REQUEST FOR PROPOSALS
FOR ANALYSIS OF ECONOMIC IMPACT OF THE
ARKANSAS VENTURE CAPITAL TRUST
FROM JANUARY 1, 2003 THROUGH DECEMBER 31, 2013.

February 11, 2014

The Board of the Arkansas Development Finance Authority ("ADFA") is requesting proposals from qualified individuals and firms to perform an analysis of the economic impact achieved by the Arkansas Venture Capital Trust (the "Trust") from January 1, 2003 through December 31, 2013 including the activities of the Arkansas Institutional Fund ("AIF"), the activities of the Risk Capital Matching Fund ("RCMF"), the other direct investments of the ADFA Co-Investment Fund ("ACIF"), and the activities of the Seed and Angel Capital Network ("SACN"). The analysis shall include the aggregate impact attributable to the state funding sources and the aggregate impact attributable to the federal State Small Business Credit Initiative ("SSBCI") funding source. Only experienced analysts or firms assigning experienced analysts to the tasks will be considered. Descriptions of ADFA, the Trust, AIF, RCMF and SACN, the tasks to be performed, instructions for preparing proposals, basis of selection and other terms and conditions are provided herein.

SECTION 1: DESCRIPTION OF ADFA

The Arkansas Development Finance Authority has responded to the changing needs of Arkansas’ growing and increasingly diverse population and business community since 1985. ADFA is Arkansas’ largest source of low-cost financing for low-to-moderate income housing development, small industries, government, education, agricultural business enterprise and health care. ADFA administers funding in the form of tax exempt bonds and other debt instruments through its series of program activities. ADFA administers the Trust and its programs to increase the availability of equity and near equity capital for emerging, expanding, relocating, and restructuring enterprises in Arkansas.

SECTION 2: DESCRIPTION OF TRUST, AIF, RCMF, ACIF AND SACN

The Arkansas Venture Capital Investment Trust works to build the state economy by increasing access to venture capital for Arkansas’ innovative entrepreneurs. During the 83rd General Assembly, the ADFA was given the tools to implement a Venture Capital Investment Program. Beginning with a venture capital fund of funds (AIF) in 2003, the Program was expanded in 2010 to support direct investments in early stage companies, and expanded again in 2011 to support the launch of seed capital and angel funds, matched by private investors.

The Arkansas Institutional Fund is the fund of funds program of the Trust. AIF works to build the state economy by increasing access to venture capital for innovative Arkansas businesses. Over time, the AIF is dedicating approximately $70 million to proven, professional private equity and venture capital funds that commit to include Arkansas in aggressive and visible deal
prospecting. To date AIF has invested in ten funds: SSM Venture Partners III; Fund for Arkansas’ Future; Prolog Capital II; Memphis BioMed Ventures II; Meritus Ventures; Noro-Moseley Partners VI; Petra Growth Fund II; Fulcrum Growth Fund II; Noro-Moseley Partners VII; and, Fund for Arkansas’ Future II. The capital base attracted by AIF supports those companies which are the engines of economic growth; companies that diversify and stabilize the state's economy; companies that create jobs.

The RCMF targets investments in early-stage technology-based enterprises that are not yet able to attract adequate private sources of venture or investor-backed capital necessary to facilitate their development. The RCMF can invest up to $100,000 to validate the effectiveness and market value of new technologies, and up to $750,000 to augment investments made by angel or other institutional investors. The program is managed by ADFA, while equity interests are held by the Trust.

The ACIF, funded with capital from SSBCI, is a program similar in design to the RCMF. It has a more flexible set of limitations regarding valuations, and can invest up to $1,000,000 in eligible small businesses.

The SACN program invests in Arkansas-based seed and angel funds with capital from the SSBCI. These funds attract capital from private investors to consider projects in the state and to provide guidance to entrepreneurs seeking capital.

It is important to note that the Trust holds these resources for investment and subsequent recycling.

SECTION 3: CONTRACT PERIOD

The contract period shall be April 7, 2014, through June 30, 2014. Either party may terminate the contract in accordance with the terms outlined in a mutually agreeable Professional Services Agreement to be entered into subsequently by the parties.

SECTION 4: TASKS TO BE PERFORMED

Perform a basic economic impact analysis that will include impacts stemming from new employment, payroll, and capital investment by industry. The economic impact results should include direct, indirect, and induced impacts resulting from total jobs, payroll, capital investment, and output by year. Also, the results of the Trust programs should be documented separately and in the aggregate.

Gather Information

Gather project information, relying on the ADFA and AIF to provide the following basic information about the companies the Trust has worked with including:

- Estimated number of new jobs created in Arkansas
• Payroll
• Capital Investment
• Industry type (SIC or NAICS)
• Year of participation in program

**Calculate Economic Impacts**

Economic impacts should include output or economic activity from payroll, jobs, and capital investment. For each of these variables there are direct, indirect and induced impacts based on industry-specific multipliers. Appropriate multipliers should be used for the State of Arkansas from IMPLAN Group or like supplier. Impacts should also be presented by industry type, by year for each of the three programs (AIF, RCMF, ACIF and SACN). Also, a separate report on the impact of the SSBCI resource should be provided.

For the ten AIF fund investments, the analysis should include approximately 30 companies over 11 years.

For the RCMF and other direct investments, the analysis should include approximately 20 companies over 3 years.

For the ACIF investments, the analysis should include approximately 5 companies over 2 years.

For the five SACN fund investments, the analysis should include approximately 33 companies over 2 years.

The instances of companies benefiting from a combination of the analyzed programs should be documented.

The instances of companies benefiting from other private capital contributions (“leverage”), whether they are debt or equity should be documented.

Note known subsequent significant funding events and impacts post 12/31/13.

Depict the annual impact of the companies assisted in each year. Provide cumulative impacts to the extent data is available.

An Offer or proposal for an alternative approach to analyzing and quantifying economic impact may be considered.

**Prepare Summary Report**

Present the results of the economic impact analysis in an executive summary report. Make use of tables and graphs to illustrate key points. Deliver a camera ready hard copy(s) of the report along with an electronic version in Word and pdf formats. The hard copies should be delivered to the:
SECTION 5: QUALIFICATIONS

Offerors must provide each of the following items and information for the proposal to be considered whole and viable for evaluation:

1. An affirmation that the Offeror does not have a record of substandard work, is not involved in any lawsuits with any governmental entity, nor has been dismissed from an engagement with any governmental entity.

2. An affirmation that the Offeror meets any specific qualification requirements imposed by federal or state laws and regulations.

3. A resume of the firm, its principal, manager, supervisor, and staff who will be involved with the engagement. Proposals should furnish all of the information listed below.

   a. List the name, business address and telephone number of the individual submitting this proposal or representative of the firm who is submitting this proposal on behalf of the firm and the firm's address and phone number if different.

   b. List the individuals who will have substantive involvement in the services. Please provide a detailed resume for each and a brief description of three projects of similar size and nature to this one. Indicate what role the individual played in the project and provide the name and current phone number of a reference with respect to each project.
4. A listing of all economic impact studies performed within the last three years along with the name and address of a contact official.

SECTION 6: INSTRUCTIONS FOR PREPARING PROPOSALS

An Offeror must submit its proposal in pdf format to the following email addresses:

Brad Henry, brad.henry@adfa.arkansas.gov

Patrick Patton, patrick.patton@adfa.arkansas.gov

Michael Tharp, mtharp@cimarroncapital.com

Proposals must be received by 12:00 p.m. CST, March 3, 2014. No proposals will be accepted after the time indicated or at any other location. Opened proposals shall become the property of the Board and will not be returned. No compensation shall be paid to the firms submitting the proposals.

Any questions relating to this request for proposals should be directed to the individuals listed above via email.

Proposals must include the following information to be considered whole and viable for evaluation by the Board:

1. A quote of hourly fees and expenses for the full task including a maximum above which the cost will not rise for the full task.

2. Describe any transaction, agreement or arrangement for the rendering of services or potential conflict of interest that might arise between your firm or any individuals in your firm and:
   a. any of the board of directors or executive staff of the ADFA;
   b. any of the Trustees of the Trust; or
   c. any of the managers of the AIF.

3. Each and every item requested identified in SECTION 5: QUALIFICATIONS.

SECTION 7: BASIS OF SELECTION

The proposals will be evaluated on the basis of the following:

1. management strength and qualifications; demonstrated relevant successful experience and reputation; demonstrated understanding of the tasks to be performed; other unique features; and

2. cost including fees and expenses.

The Board of the ADFA will select the firm or firms that most completely meet the needs of this solicitation. This RFP in no way obliges ADFA to select a firm or entity. Any firm or entity selected will be required to complete a disclosure form in compliance with Governor’s Executive Order 98-04.
SECTION 8: SCHEDULE OF EVENTS

The Board intends to use the following schedule of events for the solicitation, selection and award of contract but reserves the right to amend or revise the schedule of events as necessary and at its sole discretion:

<table>
<thead>
<tr>
<th>Date of Completion</th>
<th>Description of Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 11, 2014</td>
<td>Issue requests for proposals</td>
</tr>
<tr>
<td>March 3, 2014</td>
<td>Proposals Due</td>
</tr>
<tr>
<td>March 3, 2014</td>
<td>Open proposals</td>
</tr>
<tr>
<td>March 20, 2014</td>
<td>Board decision</td>
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SECTION 9: OTHER TERMS AND CONDITIONS

The ADFA reserves the right to take any or all of the following actions:

1. Cancel, delay or re-open this solicitation;
2. Reject any or all proposals or award the contract to the next most qualified firm if the firm receiving the award does not execute a contract acceptable to the ADFA within seven working days after receiving the award;
3. Request an oral interview with and additional information from individuals or firms prior to final selection;
4. Select for contract negotiations the Offeror's proposal which in its judgment will best meet the ADFA’s needs, regardless of any differences in estimated cost between the Offeror and all others; and
5. Negotiate a contract that covers selected parts of the proposal or a contract that will be interrupted for a period or terminated.

Any proposal may be withdrawn up until the date and time set forth above for opening of the proposals. Any proposal not so withdrawn shall constitute an irrevocable offer, for a period of ninety days, to provide to the ADFA the services set forth herein, or until one or more of the proposals has received an award and a contract has been executed.

The Offeror shall not assign any interest in the contract and shall not transfer any interest in the same without prior written consent of the ADFA.

The services to be rendered under a contract awarded are that of an independent contractor to the ADFA and not as an employee, agent or partner of the ADFA.

NO CONTACT WITH THE ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTIONS OF A FIRM'S PROPOSAL.
**PROPERTY OF ADFA.** Any information or materials submitted as a response to this RFP shall become the property of ADFA and will not be returned. All submitted materials will be available for public review.

**Equal Opportunity Statement.** Please submit your Equal Opportunity Policy to ADFA in accordance with Arkansas Act 2157 of 2005. This act requires any firm wishing to respond to an RFP or submit a proposal or statement of qualifications to provide ADFA with your Equal Opportunity Policy.

**Acceptance.** Submission of proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.