

ARKANSAS VENTURE CAPITAL INVESTMENT TRUST
ARKANSAS VENTURE DEVELOPMENT FUND
VENTURE CAPITAL INVESTMENT FIRMS

The following are general requirements for venture capital investment firms (Fund), located inside or outside Arkansas, to make application to the Arkansas Venture Capital Investment Trust (AVCIT) for a matching investment funded through the Arkansas Venture Development Fund (AVDF).

1. Eligible Fund: Seed, Angel, Venture, Growth or Private Equity Funds.
2. Maximum Investment Amount Per Fund: \$2,000,000 per Fund.
3. Minimum Investment Per Fund: \$250,000 per Fund.
4. Maximum Investment Percentage per Fund: Ten percent (10%) per investment offering.
5. Investment Commitment: Prior to receiving an investment commitment from the AVCIT/AVDF, an applying fund shall have received investment commitments from private investors of at least twenty percent (20%) of the company's total capital raise. In no event shall AVCIT/AVDF provide the initial investment commitment.
6. Terms of Investment: An investment from the AVCIT/AVDF shall be based on the same terms and conditions as offered to other investors participating in the specific investment offering.
7. Historical Financial Performance: An applying Fund shall be able to provide historical evidence of providing positive return on investment to investors. Specifically, this historical performance should be based on the same or similar investment strategy as being proposed in the application.
8. Arkansas Commitment: An applying Fund will commit to exerting significant effort to produce investment in Arkansas companies in a dollar amount at least an equal to the amount of the AVCIT/AVDF investment commitment. An applying Fund will also commit to making, at a minimum, two trips per year to Arkansas and supporting the growth of the Arkansas entrepreneurial and technology ecosystem.

Preference may be given to applications that fully commit to provide investment in Arkansas companies equal to the amount of the AVCIT/AVDF investment commitment.
9. Point of Contact: The contact person for the AVCIT within the Fund shall preferably be the managing partner and at minimum, a partner in the Fund.
10. Investment Focus: An applying Fund will focus on investment opportunities in Arkansas with the potential to create large numbers of high wage jobs. High wage jobs are defined as new jobs averaging 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 average at least one hundred fifty percent (150%) of the lesser of the state or county average hourly wage.

Preference may be given to applications that create or retain large numbers of high wage, high skill jobs in areas of high unemployment.

11. Fund Formation: An applying Fund shall be duly and legally formed under applicable state and federal law but does not have to be formed under Arkansas State law.
12. Board of Advisors: An applying Fund shall have a duly formed Board of Advisors consisting of at least three individuals. The AVCIT shall serve on the Board of Advisors if it commits to invest \$1,000,000 or more.
13. Fund Financial Statements and Employment Reports: At a minimum, Funds 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 Arkansas investment activity reports shall be provided within ninety (90) days of the end of the fiscal year.

The annual financial statements and investment portfolio of the Fund shall be audited by a regional or national accounting firm with experience and capabilities in auditing a venture fund. The annual Arkansas investment activity reports shall at a minimum include the number of new/existing Arkansas investments, a summary of the performance of each Arkansas investment, including the number of employees and average hourly wages, the number of Arkansas companies reviewed for potential investment, and any other activity performed in Arkansas.

14. Fund Information: A Fund shall provide any information formally requested by AVCIT/AVDF. At a minimum, a company shall provide all information provided to the investors and/or the Fund Board of Advisors.
15. Industry Focus Areas: An applying Fund shall focus on investing 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 are focus areas for research activities at the State's four-year college institutions.