by a large number of state and federal government agencies, colleges and universities, non-profit organizations, corporations, and business development and community planning organizations and is the most widely employed and accepted regional economic analysis software for predicting economic impacts.

The information and observations contained in this report are based on our present knowledge of the components of development and of the current physical, socio-economic and fiscal conditions of the

¹ Companies are included beginning in the first year they received funding as well as each subsequent year through 2017, unless they were no longer operating in Iowa. Not all companies participated over the entire twelve year period.

affected areas. All company-specific data was provided to Applied Economics by the participating funds. This analysis is based on the best available information and is intended to aid policy makers in evaluating the impact to the State of the IFOF program. In no way will Applied Economics be held responsible or have any liability or be subject to damages as a result of this analysis. This report may be used only for the purposes for which it was intended.

2.0 SUMMARY OF RESULTS

The IFOF program provides access to a unique set of financial resources for companies looking to startup or expand in Iowa. These companies, in turn, provide on-going economic benefits to the State as they mature and create new jobs and payroll. These impacts are described below.

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 (Figure 1). 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.
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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.

FIGURE 1
PERFORMANCE METRICS FOR IFOF PROGRAM

Time Period Represented	2006 to 2017
Number of Companies Represented ¹	8
Total Investment by IFOF Portfolio Funds	\$57,654,190
Total New Jobs Created at Participating Companies ²	830
Total Jobs Retained at Participating Companies	322
Average Wage per Job	\$64,413
Total Economic Impacts (2006 - 2017)	
Cumulative Output	\$1,491,838,852
Cumulative Payroll	\$520,282,805
Cumulative Jobs ³	9,244
Average Annual Employment ⁴	770
Peak Annual Employment Impact (2017) ⁵	1,753
Total Cost of IFOF Program to State of Iowa	\$0
Economic Impact per Dollar Invested in Companies	\$25.88
Cumulative Taxes Generated (2006-2017) ⁶	\$49,381,755

¹Ten companies participated in the Iowa Fund of Funds during this time period but only eight provided sufficient data to be included in the impacts.

²Each company is counted once at their ending employment level which may occur in different years.

³ Represents sum of employment impacts from 2006 to 2017. Direct and indirect jobs at each firm may be counted in multiple years.

⁴ Cumulative job years divided by 12 years.

⁵ Represents total employment impact in single highest year, which in this case was 2017.

⁶Includes state and local personal income and sales tax generated by direct employees at participating companies and indirect jobs represented in economic impact. Corporate income taxes are not included.

3.0 ECONOMIC IMPACTS

The economic benefits resulting from IFOF include the cumulative impacts of eight companies assisted since 2006, when the first Iowa company investment was made by a portfolio fund. Economic impact analysis measures the effects of economic stimuli or expenditures in the local economy. These impacts include direct and indirect jobs, personal income, and economic activity or output that were generated by these companies. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in Iowa that benefit from local purchases made by these companies and their employees.

The IFOF portfolio funds have invested in ten companies, counted according to IFOF policy. Eight of these companies provided data that could be used in the economic impact analysis. The two remaining companies received very small investments, and partial information suggests they would not significantly change the impact analysis. Through the IFOF program, these eight companies gained access to \$166.6 million in capital, including \$57.7 million as equity and subordinated debt from IFOF portfolio funds, \$54.4 million in additional co-investment, and \$54.5 million in leveraged debt. The companies range in size from less than 10 employees to over 350 employees.

On average, companies receiving support through the IFOF program have been active in Iowa for about five years, although several date back ten or more years. The data represented here shows a snapshot of the combined economic impact of all companies beginning in the first year they received funding through 2017, unless they were no longer in business in Iowa.

The economic impact results are grouped into direct impacts and total impacts. Direct output represents the value of production or gross revenues at participating companies. Direct jobs and payroll were provided by the individual companies and represent the number of jobs and amount of payroll at the companies participating in the program in a given year.

Total impacts include the direct impacts as well as indirect and induced impacts. The indirect and induced impacts of these companies stem from two sources. First, companies purchase a variety of goods and services from vendors within the state creating additional demand, jobs and payroll. The amount and type of local purchases depends on the industry type of the participating company. Second, company employees, as well as supported vendor employees, make local purchases of consumer goods. This creates additional demand and supports additional employment and payroll, primarily at retail and personal services establishments. The total impact includes both the direct impacts and the secondary, or indirect and induced impacts created at other local businesses and their employees.

The secondary impacts described above are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (loosely defined as sales, plus or minus changes in inventory) into a corresponding increase in jobs and personal income or payroll. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to the State of Iowa. Industry specific multipliers were used for each type of participating company. The variation in multipliers between the specific industry types is due to the different mix of secondary industries that are affected since multipliers are industry-specific.

The magnitude of the impact is proportional to the number of companies participating in any given year, the size of those companies, and the types of industries. Some industries generate a much greater multiplier effect than others, depending on the amount of local purchases they are able to make. All total, the IFOF created an economic impact of \$1.49 billion in Iowa from 2006 through 2017 (Figure 2).

FIGURE 2
ECONOMIC IMPACTS OF IOWA FUND OF FUNDS
ON THE STATE OF IOWA
PARTICIPATING COMPANIES
Current Dollars

Year	Investment	Co-Investment	Leveraged Debt	Number of Participating Companies	Direct Impacts			Total Impacts		
					Output	Jobs*	Payroll	Output	Jobs	Payroll
2006	\$4,000,000	\$1,925,000	\$11,044,000	1	\$13,071,000	99	\$4,963,601	\$18,716,179	139	\$6,756,972
2007	\$0	\$0	\$0	1	\$15,824,000	117	\$5,642,366	\$22,658,160	166	\$7,813,455
2008	\$5,371,100	\$2,228,900	\$0	4	\$40,879,915	152	\$8,719,121	\$64,594,861	255	\$13,645,475
2009	\$2,996,910	\$233,000	\$0	4	\$53,652,422	214	\$13,631,943	\$85,725,076	382	\$21,520,471
2010	\$4,593,200	\$662,990	\$0	4	\$39,016,132	312	\$17,192,039	\$60,597,766	461	\$23,328,321
2011	\$4,235,475	\$195,700	\$0	4	\$47,354,542	339	\$21,170,004	\$72,093,454	516	\$28,392,318
2012	\$490,918	\$4,418,262	\$0	5	\$61,256,310	431	\$26,753,199	\$94,230,859	671	\$36,535,529
2013	\$249,027	\$12,639,041	\$0	5	\$77,353,884	465	\$32,499,330	\$120,257,918	766	\$44,737,055
2014	\$13,342,560	\$13,508,632	\$20,300,000	5	\$82,343,338	605	\$42,474,835	\$122,801,605	908	\$55,675,129
2015	\$20,125,000	\$12,875,000	\$23,200,000	6	\$175,170,214	884	\$58,136,986	\$270,283,019	1,557	\$87,767,003
2016	\$0	\$0	\$0	6	\$176,464,997	1,004	\$63,064,373	\$270,570,763	1,670	\$92,392,025
2017	\$2,250,000	\$5,700,000	\$0	5	\$188,050,000	1,036	\$70,176,534	\$289,309,192	1,753	\$101,719,053
Total*	\$57,654,190	\$54,386,525	\$54,544,000	8	\$970,436,755	5,658	\$364,424,331	\$1,491,838,852	9,244	\$520,282,805

*Total jobs at the bottom of the table represent the sum of jobs at each of the participating companies over the 12 year period. Results for individual years represent current year employment for participating companies in each year. Individual companies are represented in multiple years.

The companies assisted through this program created an increase in demand of \$521.4 million over twelve years that supported \$155.9 million in payroll and close to 3,600 jobs at other local businesses through their supplier purchases and purchases made by employees. These economic impacts are in addition to the cumulative impacts of jobs and payroll that were supported by the companies directly.

Counting each company once based on their ending year employment during the period, companies funded by IFOF portfolio funds accounted for 322 retained jobs and 830 new jobs in Iowa. Alternatively, these companies accounted for a cumulative total of 5,658 jobs-years and \$364.4 million in direct payroll over the twelve year period, counting the jobs at each company in each year of participation. While these impacts are significant, it is important to keep in mind that to the extent these companies continue to operate, the benefits of their operations in Iowa have not yet been fully realized.

The output multiplier for the combined impacts is 1.54. This means that for every \$1 million of production by the participating companies, an additional \$540,000 in additional economic activity is generated in the state's economy, along with 3.7 indirect jobs at other businesses in the State. On average, the income from these indirect jobs is about \$43,500 per employee.

4.0 REVENUE IMPACTS

In addition to creating a substantial impact on the state's economy, the new jobs generated as a result of the IFOF program led to additional tax revenues. This analysis quantifies the revenue impacts created by employees through state sales and personal income taxes.

Employees at participating companies, and other local employees that are supported by the additional economic activity, pay state personal income taxes on their earnings, as well as state and local sales taxes on a portion of their purchases. Using the results from the economic impact analysis, it is possible to estimate the revenue impacts. The direct impacts reflect taxes paid by the employees at participating companies. The total revenue impacts include taxes generated by indirect and induced employees at other local businesses supported by supplier purchases and employee spending.

The direct and indirect employees supported by the Iowa Fund of Funds have generated an estimated \$49.4 million in state and local revenues since 2006, including \$30.2 million in direct revenues generated by the employees of the participating firms (Figure 3). *This impact does not include additional sales and corporate income taxes paid by the companies. This information was not reported by the participating firms.*

FIGURE 3
REVENUE IMPACTS OF JOBS ASSOCIATED WITH IOWA FUND OF FUNDS

Year	Direct Revenue Impacts		Indirect Revenue Impacts		Total Revenue Impacts	
	Sales Tax	Personal Income Tax	Sales Tax	Personal Income Tax	Sales Tax	Personal Income Tax
2006	\$92,323	\$286,566	\$125,680	\$98,912	\$218,003	\$385,478
2007	\$104,948	\$320,951	\$145,330	\$119,745	\$250,278	\$440,696
2008	\$166,627	\$527,336	\$259,983	\$279,446	\$426,610	\$806,782
2009	\$273,200	\$849,061	\$427,253	\$443,941	\$700,453	\$1,293,002
2010	\$347,546	\$1,026,320	\$471,847	\$331,505	\$819,393	\$1,357,825
2011	\$429,152	\$1,311,806	\$576,730	\$389,419	\$1,005,882	\$1,701,225
2012	\$540,812	\$1,654,794	\$738,843	\$527,321	\$1,279,655	\$2,182,115
2013	\$655,330	\$2,086,594	\$901,491	\$659,520	\$1,556,821	\$2,746,114
2014	\$862,194	\$2,712,859	\$1,128,476	\$723,687	\$1,990,670	\$3,436,546
2015	\$1,198,491	\$3,653,020	\$1,818,827	\$1,628,105	\$3,017,317	\$5,281,125
2016	\$1,299,307	\$3,914,116	\$1,908,396	\$1,611,929	\$3,207,703	\$5,526,044
2017	\$1,457,329	\$4,442,958	\$2,118,776	\$1,732,953	\$3,576,105	\$6,175,911
Total	\$7,427,259	\$22,786,381	\$10,621,632	\$8,546,482	\$18,048,891	\$31,332,864

Note: Total revenue impacts include direct plus indirect revenues.

Direct and indirect employees associated with IFOF programs generated about \$18.0 million in state and local sales tax revenues over twelve years. Annual impacts increased significantly over time as the number of participating companies increased. This figure includes sales taxes generated by direct employees at participating companies and indirect employees at supported local businesses. Taxable employee expenditures are calculated by multiplying total personal income from the economic impact

results times 31 percent, times the state sales tax rate of 6.0 percent plus the local sales tax rate in the county where each company is located.²

Employees at participating companies and at supported local businesses also paid personal income taxes in Iowa estimated at \$31.3 million since 2006. State income tax revenues are calculated using the average personal income per employee for direct and indirect employees, adjusted for a standard deduction, and multiplied by the graduated state income tax rate schedule and the number of employees.

Summary

Through its fund investments, the Iowa Fund of Funds has created significant impacts on the Iowa economy. There have been notable increases in the magnitude of annual impacts over the past several years as the participating companies increased in number and size. The program has not only directly helped to seed and expand local companies; it has also supported job growth at other local supplier businesses. The new and on-going jobs have generated payroll, spending, and tax revenues that have added to the state's economy and can reasonably be expected to have an impact in the future.

² According to the Census Bureau Consumer Expenditure Survey, persons in the average income range of supported employees spend about 31 percent of their income on taxable goods.