

**ARKANSAS VENTURE CAPITAL INVESTMENT TRUST
ARKANSAS VENTURE CAPITAL DEVELOPMENT FUND
ARKANSAS-BASED TECHNOLOGY COMPANY**

The following are general requirements for an Arkansas-based technology company to make application to the Arkansas Venture Capital Investment Trust (AVCIT) for a matching investment funded through the Arkansas Venture Capital Development Fund (AVCDF).

1. Eligible Companies: For-profit proprietorships, partnerships, corporations, and limited liability companies.
2. Maximum Investment Amount Per Company: \$1,000,000 per company.
3. Minimum Investment Per Company: \$50,000 per company.
4. Maximum Investment per Capital Raise: Twenty percent (20%) per investment offering.
5. Investment Commitment: Prior to receiving an investment commitment from the AVCIT/AVCDF, the applying company shall have received investment commitments from private investors of at least fifty percent (50%) of the company's total capital raise.
6. Terms of Investment: An investment from the AVCIT/AVCDF shall be based on the same terms and conditions provided to other private investors participating in the specific investment offering.
7. Arkansas Presence: Generally, the headquarters of the business shall be located within the borders of Arkansas. At a minimum, the company will have a significant managerial and employee presence in Arkansas.

An approved company shall be required to immediately repay the AVCIT investment at the current market value of the investment, if it moves its headquarters or primary employment base outside of the borders of Arkansas.

8. Employment and Salary Requirement: Preference may be given to applications that create or retain large numbers of high wage, high skill jobs in areas of high unemployment. High wage jobs are defined as those new jobs being at least one hundred fifteen percent (115%) of the lesser of the state or county average hourly wage. Generally, the goal is to support companies that pay on average at least one hundred fifty percent (150%) of the lesser of the state or county average hourly wage.

A company applying for investment to retain jobs in Arkansas must provide overwhelming evidence that an investment from the AVCDF is required or the jobs will be lost.

9. Company Formation: An applying company shall be duly and legally formed under applicable state and federal law and does not have to be formed under Arkansas State law but is required to be in good standing with the Arkansas Secretary of State.
10. Board of Directors: An applying company shall have a duly formed Board of Directors consisting of at least three (3) individuals. The AVCIT shall not serve on the Board of Directors but may request Board of Directors Observation rights.
11. Key Person Life Insurance: Life insurance may be required pursuant to prudent investing practices.

12. Company Financial Statements and Employment Reports: At a minimum, companies will be required to submit quarterly financial statements which can be internally prepared, within forty-five (45) days of the end of the quarter of the fiscal year. Annual financial statements and employment reports shall be provided within ninety (90) days of the end of the fiscal year.

The annual employment reports shall at a minimum include the number of existing employees in Arkansas, the average hourly wage of the existing Arkansas employees, the number of new jobs created in Arkansas during the fiscal year, and the average hourly wage of the new Arkansas-based employees.

ADFA may request annual audited financial statements on a case-by-case basis.

13. Company Information: A company shall provide any information formally requested by AVCIT and/or AVCDF. At a minimum, a company shall provide all information provided to the company shareholders and/or the company Board of Directors.
14. Industry Focus Areas: The AVCIT and AVCDF shall focus on investing in companies that operate in industries that are prominent in Arkansas, that have been identified as target industries by the Governor or the Arkansas Economic Development Commission (AEDC), and/or are focus areas for research activities at the State's four-year college institutions.

