IOWA DESIGNATED INVESTOR, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Iowa Designated Investor, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Designated Investor, Inc. (the Company), which comprise the balance sheet as of December 31, 2015, and the related statements of operations, shareholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11600 Broadway Ext., Suite 300, Oklahoma City, OK 73114
P 405.848.2020 F 405.848.7359
www.hogantaylor.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 29, 2015, expressed an unmodified opinion on those statements.

HoganTaylor LLP

June 30, 2016

IOWA DESIGNATED INVESTOR, INC.

BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 500,668	$ 500,198
Investment in Iowa Fund of Funds, Fund A, LLLP	21,485,916	20,928,710
Interest rate cap	13,226	97,746
Total assets	$ 21,999,810	$ 21,526,654
Liabilities and Shareholders' Deficit		
Liabilities:		
Accounts payable	$ 908	$ 1,446
Income taxes payable	319,603	296,322
Interest payable	1,300,478	1,100,272
Line of credit with third-party banks	448,722	4,839,757
Subordinated note to the State of Iowa	25,986,190	24,890,415
Total liabilities	28,055,901	31,128,212
Shareholders' deficit:		
Common stock, $1 par value. Authorized, 5,000 shares; issued and outstanding, 200 shares at December 31, 2015 and 2014	200	200
Accumulated deficit	(6,056,291)	(9,601,758)
Total shareholders' deficit	(6,056,091)	(9,601,558)
Total liabilities and shareholders' deficit	$ 21,999,810	$ 21,526,654

IOWA DESIGNATED INVESTOR, INC.

STATEMENTS OF OPERATIONS

Years ended December 31, 2015 and 2014

	2015	2014
Income:		
Equity in income of investment in Iowa Fund of Funds, Fund A, LLLP	$ 5,186,214	$ 3,117,239
Interest income	66	50
Total income	5,186,280	3,117,289
Expenses:		
Interest expense	1,375,914	1,439,294
Legal expenses	13,164	37,841
Loss on interest rate cap	84,520	156,901
General and administrative expenses	50,253	101,910
Total expenses	1,523,851	1,735,946
Net income before income taxes	3,662,429	1,381,343
Income tax expense	116,962	132,296
Net income	$ 3,545,467	$ 1,249,047

See notes to financial statements.

IOWA DESIGNATED INVESTOR, INC.

STATEMENTS OF SHAREHOLDERS' DEFICIT

Years ended December 31, 2015 and 2014

	Common Stock	Accumulated Deficit	Total
Balance at December 31, 2013	$ 300	$ (10,850,905)	$ (10,850,605)
Stock settlement	(100)	100	-
Net income	-	1,249,047	1,249,047
Balance at December 31, 2014	200	(9,601,758)	(9,601,558)
Net income	-	3,545,467	3,545,467
Balance at December 31, 2015	$ 200	$ (6,056,291)	$ (6,056,091)

IOWA DESIGNATED INVESTOR, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Net income	$ 3,545,467	$ 1,249,047
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in income of investment	(5,186,214)	(3,117,239)
Non-cash distribution from investee	3,794	8,254
Change in:		
Interest rate cap	84,520	156,901
Accounts payable	(538)	(118)
Income taxes payable	23,281	43,022
Interest payable	200,206	592,723
Net cash used in operating activities	(1,329,484)	(1,067,410)
Cash Flows from Investing Activities		
Investment in Iowa Fund of Funds, Fund A, LLLP	(1,522,237)	(2,184,309)
Distributions received from investee	6,147,451	4,143,523
Net cash provided by investing activities	4,625,214	1,959,214
Cash Flows from Financing Activities		
Borrowings on line of credit	1,758,601	2,721,509
Borrowings on subordinated note to the State of Iowa	1,095,775	7,781,145
Repayments on line of credit	(6,149,636)	(11,394,821)
Net cash used in financing activities	(3,295,260)	(892,167)
Net change in cash and cash equivalents	470	(363)
Cash and cash equivalents:		
Beginning of year	500,198	500,561
End of year	$ 500,668	$ 500,198
Supplemental Cash Flow Information		
Cash paid for interest	$ 79,933	$ 350,421
Cash paid for income taxes	$ 93,681	$ 98,740
Non-cash distribution from investee	$ 3,794	$ 8,254
Interest payable converted into subordinated note to the State of Iowa	$ 1,095,775	$ 496,150

IOWA DESIGNATED INVESTOR, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Note 1 – Basis of Presentation

Iowa Designated Investor, Inc. (the Company) was organized under the Delaware General Corporation Law. The Company, which began operations on June 24, 2005, was formed for the purpose of making equity investments in and being a Preferred Limited Partner of Iowa Fund of Funds, Fund A, LLLP (the Fund). The Company, upon making a commitment to invest in the Fund, received tax credit certificates from the Iowa Capital Investment Board (ICIB), an agency of the State of Iowa that assures its receipt of a Scheduled Return (see Note 6).

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The Company 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 U.S. generally accepted accounting principles 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.

Cash and cash equivalents

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

Included in cash and cash equivalents at December 31, 2015 and 2014, was $500,000 restricted for the purpose of meeting the cash reserve requirements of the modified loan agreement (see Note 5).

Investment in Iowa Fund of Funds, Fund A, LLLP

The Company has a capital commitment obligation, subject to its ability to obtain financing, to the Fund for an amount equal to $40,000,000 for the years ended December 31, 2015 and 2014, in exchange for an economic interest in the Fund described in Note 4. The Company does not control or have significant influence over the Fund. However, the Company's officers do exercise significant influence over the Fund through their control of Cimarron Capital Associates I, LLC (Cimarron), which is employed by the general partner of the Fund as the Fund's manager. The investment is included in the balance sheets at the Company's ratable share of the underlying net assets of the Fund. The Fund carries investments at cost, which are analyzed for impairment. Equity in income of investment represents the Company's share of the Fund's income as provided for under the terms of the Limited Partnership Agreement of the Fund dated June 9, 2005 and amended August 8, 2012 (the Partnership Agreement).

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company files income tax returns in the U.S. federal jurisdiction and multiple state jurisdictions. Major state jurisdictions include Iowa, California, Illinois, Minnesota, Missouri, Nebraska, New Jersey, and Wisconsin. The Company is currently not under income tax examination by the Internal Revenue Service or any state.

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. The Company had no unrecognized tax benefits as of December 31, 2015 and 2014.

Risks and uncertainties

The Company's ability to recover its investment in the Fund is dependent upon a number of factors, including the ability of the individual portfolio funds of the Fund to generate and distribute cash flow 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 partnerships operate, and other factors that may affect national securities markets.

Subsequent events

The Company has evaluated subsequent events from the balance sheet date through June 30, 2016, the date at which the financial statements were available to be issued, and determined there are no items requiring recognition or disclosure in the financial statements.

Note 3 – Iowa Fund of Funds, Fund A, LLLP: Partnership Profits, Losses, and Cash Distributions

The Fund has four partners: the Company (the Preferred Limited Partner); Cimarron; Iowa Fund of Funds, L.C. (the Revolving Fund); and Iowa Capital Investment Corporation (the General Partner).

The Partnership Agreement, as amended on August 8, 2012, 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 Partner to be applied solely to obligations under the Preferred Limited Partner's loan agreements, including the obligation to reimburse the State for verified tax credit, interest and expense;
- Second, to Cimarron, until Cimarron has received the distributions it would have received under the Partnership Agreement, but for the August 8, 2012 amendments, 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) and an additional amount based on the amount and time period of the deferral calculated at a rate of 12% per annum; and
- Thereafter, to the partners based upon the provisions of the Partnership Agreement as in effect prior to the August 8, 2012 amendments.

Revisions to Iowa Code 15E.61 et seq., including new Section 15E.72, were adopted in 2013 (the 2013 Legislation), which revised the above to provide that amounts payable to the Revolving Fund (Special Limited Partner) under the Partnership Agreement shall instead be paid to the general fund of the State of Iowa.

For the years ended December 31, 2015 and 2014, net cash flow was distributed to the Preferred Limited Partner. Distributions of $6,151,245 and $4,151,777 were received from the Fund during the years ended December 31, 2015 and 2014, respectively. Distributions included $3,794 and $8,254 of pass-through tax withholding for the years ended December 31, 2015 and 2014, respectively.

Note 4 – Investment in Iowa Fund of Funds, Fund A, LLLP

A summary of the financial information for the Fund, which the Company does not control, but over which the Company's officers have significant influence through their control of Cimarron, which is employed by the General Partner of the Fund as the Fund's manager, as of December 31 is as follows:

	2015	2014
Assets:		
Cash and cash equivalents	$ 258	$ 102
Investment in portfolio funds	20,638,795	20,081,654
Total assets	$ 20,639,053	$ 20,081,756
Liabilities and partners' equity:		
Accounts payable	$ 176	$ 85
Partners' equity	20,638,877	20,081,671
Total liabilities and partners' equity	$ 20,639,053	$ 20,081,756
Income	$ 5,562,642	$ 3,487,399
Expenses	(376,428)	(370,160)
Net income	$ 5,186,214	$ 3,117,239

Note 5 – Line of Credit

On February 23, 2011, the Company entered into two line of credit agreements with two banks (Regions and Bank of Oklahoma) for a total of $40,000,000, with a maturity date of February 22, 2012 (original loan). Borrowings on the lines were limited based on a combination of the floating interest rate, ongoing operating costs, the volume and pace at which capital is called by the Fund's individual Portfolio Funds and the size of, and rate paid on, a compensating balance. The lines could be refinanced or restructured without penalty prior to maturity. On February 22, 2012, the Company's lines of credit were extended to April 22, 2012. The lines of credit were not paid at maturity.

On August 8, 2012, the Company and the banks agreed to modify the February 23, 2011 loan agreement (modified loan agreement). The modified loan agreement provides for lines of credit of up to $40,000,000 to March 30, 2018. If there have been (i) no event of default, (ii) the Company executes and delivers an interest rate cap, and (iii) the modified loan is less than $10 million as of that date, then the line will be automatically extended to March 30, 2020. The modified loan agreement waived the Company's default with respect to non-payment of the previous lines of credit at the maturity date.

Interest on the original and modified loan is payable quarterly in arrears. Interest is calculated at a variable rate equal to the lesser of (1) the maximum effective rate of interest which the banks are permitted to contract for and charge under applicable law or (2) the LIBOR rate plus 3.55%. The interest rates were 3.99% and 3.74% at December 31, 2015 and 2014, respectively. The Company had borrowings outstanding under the credit agreement of $448,722 and $4,839,757 at December 31, 2015 and 2014, respectively.

The Company has pledged all of its equity interests now owned, or hereafter acquired, in the Fund as collateral. The Fund has also guaranteed the modified loan agreement, and in the event of default by the Company, all outstanding principal and interest will be payable by the Fund. In addition, the loan agreement is collateralized by tax credit certificates (see Note 6).

As of December 31, 2015, the Company was in technical default of the modified loan agreement. The agreement provides that the banks will not advance to the Company more than $100,000 per year in relation to the Company paying its tax liabilities; however, the Company's tax liabilities during 2015, were greater than $100,000, which resulted in the Company's technical default. Although the Company is in technical default, the banks have not placed any restrictions on the Company or assessed any default interest and have honored all advance requests.

Concurrently with the modified loan agreement, the Company entered into a subordinated note with the State of Iowa (the State). Under this facility, the Company 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 modified loan. Any amounts owed under this agreement accrue interest daily at an initial annual rate of 5%, subject to annual adjustment by the State of Iowa. The interest rate at December 31, 2015 and 2014 was 5%. As collateral for this agreement, the Company 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 the Company. The Company had borrowings outstanding with the State of $25,986,190 and $24,890,415 at December 31, 2015 and 2014, respectively. Repayment of these borrowings is dependent on the Company's ability to recover its investment in the Fund.

Note 6 – Tax Credit Certificates

Contingent tax credit certificates are issued by the 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). Tax credit certificates are issued based upon a commitment by the Company to invest in the Iowa Fund of Funds, Fund A, LLLP. Each contingent tax credit certificate contains on its face a maximum value along with maturity dates and a calculation formula for its "Scheduled Return." Generally, Scheduled Return is defined as the sum of all the Company's expenses and liabilities—including principal and accumulated interest—related to the Company's investment in the Fund.

The Company borrows under a revolving credit agreement (see Note 5) to fund its investments in the Fund. The original loan was secured by the collateral assignment of contingent tax credit certificates issued to the Company in the amount of $57 million as of December 31, 2011. After modification of the original loan, the contingent tax credit certificates were reissued to Regions Bank.

To redeem the tax credit certificates, the contingent certificates are presented to the ICIB for issuance of a verified tax credit certificate. As of December 31, 2015, ICIB has issued to Regions a verified tax credit certificate of $25.3 million and a contingent tax credit certificate of $31.4 million.

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 sold in amounts up to $20 million in any one Iowa fiscal year (July 1 through June 30). Tax credit certificates may not be carried back against past liabilities but they may be carried forward up to seven years.

After February 1, 2018, but on or before February 15, 2018, the ICIB shall verify an amount of tax credits equal to the lesser of (i) the aggregate amount of all interest accrued on the modified loan since February 23, 2011, plus the amount of capital invested in the Fund's investments subsequent to August 8, 2012, (ii) 1.43 multiplied by the then-existing commitment, or (iii) the face amount of the contingent tax credit certificates on August 12, 2012.

Note 7 – Interest Rate Cap

Concurrently with the modified loan agreement, the Company executed an interest rate cap on an amortizing notional amount of $25 million. The cap had an effective date of August 8, 2012, and will mature on March 23, 2018. The counterparty in the cap transaction is the payer on one-month LIBOR at a cap strike rate of 2.0%. The cap is recorded by the Company on the balance sheets at fair value with changes in the fair value being reflected in the statements of operations. As of December 31, 2015, the cap had a fair value of $13,226 and resulted in a loss of $84,520 for the year ended December 31, 2015, recorded in the statements of operations. As of December 31, 2014, the cap had a fair value of $97,746 and resulted in a loss of $156,901 for the year ended December 31, 2014, recorded in the statements of operations.

The valuation of the interest rate cap is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of interest rate option is determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the cap. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of

Accounting Standard Codification 820, *Fair Value Measurement*, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the interest rate cap utilizes Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate cap and has determined that the credit valuation adjustment is not significant to the overall valuation of the cap. As a result, the Company has determined that the interest rate cap in its entirety is classified in Level 2 of the fair value hierarchy.

Note 8 – Income Taxes

Deferred income taxes as of December 31 are as follows:

	2015	2014
Net deferred income tax assets	$ 3,550,014	$ 3,908,700
Valuation allowance	(3,550,014)	(3,908,700)
Net deferred tax asset	$ -	$ -

Temporary differences giving rise to net deferred tax assets at December 31, 2015 and 2014, include primarily net operating loss carryfowards and basis differences in partnership investments.

The components of income tax expense for the year ended December 31 are as follows:

	2015	2014
Current	$ 116,962	$ 132,296
Deferred	(358,686)	(572,199)
Valuation allowance	358,686	572,199
Total	$ 116,962	$ 132,296

The Company's actual tax expense differs from expected tax expense due to existence of a valuation allowance for Federal tax purposes and certain states as well as tax expense attributable to certain states which is calculated using a specific allocation method.

Deferred income tax assets are calculated based on an assumed effective tax rate of 34% for federal income tax and various rates applicable to individual states.

The Company incurred $9,393 and $17,875 in interest and penalties for the years ended December 31, 2015 and 2014, respectively, which were recorded with general and administrative expenses.

As of December 31, 2015 and 2014, the Company has net operating loss carryforwards for federal income tax purposes of approximately $11.5 million and $12.8 million, respectively, and various amounts for state income tax purposes depending on the jurisdiction. The carryforwards will expire at various dates from 2018 through 2035.

Realization of the Company's net deferred tax assets is dependent upon the Company generating sufficient taxable income in future years in the appropriate tax jurisdictions to obtain a benefit from the reversal of deductible temporary differences and from tax loss carryforwards.

The Company has concluded that, based on expected future results and the future reversals of existing taxable temporary differences, it is not more likely than not that certain deferred tax assets will be used in the next twelve months or the near term. Accordingly, a valuation allowance has been established for these tax benefits.