



IOWA CAPITAL INVESTMENT CORPORATION

Consolidated Financial Statements and Supplemental Consolidating Schedules

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

IOWA CAPITAL INVESTMENT CORPORATION

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Iowa Capital Investment Corporation:

We have audited the accompanying consolidated balance sheets of Iowa Capital Investment Corporation (the Company) and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Iowa Community Development LC, which statements reflect total assets constituting 4 percent and 2 percent and total revenues constituting 53 percent and 96 percent in 2011 and 2010, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Iowa Community Development LC, is based solely on the report of the other auditors.

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 Company'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iowa Capital Investment Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 22, 2012

IOWA CAPITAL INVESTMENT CORPORATION

Consolidated Balance Sheets

December 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 370,475	119,959
Investment in portfolio funds	22,238,643	20,645,255
Other assets	555,420	410,228
Total assets	<u>\$ 23,164,538</u>	<u>21,175,442</u>
Liabilities, Noncontrolling Interest, and Accumulated Deficit		
Liabilities:		
Accounts payable	\$ 6,578	93,511
Management fee payable	121,667	89,356
Total liabilities	<u>128,245</u>	<u>182,867</u>
Equity:		
Accumulated deficit	<u>(748,276)</u>	<u>(810,379)</u>
Total Iowa Capital Investment Corporation's deficit	(748,276)	(810,379)
Noncontrolling interest	<u>23,784,569</u>	<u>21,802,954</u>
Total equity	<u>23,036,293</u>	<u>20,992,575</u>
Total liabilities and equity	<u>\$ 23,164,538</u>	<u>21,175,442</u>

See accompanying notes to consolidated financial statements.

IOWA CAPITAL INVESTMENT CORPORATION

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Income:		
Portfolio revenue	\$ 1,291,006	48,380
Asset management fee income	915,756	623,223
Placement fee income	775,458	324,542
Other income	9,246	18,284
Total income	<u>2,991,466</u>	<u>1,014,429</u>
Expenses:		
Management fees	1,713,485	1,255,494
Legal fees	170,502	92,965
General and administrative expenses	91,165	113,520
Other expense	7,025	—
Total expenses	<u>1,982,177</u>	<u>1,461,979</u>
Net income (loss)	<u>\$ 1,009,289</u>	<u>(447,550)</u>
Net income (loss) attributable to noncontrolling interest in affiliates	\$ 947,186	(429,247)
Net income (loss) attributable to Iowa Capital Investment Corporation	\$ 62,103	(18,303)

See accompanying notes to consolidated financial statements.

IOWA CAPITAL INVESTMENT CORPORATION

Consolidated Statements of Equity (Deficit)

Years ended December 31, 2011 and 2010

	<u>Accumulated deficit</u>	<u>Noncontrolling interest</u>	<u>Total</u>
Balance at December 31, 2009	\$ (792,076)	17,873,115	17,081,039
Capital contributions from noncontrolling interests	—	5,087,165	5,087,165
Distribution to noncontrolling interests	—	(728,079)	(728,079)
Net loss	(18,303)	(429,247)	(447,550)
Balance at December 31, 2010	(810,379)	21,802,954	20,992,575
Capital contributions from noncontrolling interests	—	3,746,574	3,746,574
Distribution to noncontrolling interests	—	(2,712,145)	(2,712,145)
Net income	62,103	947,186	1,009,289
Balance at December 31, 2011	<u>\$ (748,276)</u>	<u>23,784,569</u>	<u>23,036,293</u>

See accompanying notes to consolidated financial statements.

IOWA CAPITAL INVESTMENT CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income (loss)	\$ 1,009,289	(447,550)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Change in:		
Other assets	(145,192)	(327,213)
Accounts payable	(86,933)	4,776
Management fee payable	32,310	89,356
Net cash from operating activities	<u>809,474</u>	<u>(680,631)</u>
Cash flows from investing activities:		
Investment in portfolio funds	(3,076,947)	(4,520,534)
Distributions from portfolio funds	1,483,560	678,054
Net cash from investing activities	<u>(1,593,387)</u>	<u>(3,842,480)</u>
Cash flows from financing activities:		
Capital contributed from noncontrolling interests	3,746,574	5,087,165
Distributions paid to noncontrolling interests	(2,712,145)	(728,079)
Net cash from financing activities	<u>1,034,429</u>	<u>4,359,086</u>
Net change in cash and cash equivalents	250,516	(164,025)
Cash and cash equivalents:		
Beginning of year	<u>119,959</u>	<u>283,984</u>
End of year	<u>\$ 370,475</u>	<u>119,959</u>

See accompanying notes to consolidated financial statements.

IOWA CAPITAL INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(1) **Basis of Presentation**

Iowa Capital Investment Corporation (the Company) was incorporated under the laws of Iowa for the purpose of organizing the Iowa Fund of Funds Fund A, LLLP (the Fund), selecting a venture capital investment fund allocation manager to select venture capital fund investments for the Fund, receiving investment returns from the Fund, and reinvesting the investment returns in additional venture capital investments designed to result in a significant potential to create jobs and to diversify and stabilize the economy of the state. The Company is further authorized to administer a program to provide loan guarantees and other related credit enhancements on loans to rural and small business borrowers within the state of Iowa and to engage in other activities that encourage the entrepreneurial economy in Iowa. The Company began operations on May 7, 2002, and upon the dissolution of the Iowa Fund of Funds, the Iowa Capital Investment Corporation shall also dissolve.

The Company organized the Fund on October 30, 2003. The Company is the general partner of the Fund. 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.

Iowa Capital Investment Corporation is authorized to appoint the members of the board of directors of Iowa Development Corporation, which is the managing member of Iowa Community Development, LC (ICD). Iowa Development Corporation has no other function or financial activity besides being the managing member of ICD. ICD is an Iowa limited liability company that was formed on August 28, 2003. The primary mission of ICD is to serve or provide economic development opportunities and investment capital for low-income communities or low-income persons in the state of Iowa, consistent with the New Markets Tax Credit (NMTC) program.

(2) **Summary of Significant Accounting Policies**

(a) *Basis of Accounting*

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

(b) *Principles of Consolidation*

The consolidated financial statements include the accounts of Iowa Capital Investment Corporation, Iowa Fund of Funds, Fund A, LLLP, and Iowa Community Development (ICD). Iowa Capital Investment Corporation is the sole general partner for Iowa Fund of Funds, Fund A, LLLP and has the authority to appoint the members of the board of directors of the managing member of Iowa Community Development. These relationships give rise to a presumption of control under GAAP, therefore requiring consolidation. As Iowa Capital Investment Corporation has no financial interest in these entities other than a right to receive an annual management fee, all income and loss of the Fund and ICD is shown through noncontrolling interest in the financial statements. All intercompany balances and transactions have been eliminated.

IOWA CAPITAL INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(c) *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Cash Equivalents*

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

(e) *Investments in Portfolio Funds*

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, 2011 and 2010, the Fund was not a controlling partner or controlling 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 Company's investments are accounted for using the cost method. Under this method, income recognized by the Company is limited to distributions received, except that distributions that exceed the Company'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.

The Company is generally not required to record its investments with nonreadily determinable fair values on the balance sheet at fair value. However, the Company assesses the fair value of the investments based on the information provided by management of the related Portfolio Fund, including annual audited financial statements. If the estimated fair value is less than the recorded cost of the investment, the investment is deemed impaired, and the Company makes a determination of whether 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 Company's investments, determining the estimated fair value of the Company'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 Company's financial statements.

(f) *Tax Status*

The Company is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Fund and Iowa Community Development are treated as partnerships for income tax purposes. As such, the income or loss of these entities is "passed-through" and taxed at

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Notes to Consolidated Financial Statements

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the owner level. Accordingly, no provision for income taxes is included in the consolidated statement of operations.

The Company's policy is to recognize the effect of income tax positions only if those positions are more likely than not of being sustained. There were no tax contingency accruals reflected in the Company's financial statements at December 31, 2011 and 2010.

The Company files income tax returns in the U.S. federal jurisdiction. The Company is currently not under income tax examination by the IRS. The Company's 2008 through 2011 tax years remain open for examination by the tax authorities. The Company had no unrecognized tax benefits as of December 31, 2011 and 2010.

(g) Fair Value of Financial Instruments

The Company, as noted in note 4, receives from the management of its respective Portfolio Funds estimates of fair value based on assumptions that market participants would use in pricing an investment security in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical securities at the measurement date.

Level 2 Inputs – Other than quoted prices included in Level 1 inputs that are observable including quoted prices for similar securities or quoted prices in markets that are not active.

Level 3 Inputs – Unobservable inputs to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the security at measurement date.

All investments are recorded in the balance sheets at cost. The estimates of fair value of the investments in note 4 are based on level 3 inputs.

(h) Risks and Uncertainties

The Company'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.

In 2010, the Iowa Legislature scaled back or otherwise curtailed most of the state's tax credit programs, and the tax credit that supports the Fund (see note 3) was reduced from \$100 million to \$60 million. This is expected to reduce the capacity of the Fund to make investments and result in a portfolio of smaller size and fewer investments. The diversity of the Fund's investments may be less than originally planned and the commensurate risk of the portfolio may be higher than planned. The risk that the Fund's portfolio returns will be insufficient to amortize its combined startup and operating costs has been increased.

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December 31, 2011 and 2010

(3) Partnership Profits, Losses, and Cash Distributions

The Fund currently has four partners: The General Partner of the Fund 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 Fund of Funds, L.C., an Iowa limited liability company owned by ICIC, has been admitted as the Special Limited Partner; and 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 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 Aggregate 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, 2011 and 2010, net cash flow was distributed to the Preferred Limited Partner.

For the year ended December 31, 2011, distributions from Portfolio Funds totaled \$2,769,202, of which \$1,483,560 represented a return of invested capital. For the year ended December 31, 2010, distributions from Portfolio Funds totaled \$723,037, of which \$678,054 represented a return of invested capital.

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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, 2011 and 2010 are set forth below. The Fund had no investment commitments at December 31, 2011 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	7.60% Equity interest
Investment commitment	\$ 5,000,000
2011 Cost basis	3,818,710
2010 Cost basis	3,825,854

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	5.29% Equity interest
Investment commitment	\$ 2,750,000
2011 Cost basis	1,650,000
2010 Cost basis	1,650,000

Village Ventures Fund II A, L.P.:

Headquarters	Williamstown, Massachusetts
Business	Venture capital fund investing in businesses of every kind and character within the United States
Ownership	99.99% Equity interest
Investment commitment	\$ 6,206,417
2011 Cost basis	5,287,106
2010 Cost basis	4,856,852

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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
2011 Cost basis	4,386,927
2010 Cost basis	3,786,362

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	9.99% Equity interest
Investment commitment	\$ 5,000,000
2011 Cost basis	2,358,819
2010 Cost basis	1,620,987

Petra Growth Fund II, L.P.:

Headquarters	Nashville, Tennessee
Business	Venture capital fund investing in businesses of every kind and character within the United States
Ownership	9.20% Equity interest
Investment commitment	\$ 5,000,000
2011 Cost basis	1,831,881
2010 Cost basis	2,000,000

Stone Arch Capital II, L.P.:

Headquarters	Minneapolis, Minnesota
Business	Venture capital fund investing in businesses of every kind and character within the United States
Ownership	3.96% Equity interest
Investment commitment	\$ 6,000,000
2011 Cost basis	2,905,200
2010 Cost basis	2,905,200

The Portfolio Funds held at December 31, 2011 and 2010 were evaluated for impairment due to the fact that some of these Portfolio Funds and their respective underlying portfolio of companies are experiencing

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

losses in the initial phases of operations as is usual in these types of investments. The estimated unaudited fair values of the Portfolio Funds at December 31, 2011 and 2010 totaled approximately \$23,600,000 and \$21,600,000, respectively, resulting in an unaudited net unrealized gain of approximately \$1.4 million in 2011 and an unaudited net unrealized gain of approximately \$1 million in 2010. The unaudited aggregate amount of gross unrealized losses that have been in an unrealized loss position for a period greater than twelve months at December 31, 2011 and 2010 was approximately \$2,191,000 and \$1,761,000, respectively. The Company considers these losses to be temporary. As the underlying companies in which the Portfolio Funds invest develop their anticipated potential, the Company anticipates that the fair values of these Portfolio Funds will increase to equal or exceed the Company's cost.

(5) Transactions with Related Parties

(a) *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 Iowa Capital Investment Board (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 U.S. generally accepted accounting principles. 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 claimed for a tax year that begins earlier than the maturity date or dates on the certificate 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 at December 31, 2011 and 2010. The Company has no obligation regarding tax credit certificates. As described in Note 2(h), recent legislative changes have impacted the continued availability of these tax credits.

(b) *Transactions with Cimarron Capital Associates I, LLC*

The Company pays management fees to Cimarron. Fees paid under these provisions were approximately \$410,000 and \$470,000 for the years ended December 31, 2011 and 2010, respectively. The Company pays to Cimarron tax consortium fees for organizing and maintaining tax credit purchase agreements. Fees incurred under these provisions were approximately \$56,210 and

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

\$0 for the years ended December 31, 2011 and 2010, respectively. The Company had a payable of approximately \$0 and \$66,204 to Cimarron as of December 31, 2011 and 2010, respectively.

(6) Subsequent Events

On February 22, 2012 IDI's line of credit was extended to April 22, 2012. The line was not at that time extended or renewed. The line of credit was not paid when due, resulting in a default by IDI.

On August 8, 2012, an extended and modified loan agreement (new loan agreement) was reached between IDI and the lenders. The new loan agreement provides for up to a \$40 million line of credit to March 30, 2018. If certain provisions within the agreement are met at that date, then the line will be automatically extended to March 30, 2020. The new loan agreement waived IDI's default with respect to non-payment of the previous line of credit at the maturity date.

The new loan agreement is collateralized by a verified tax credit certificate for approximately \$25 million and a contingent tax credit certificate of approximately \$31 million. IDI has pledged all of its equity interest now owned, or hereafter acquired, in the Fund as collateral. The Fund has also guaranteed the new loan agreement, and in the event of default by IDI, all outstanding principal and interest will be payable by the Fund.

Concurrently with the new loan agreement, IDI entered into a subordinated note with the State of Iowa. Under this facility, the IDI will reimburse the State for, and pay to the State, the full cost for the amount of any existing or future tax credits verified and sold or otherwise used by any taxpayer in collateral support of the new loan. Any amounts owed under this agreement accrue interest at an initial rate of 5.0 percent, subject to annual adjustment. As collateral for this agreement, IDI has pledged its partnership interest in the Fund and all distributions, dividends, and rights to payment from the Fund. The Fund has also guaranteed the subordinate note in the event of default by IDI.

In conjunction with the establishment of the new financing facilities, the Fund, its general partner, each of its limited partners, the fund manager and the State of Iowa agreed upon procedures for sharing confidential information and setting of estimated budgets during the term of the financing, among other matters.

On August 8, 2012, the partnership agreement of the Fund was amended to provide, generally that during the terms of the financings, without the approval of the appropriate signatories:

- No new Partners shall be admitted to the Fund
- The capital contributed by the Preferred Limited Partner (IDI) shall be automatically increased without approval by any other Partner by the amount of funding provided by the Preferred Limited partner to meet mandatory capital calls of the existing Portfolio Entities.
- The Fund shall make no capital investments in any new portfolio entity, and shall not make new commitments to any existing portfolio entity, but it shall honor mandatory capital calls based on commitments to existing portfolio entities made prior to December 31, 2011.
- Upon the event of default by the Preferred Limited Partner, the Fund may sell any assets at the direction of the General Partner, with prior consent of the lenders and State, as applicable.

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- All distributions received by the Fund from its portfolio companies are to be distributed by the Fund first to meet any applicable tax distribution obligations and then 100% to IDI, to be applied solely to IDI's obligation under the new loan agreement.
- The Fund Management Agreement was revised to set the fee paid to the Fund manager at \$275,000 per year while allowing termination only for cause until such time as assets of the Fund are \$7.5 million or less. The carried interest to be paid to Cimarron will be deferred until after the obligations under the new loan agreements have been satisfied (note 3).

The Company has evaluated subsequent events from the consolidated balance sheet date through October 22, 2012, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

IOWA CAPITAL INVESTMENT CORPORATION
Supplemental Consolidating Schedule – Balance Sheet Information
December 31, 2011

Assets	ICIC	IFOF, Fund A	ICD	IFOF, L.C.	Subtotal	Elimination	Consolidated
Cash and cash equivalents	\$ 97,077	436	272,962	—	370,475	—	370,475
Investment in portfolio funds	—	22,238,643	—	—	22,238,643	—	22,238,643
Receivable from ICIC	—	847,039	—	—	847,039	847,039	—
Other assets	4,246	—	551,174	—	555,420	—	555,420
Total assets	<u>\$ 101,323</u>	<u>23,086,118</u>	<u>824,136</u>	<u>—</u>	<u>24,011,577</u>	<u>847,039</u>	<u>23,164,538</u>
Liabilities, Noncontrolling Interest, and Equity (Deficit)							
Liabilities:							
Accounts payable	\$ 2,560	—	4,018	—	6,578	—	6,578
Management fee payable	—	—	121,667	—	121,667	—	121,667
Payable to IFOF	847,039	—	—	—	847,039	847,039	—
Total liabilities	<u>849,599</u>	<u>—</u>	<u>125,685</u>	<u>—</u>	<u>975,284</u>	<u>847,039</u>	<u>128,245</u>
Equity (deficit):							
Limited partners' equity	—	23,086,118	—	—	23,086,118	23,086,118	—
Accumulated surplus (deficit)	(748,276)	—	698,451	—	(49,825)	698,451	(748,276)
Noncontrolling interest	—	—	—	—	—	(23,784,569)	23,784,569
Total equity (deficit)	<u>(748,276)</u>	<u>23,086,118</u>	<u>698,451</u>	<u>—</u>	<u>23,036,293</u>	<u>—</u>	<u>23,036,293</u>
Total liabilities and equity (deficit)	<u>\$ 101,323</u>	<u>23,086,118</u>	<u>824,136</u>	<u>—</u>	<u>24,011,577</u>	<u>847,039</u>	<u>23,164,538</u>

See accompanying independent auditors' report.

IOWA CAPITAL INVESTMENT CORPORATION
Supplemental Consolidating Schedule – Statement of Operations Information
Year ended December 31, 2011

	<u>ICIC</u>	<u>IFO, Fund A</u>	<u>ICD</u>	<u>IFO, L.C.</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Consolidated</u>
Income:							
Portfolio revenue	\$ —	1,285,642	5,364	—	1,291,006	—	1,291,006
Asset management fee income	—	—	915,756	—	915,756	—	915,756
Placement fee income	—	—	775,458	—	775,458	—	775,458
Management fee income	187,500	—	—	—	187,500	187,500	—
Other income	9,246	—	—	—	9,246	—	9,246
Total income	<u>196,746</u>	<u>1,285,642</u>	<u>1,696,578</u>	<u>—</u>	<u>3,178,966</u>	<u>187,500</u>	<u>2,991,466</u>
Expenses:							
Management fees	—	410,000	1,303,485	—	1,713,485	—	1,713,485
Legal fees	116,954	—	53,548	—	170,502	—	170,502
General and administrative expenses	10,664	257,178	10,823	—	278,665	187,500	91,165
Other expense	7,025	—	—	—	7,025	—	7,025
Total expenses	<u>134,643</u>	<u>667,178</u>	<u>1,367,856</u>	<u>—</u>	<u>2,169,677</u>	<u>187,500</u>	<u>1,982,177</u>
Net income (loss)	<u>62,103</u>	<u>618,464</u>	<u>328,722</u>	<u>—</u>	<u>1,009,289</u>	<u>—</u>	<u>1,009,289</u>
Net income attributable to noncontrolling interest in affiliates	—	—	—	—	—	947,186	(947,186)
Net income attributable to Iowa Capital Investment Corporation	<u>\$ 62,103</u>	<u>618,464</u>	<u>328,722</u>	<u>—</u>	<u>1,009,289</u>	<u>947,186</u>	<u>62,103</u>

See accompanying independent auditors' report.