

# Proof of Commercial Relevance Application Process

## Step 1 – Review Program Summaries and Guidelines

Prospective applicants should carefully review the **Proof of Commercial Relevance Fund** programs' summaries and guidelines to determine if the program is an appropriate fit for the prospective applicant's economic development project. If you have questions about the program, please contact **VentureNet Iowa** before filling out an application at 515.471.1965 or 515.471.1300.

## Step 2 – Application Submission

Prospective applicants must complete the **Proof of Commercial Relevance Fund** program application and submit it to IEDA. Applications are reviewed for funding decisions on a bi-monthly basis. Please review the 2016-17 Application Deadline schedule. Complete applications received after a deadline will advance through the application process for the next funding period.

- **One original, signed application form and all required attachments.** Return to:

Iowa Economic Development Authority  
ATTN: Iowa Innovation Acceleration Funds – Gail Kotval  
200 East Grand Avenue  
Des Moines, IA 50309-1819

- One **electronic** copy of the application form and all required attachments. Applications will be processed based on date/time of receipt of complete digital submission. Submit to: [innovation@iowaeda.com](mailto:innovation@iowaeda.com)

## Step 3 – Preliminary Application Assessment

All applications will be reviewed by VentureNet Iowa to determine whether each is complete and conforms to the program requirements. VentureNet Iowa will contact the applicant to discuss presentation to a **Review Panel** at the VentureNet Iowa office for evaluation and feedback.

## Step 4 – Technology Commercialization Committee

The Technology Commercialization Committee (TCC) is a sub-committee of the Iowa Economic Development Authority (IEDA) Board. It is charged with assisting the Board by evaluating the project presented in the application to make funding recommendations to the IEDA Board. The TCC will review each application that advances from Step 3. The applicant will present the proposal to the TCC so that the Committee can ask questions and develop a deeper understanding of the proposal under consideration. The TCC will use its best judgment to make a funding recommendation to the IEDA Board.

## Step 5 – Iowa Economic Development Authority Board

The IEDA Board will consider applications reviewed by the TCC along with the Committee's recommendations. The IEDA Board will use its best judgment to take one of the following actions on each application it considers: (i) approve funding the proposal as submitted; (ii) approve funding the proposal subject to certain modifications or completion of additional due diligence; or (iii) deny funding for the proposal.

2/21/17



# Iowa's Public Innovation Funding



<b>Purpose</b>	Define & articulate the business opportunity for businesses that have demonstrated a proof-of-concept for their innovative technology.  Functional Minimum Viable Product & a minimum of 2 team members required.	Initial commercialization – marketing, sales & distribution.  Business model refinement.  Refinement of existing market-ready software or platform.	Accelerate the pace of market development for companies that have critical management in place, a validated business model & an established customer base that is generating substantive revenue.	Expansion of product lines in companies with complete management infrastructure, proven historical profitability & with an established customer base. Product refinement, market expansion for unique innovative competitive products.
<b>Target</b>	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Key Industry Clusters
<b>MAX \$</b>	≤\$25,000	≤\$100,000	≤ lesser of \$300,000 or 50% of Project Costs	≤ lesser of \$500,000 or 50% of Project Costs
<b>Match (Private:Public)</b>	1:2	1:2	1:1	1:1
<b>Form</b>	Low interest loan	Royalty or low interest loan	Royalty or low interest loan	Secured low interest loan
<b>Use of Funds</b>	IP development & evaluation, validation of market potential, beta testing, team assembly	Marketing, sales, distribution, product refinement, market research	Recruit/hire key personnel, expand marketing/sales, advanced IP evaluation	Recruit/hire key personnel, equipment purchase & construction costs

**POCR, Demonstration Fund and Innovation Acceleration Fund  
Award Conditions and Loan Terms**

<p><b>Type of Award:</b></p> <p>1) POCR awards are either a grant or a loan.</p> <p>2) Demonstration Fund and IA Fund awards are either a loan or a royalty.</p> <p><b>Terms of the Loan:</b> The Loan shall be awarded to the Business on the following terms and conditions.</p>	
<p><b>Interest Rate: %</b></p>	<p>a) Percentage: Standard is 3%</p> <ul style="list-style-type: none"> <li>• Interest shall accrue from the date of first disbursement of fund</li> </ul>
<p><b>Term:</b></p>	<p>Options:</p> <ul style="list-style-type: none"> <li>• 36 months; 48 months; 60 months,</li> <li>• Amortization schedule: five (5) to ten (10) year amortization;</li> <li>• Deferment: First payment is deferred (XX) number of months: Standard is 12 months.</li> </ul>
<p><b>POCR Interest Rate and Terms:</b></p>	<p>a) 0% percent five (5) year loan with a 12 month deferral</p>
<p><b>Additional Special Terms and Conditions:</b></p>	<p>If funds are to be awarded in tranches, include conditions and milestones.</p> <p>Basic claw back provisions in the contract: This Loan will be repaid in a lump sum; accruing 6% interest from the date of first disbursement should any of the following events occur during the term of this Contract:</p> <ol style="list-style-type: none"> <li>1. The business issues an Initial Public Offering (IPO).</li> <li>2. The business moves the company out-of-state.</li> <li>3. The business sells 51% or more of the company assets and/or the company.</li> </ol>
<p><b>Promissory Note:</b></p>	<p>The obligation to repay the Loan shall be evidenced by a Promissory Note executed by the Recipient.</p>
<p><b>Security: may include</b></p> <ol style="list-style-type: none"> <li>UCC-1</li> <li>Dedicated CD</li> <li>Irrevocable Letter of Credit</li> <li>Personal Guaranty</li> <li>Corporate Guaranty</li> </ol>	<p><b>UCC-1 Example:</b> Subordinate blanket UCC-1 covering the collateral identified in <i>Exhibit E – UCC-1 Financing Statement</i>. Recipient hereby grants to IEDA a security interest in the collateral described in <i>Exhibit E – UCC-1 Financing Statement</i>. The UCC-1 filing shall be in the form and content of <i>Exhibit E UCC-1 Financing Statement</i>.</p> <ul style="list-style-type: none"> <li>• Issues with the UCC on IP – the IEDA has a more involved process to undertake to make this kind of filing.</li> <li>• IEDA may consider a subordinate position if a UCC filing is already in place. Subsequent subordination requires IEDA approval.</li> </ul>
<p><b>Condition of Disbursement of Funds</b></p>	<p>Documentation of Required Match. Recipient will be required to document that the non-Innovation Acceleration funds are in hand for State funds to be disbursed. This will need to be documented with bank statements, loan docs, deposit documents, etc.</p>

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### Royalty Agreement

<p><b>Type of Award:</b> The IEDA Board has awarded direct financial assistance to the Recipient to be repaid through royalty payments, on the following terms and conditions:</p>	
<b>Total Royalty Amount to be Repaid:</b>	<p><b>Example:</b> 1.5x award amount paid back @ 3% of total gross revenue Based on a \$250,000 award amount due is \$ 375,000 due with a maximum annual payment of \$75,000.</p>
<b>Royalty Amount Due:</b>	<p><b>Example:</b> A royalty equal to 1.0% of prior-year total Gross Revenues will be due to IEDA on a semi-annual basis until the Total Royalty Amount to be Repaid has been received by IEDA.</p>
<b>Deferment: Length of time to defer</b>	<p><b>Example:</b> Royalty payments shall begin with the calendar year beginning January 1, 2014.</p>
<b>1<sup>st</sup> Payment Due:</b>	Assign date when the first payment is due
<b>1<sup>st</sup> Payment Due: Subsequent Due Dates:</b>	Example: Semiannually on June 1 <sup>st</sup> and December 1 <sup>st</sup>
<b>Calculation of Amount Due:</b>	<p><b>Example:</b> The payment amount will be calculated based on the Recipient's full fiscal year-end financial statements, or tax return, prior to the payment date.</p>
<b>Cap or Floor:</b>	Example:

**ABC Company**  
**Contract #12-DEMO-example**

DOCUMENTS NEEDED FOR PROCESSING REQUESTS FOR DISBURSEMENT

**Contract Documents 5.1:**

**Received**

**Responsibility of:**

- |   |                       |
|---|-----------------------|
| <input type="checkbox"/> Fully executed Contract [§5.1(a)]  | <u>Business, IEDA</u> |
| <input type="checkbox"/> Certified copy of the corporation's Articles of Incorporation [§5.1(b)]  | <u>Business</u>       |
| <input type="checkbox"/> Certificate of Corporate Existence from the Iowa Secretary of State [§5.1(c)]  | <u>Business</u>       |
| <input type="checkbox"/> Solid and Hazardous Waste Reduction Plan. To comply with Iowa Code section 15A.1(3)"b". <i>Submit in a brief paragraph on business letterhead 1) Certifying the business has hazardous waste and who disposes of it for the business (include a copy of the plan, if applicable), 2) If not hazardous waste, then the name of who the business contracts with for disposal of solid waste (wastepaper) and the frequency, 3) How the business intends to reduce waste.</i> [§5.1(e)] | <u>Business</u>       |
| <input type="checkbox"/> Executed Promissory Note(s) (LOANS ONLY) [§5.1(d)]   | <u>Business</u>       |
| <input type="checkbox"/> Documentation of satisfactory credit history of Business and guarantors [§5.1(f)]  | <u>IEDA</u>           |
| <input type="checkbox"/> Documentation of Required Match. Recipient will be required to document that the non-DEMO funds are in hand for State funds to be disbursed. This will need to be documented with bank statements, loan docs, deposit documents, etc.[§5.1(h)]   | <u>Business</u>       |
| <input type="checkbox"/> Other _____  |                       |

**"Other" Documents:**

- |   |                       |
|---|-----------------------|
| <input type="checkbox"/> Signed Request for Disbursement Form (GAX) | <u>Business, IEDA</u> |
| <input type="checkbox"/> W-9 form                                   | <u>Business</u>       |
| <input type="checkbox"/> Other _____                                |                       |

<b>IEDA USE ONLY</b>	
I certify all original signed contract documents have been received and appropriate documentation supporting this payment of \$_____ has been reviewed and approved.	
_____ CT Project Manager	_____ Date
_____ CT Coordinator	Date _____