

***Iowa Fund of Funds,
Fund A, LLLP***

**Financial Statements as of December 31,
2008 and 2007 and for the Years Then Ended
and Independent Auditors' Report**

IOWA FUND OF FUNDS, FUND A, LLLP

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Iowa Fund of Funds, Fund A, LLLP:

We have audited the accompanying balance sheets of Iowa Fund of Funds, Fund A, LLLP (the "Fund") as of December 31, 2008 and 2007, and the related statements of operations, partners' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 30, 2009

IOWA FUND OF FUNDS, FUND A, LLLP

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 7,764	\$2,516,263
Investment in portfolio funds	11,815,040	5,447,450
Receivable from General Partner - Iowa Capital Investment Corporation	847,039	847,039
Prepaid expenses	<u>-</u>	<u>25,000</u>
TOTAL ASSETS	<u>\$ 12,669,843</u>	<u>\$8,835,752</u>
LIABILITIES AND PARTNERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 632,164	\$ 44,867
Interest payable	-	12,582
Note payable	<u>-</u>	<u>2,500,000</u>
Total liabilities	<u>632,164</u>	<u>2,557,449</u>
PARTNERS' EQUITY:		
General Partner	-	-
Limited Partners	<u>12,037,679</u>	<u>6,278,303</u>
Total partners' equity	<u>12,037,679</u>	<u>6,278,303</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 12,669,843</u>	<u>\$8,835,752</u>

See notes to financial statements.

IOWA FUND OF FUNDS, FUND A, LLLP

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
INTEREST INCOME	\$ <u>106,350</u>	\$ <u>191,542</u>
EXPENSES:		
Interest expense	221,439	210,035
Management fees	650,000	650,000
Legal fees	86,687	38,533
General and administrative expenses	<u>790,212</u>	<u>82,997</u>
Total expenses	<u>1,748,338</u>	<u>981,565</u>
NET LOSS	<u>\$ (1,641,988)</u>	<u>\$ (790,023)</u>

See notes to financial statements.

IOWA FUND OF FUNDS, FUND A, LLLP

STATEMENTS OF PARTNERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	General Partner	Limited Partners	Total
BALANCE, January 1, 2007	\$ -	\$ 3,220,458	\$ 3,220,458
Capital contributed	-	3,847,868	3,847,868
Net loss	<u>-</u>	<u>(790,023)</u>	<u>(790,023)</u>
BALANCE, December 31, 2007	-	6,278,303	6,278,303
Capital contributed	-	7,489,071	7,489,071
Distributions	-	(87,707)	(87,707)
Net loss	<u>-</u>	<u>(1,641,988)</u>	<u>(1,641,988)</u>
BALANCE, December 31, 2008	<u>\$ -</u>	<u>\$ 12,037,679</u>	<u>\$ 12,037,679</u>

See notes to financial statements.

IOWA FUND OF FUNDS, FUND A, LLLP

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,641,988)	\$ (790,023)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in:		
Prepaid expenses	25,000	-
Accounts payable	587,297	17,891
Interest payable	(12,582)	(7,075)
Net cash used in operating activities	<u>(1,042,273)</u>	<u>(779,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in portfolio funds	(6,400,220)	(3,077,450)
Distributions from portfolio funds	32,630	-
Net cash used in investing activities	<u>(6,367,590)</u>	<u>(3,077,450)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributed	7,489,071	3,847,868
Distributions paid to equity partners	(87,707)	-
Payments on note payable	(2,500,000)	(1,500,000)
Net cash provided by financing activities	<u>4,901,364</u>	<u>2,347,868</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,508,499)	(1,508,789)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>2,516,263</u>	<u>4,025,052</u>
END OF YEAR	<u>\$ 7,764</u>	<u>\$ 2,516,263</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 184,234</u>	<u>\$ 217,110</u>

See notes to financial statements.

IOWA FUND OF FUNDS, FUND A, LLLP

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. BASIS OF PRESENTATION

Iowa Fund of Funds, Fund A, LLLP (the "Fund") was formed under the Iowa Limited Partnership Act and Iowa Code 15E.61 for the purpose of making investments in private seed and venture capital partnerships or entities in a manner that will enhance the venture capital and infrastructure in the State of Iowa so as to increase venture capital investment within the State of Iowa. The Fund began operations on October 30, 2003, and will continue in existence until October 30, 2053 as stated in the agreement of the limited partnership dated June 9, 2005 ("Partnership Agreement"), unless it is sooner dissolved by operation of law or with the unanimous consent of the partners. No significant financial transactions occurred in the Fund prior to June 28, 2005.

The Fund currently has four partners: the General Partner of the Partnership is Iowa Capital Investment Corporation ("ICIC"), a private, not-for-profit Iowa corporation; Iowa Designated Investor, Inc. ("IDI"), an Iowa corporation, is a Preferred Limited Partner; Iowa Revolving Fund has been admitted as the Special Limited Partner; and Cimarron Capital Partners LLC ("Cimarron"), a Delaware limited liability company, has been admitted as a limited partner. Additional Preferred Limited Partners may be admitted from time to time as provided in the Partnership Agreement. Cimarron is employed by ICIC as the Fund's manager.

The investments by the Fund are focused principally on partnership interests in private venture capital funds and not in direct investments in individual businesses. Each portfolio fund in which the Fund invests ("Portfolio Fund") makes a commitment to consider equity investments in businesses located within the State of Iowa and is required to maintain a physical presence within the State of Iowa. Such physical presence requirement can be met in a number of different ways and is subject to a written agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Fund prepares its financial statements on the accrual basis of accounting, which recognizes revenue as earned and expenses when incurred, rather than when cash is actually received or disbursed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - Cash equivalents include highly liquid securities, investments in interest-bearing money market deposits, and short-term debt securities with maturities of three months or less when purchased.

Investments - In connection with the Fund's investment in a Portfolio Fund, the Portfolio Fund agrees to consider investments in Iowa companies that may, in turn, have a positive impact on the economy in Iowa. At December 31, 2008 and 2007, the Fund owned less than 20% of the total equity of each Portfolio Fund and was not a controlling partner or member of any of the Portfolio Funds in which it was invested. The Fund's interest in each Portfolio Fund generally may not be assigned, sold, transferred or otherwise disposed of without written consent of the general partners or managers of the respective funds.

All of the Fund's investments are accounted for using the cost method. Under this method, income recognized by the Fund is limited to distributions received, except that distributions that exceed the Fund's share of earnings are applied to reduce the carrying value of the investment. Additional capital contributions are recorded as increases to the carrying value of the investment.

Under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 124 issued by the Financial Accounting Standards Board ("FASB"), *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Fund is generally not required to estimate the fair value of its investments with non-readily determinable fair values. However, in accordance with FASB Staff Position FAS 115-1/124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, if events or changes in circumstances occur that could have a significant adverse effect on the value of an investment, Cimarron performs procedures to estimate the fair value based on information provided by management of the related Portfolio Fund. If the estimated fair value is less than the recorded cost of the investment, the investment is deemed impaired, and Cimarron makes a determination if the impairment is temporary or other than temporary based on consideration of currently known facts and circumstances. If the impairment is determined to be other than temporary, the recorded amount of the investment is reduced, and a loss is recorded (see Note 4).

Given the nature of the Fund's investments, determining the estimated fair value of the Fund's interest in these Portfolio Funds involves a great degree of subjectivity. Estimated fair values may differ significantly from the values that would result if a ready and active market for these investments existed, and such differences could be material. In addition, these estimated fair values could be subject to material changes in the near future, and such changes could have a significant impact on the Fund's financial statements.

Interest Income - Interest income is recognized as earned.

Income Taxes - The Fund is a partnership that is considered a pass-through entity for federal, state, and local income tax purposes. Accordingly, no provision for income taxes is reflected in the financial statements. Allocation of Fund profits and losses for tax return purposes is based upon taxable income, which may differ from profits and losses for financial reporting purposes.

Risks and Uncertainties - The Fund's ability to recover its investment in the various Portfolio Funds is dependent upon a number of factors, including the ability of the individual Portfolio Funds to generate and distribute cash flows to the Fund, their ability to execute investment exit strategies in accordance with their individual objectives, the economic and industry conditions in the geographical areas in which the Portfolio Funds operate and other factors that may affect national securities markets.

New Accounting Pronouncement - In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 does not impose fair value measurements on items not already accounted for at fair value; rather it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements.

Under FAS 157, fair value measurements are classified among three levels based on the observability of the inputs used to determine fair value:

Level 1 - The valuation is based on quoted prices in active markets for identical instruments.

Level 2 - The valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - The valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

The Company adopted FAS 157 on January 1, 2008, and it had no impact on amounts recorded in the financial statements or the notes thereto as the Company's investments are recorded on the cost basis.

3. PARTNERSHIP PROFITS, LOSSES, AND CASH DISTRIBUTIONS

The Partnership Agreement provides that amounts received by the Fund from a Portfolio Fund (including proceeds realized by the Fund from a sale of property distributed by a Portfolio Fund) net of expenses and reserves (collectively considered to be net cash flow), generally shall be distributed first to Cimarron as the Fund's Manager to defray any income tax liabilities arising from its ownership of an interest in the Fund (determined pursuant to the Partnership Agreement), and thereafter among the Partners as follows:

- First, to the Preferred Limited Partners, in proportion to their Unpaid Distribution Preferences (as defined in the Partnership Agreement) in respect of the particular portfolio investment which includes compounding at a Minimum Rate (as calculated from time to time per the Partnership Agreement) until the Preferred Limited Partners have received distributions equal to their Distribution Preference (as defined in the Partnership Agreement) with respect to such portfolio investment;

- Second, to Cimarron, until Cimarron has received distributions equal to a 7.5% “carried interest” on the Fund’s profits and net losses from interests in portfolio investments (as determined under the Partnership Agreement);
- Third, to the Preferred Limited Partners, in proportion to their respective Aggregated Unpaid Distribution Preferences (as defined in the Partnership Agreement) which includes compounding at a Minimum Rate (as calculated from time to time per the Partnership Agreement) until the Preferred Limited Partners have received distributions equal to the sum of their Distribution Preferences with respect to all portfolio investments;
- Fourth, to the Preferred Limited Partners, in proportion to their respective unpaid Scheduled Return until each Preferred Limited Partner has received distributions equal to their Scheduled Return;
- Fifth, 100% to the Special Limited Partner (who is owned by ICIC) until the cumulative distributions to the Special Limited Partner equals the product of 10 multiplied by the cumulative distributions previously made to Cimarron as “carried interest” above;
- Thereafter, 99% to the Special Limited Partner and 1% to Cimarron.

For the years ended December 31, 2008 and 2007, net cash flow was used to pay for operating expenses and management fees.

Distributions from Portfolio Funds totaled \$87,707, of which \$32,630 represented a return of invested capital. No distributions were received in the year ended December 31, 2007.

The Partnership Agreement provides that profit and loss of the Fund shall be allocated among the Partners in a manner consistent with each Partner’s share of distributions of net cash flow.

4. PORTFOLIO INVESTMENTS

Investment in portfolio funds at December 31, 2008 and 2007 are set forth below. The Fund had no investment commitments at December 31, 2008 other than discussed below.

Prolog Capital II, L.P.

Headquarters:	St. Louis, Missouri
Business:	Venture capital fund investing in early stage life sciences firms
Ownership:	7.71% Equity Interest
Investment Commitment:	\$5,000,000
2008 Cost Basis	\$3,090,000
2007 Cost Basis	\$2,320,000

Bayview Capital Partners II, L.P.

Headquarters:	Minnetonka, Minnesota
Business:	Venture capital fund investing in later stage small manufacturers, distributors, and business service firms
Ownership:	5.67% Equity Interest
Investment Commitment:	\$2,750,000
2008 Cost Basis	\$1,650,000
2007 Cost Basis	\$1,375,000

Village Ventures Fund II, L.P.

Headquarters:	Williamstown, Massachusetts
Business:	Venture capital fund investing in businesses of every kind and character with the United States
Ownership:	5.7% Equity Interest
Investment Commitment:	\$5,000,000
2008 Cost Basis	\$2,873,155
2007 Cost Basis	\$1,752,450

LFE Growth Fund II, L.P.

Headquarters:	Minneapolis, Minnesota
Business:	Venture capital fund investing primarily in small and medium-sized companies in the health, consumer, and business services sectors. The Fund has a special focus on businesses owned or led by women or that target female consumers
Ownership:	15.24% Equity Interest
Investment Commitment:	\$5,000,000
2008 Cost Basis	\$2,408,419
2007 Cost Basis	\$-

OCA Venture Partners II, L.P.

Headquarters:	Chicago, Illinois
Business:	Venture capital fund investing in early stage companies with dramatic growth potential, primarily in technology, financial services, for-profit education and technology-enabled services located in the United States
Ownership:	9.93% Equity Interest
Investment Commitment:	\$5,000,000
2008 Cost Basis	\$793,466
2007 Cost Basis	\$-

Petra Growth Fund II, L.P.

Headquarters:	Nashville, Tennessee
Business:	Venture capital fund investing in businesses of every kind and character with the United States
Ownership:	8.98% Equity Interest
Investment Commitment:	\$5,000,000
2008 Cost Basis	\$1,000,000
2007 Cost Basis	\$-

The Portfolio Funds held at December 31, 2008 and 2007 were evaluated for impairment due to the fact that these Portfolio Funds and their respective underlying portfolio of companies are experiencing losses in the initial phases of operations as is usual in these types of investments. The unaudited estimated aggregate values of the Portfolio Funds at December 31, 2008 and 2007 totaled approximately \$9,738,000 and \$5,022,000, respectively, resulting in unaudited aggregate unrealized losses of approximately \$2,300,000 and \$425,000, respectively. The unaudited aggregate amount of unrealized losses that have been in an unrealized loss position for a period greater than twelve months at December 31, 2008 was \$425,000. The Fund considers these losses to be temporary. As additional capital is invested in more Portfolio Funds, and as the underlying companies in which the Portfolio Funds invest develop their anticipated potential, the Fund anticipates that the estimated fair values of these investments will increase to equal or exceed the Fund's cost.

5. NOTE PAYABLE

On September 4, 2008, the Fund repaid the entire \$2,500,000 outstanding balance on the line of credit.

6. TRANSACTIONS WITH RELATED PARTIES

Transactions with Iowa Capital Investment Corporation, Inc. - The Fund pays to ICIC as General Partner an annual management fee, determined in accordance with Iowa Code 15E.61. At the request of any partner the General Partner shall provide reasonable documentation of its reasonable and necessary costs incurred. Fees incurred under these provisions were approximately \$142,000 and \$50,000 for the years ended December 31, 2008 and 2007, respectively, and were recorded in general and administrative expenses. The Fund paid certain start-up legal costs on behalf of ICIC as the General Partner to prepare for operations. ICIC will repay those costs out of future management fees and returns on investments.

Transactions with Iowa Capital Investment Board - The Fund pays Iowa Capital Investment Board ("ICIB"), an agency of the State of Iowa, a closing fee, up to the statutory maximum, equal to its reasonable and necessary costs with respect to the issuance of contingent tax credit certificates to IDI as a Preferred Limited Partner of the Fund (to the extent such certificates relate to such Preferred Limited Partner's interest in the Partnership). The Fund will not pay this fee annually but rather at the time of issuance of any additional tax credits. Fees paid under these provisions were approximately \$5,000 for the years ended December 31, 2008 and 2007.

Transactions with Iowa Designated Investor, Inc. - IDI, upon making a commitment to invest in the Fund as a Preferred Limited Partner, received contingent tax credit certificates from ICIB under authority granted by the Fund's enabling statute and rules (Iowa Code 15E.61 and Iowa Administrative Code, Section 123, Chapter 4.1) that assures its receipt of a Scheduled Return (as defined in the Partnership Agreement) in order to mitigate its risk in the investment.

The tax credit certificates have value to the extent that the actual return from the Fund to a Preferred Limited Partner is less than such partner's Scheduled Return. As such, the tax credit certificates are "contingent," having a value equal to the deficiency between actual return and Scheduled Return should it occur. If the actual return equals or exceeds the Scheduled Return, then the tax credit certificates have no value and are retired unused. The Fund's enabling statute (see above) requires it to minimize state appropriations and therefore the redemption of tax credits.

If a Preferred Limited Partner determines and is otherwise permitted to redeem the tax credit certificates, the contingent certificates are first certified in total amount by the General Partner and then presented to the ICIB under the rules noted above for issuance of a verified tax credit certificate. Once verified, the Preferred Limited Partner would recognize revenue for reporting purposes under accounting principles generally accepted in the United States of America. The verified tax credit certificates may be used by any holder against current or future liabilities for payment of Iowa income, premium, or franchise taxes and are freely transferable. Tax credit certificates may be verified in amounts up to \$20 million that might first become redeemable in any one year. Tax credit certificates may not be carried back against past liabilities but they may be carried forward up to seven years. IDI was the holder of contingent tax credit certificates with a maximum amount of \$36 million and \$12 million at December 31, 2008 and 2007, respectively.

Transactions with Cimarron Capital Partners, LLC. - The Fund pays to Cimarron management fees. Fees paid under these provisions were approximately \$650,000 for the years ended December 31, 2008 and 2007. The Fund pays to Cimarron tax consortium fees for organizing and maintaining tax credit purchase agreements. Fees incurred under these provisions were approximately \$630,000 and \$0 for the years ended December 31, 2008 and 2007, respectively. The Fund also had a payable of approximately \$630,000 to Cimarron as of December 31, 2008.

7. SUBSEQUENT EVENT

On April 30, 2009, the Fund made an investment commitment of \$6,000,000 to Stone Arch Capital II, L.P., a venture capital fund headquartered in Minneapolis, Minnesota.

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