



November 25, 2014

The Honorable Governor Mike Beebe
State Capitol
500 Woodlane, Suite 250
Little Rock, AR 72201

And

Ms. Marty Garrity
Bureau of Legislative Research (on behalf of Arkansas Legislative Council)
One Capitol Mall, 5th Floor
Little Rock, AR 72201

RE: Statutory Required Financial Reports

TO WHOM IT MAY CONCERN:

In accordance with statutes, Arkansas Development Finance Authority is submitting two statutory required financial reports to your offices.

- In accordance with A.C.A. § 15-5-1110, ADFA is submitting a report describing the financial condition of the Capital Access Program for Small Business and the Arkansas Credit Reserve Program; and
- In accordance with A.C.A. § 15-5-1608, the agency is also submitting the Arkansas Venture Capital Investment Trust Annual Report for FY2014.

If you have any questions or comments, please contact Gene Eagle, ADFA President, at 501-682-3339.

Respectfully,

A handwritten signature in blue ink that reads "Gene Eagle".

Gene Eagle
ADFA President

Enclosures

Venture Capital Investment Trust
Statement of Net Position - UNAUDITED
June 30, 2014

Activities of the Fund:

Investments and loan funded during the fiscal year ended June 30, 2014, totaled \$8,844,610. The primary funding sources were the Governor's Discretionary Quick Action Fund of \$4,745,083 and the State Small Business Credit Initiative Program of \$3,399,033.

Statement of Net Position - Unaudited
June 30, 2014

| | Enterprise Development Account | Technology Validation Account | Seed and Angel Capital Network | ADFA Co- Investment Fund | VCIT - General Account | Total |
|---|--------------------------------------|----------------------------------|-----------------------------------|-----------------------------|---------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | | | | | | |
| General | \$ 1,420,831 | \$ 40,706 | \$ - | \$ - | \$ 286,919 | \$ 1,748,456 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | <u>\$ 1,420,831</u> | <u>\$ 40,706</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 286,919</u> | <u>\$ 1,748,456</u> |
| Accrued interest receivable | | | | | | |
| General | \$ 12 | \$ - | \$ - | \$ - | \$ - | \$ 12 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | <u>\$ 12</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12</u> |
| Investments | | | | | | |
| General | \$ 2,913,172 | \$ 696,518 | \$ 2,206,355 | \$ 7,260,596 | \$ 41,380 | \$ 13,118,021 |
| Nanotechnology Subfund | \$ 560,598 | \$ 183,481 | \$ - | \$ - | \$ - | \$ 744,079 |
| | <u>\$ 3,473,770</u> | <u>\$ 879,999</u> | <u>\$ 2,206,355</u> | <u>\$ 7,260,596</u> | <u>\$ 41,380</u> | <u>\$ 13,862,100</u> |
| Loans | | | | | | |
| General | \$ - | \$ 190,000 | \$ - | \$ - | \$ - | \$ 190,000 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | <u>\$ -</u> | <u>\$ 190,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 190,000</u> |
| Total Assets | <u>\$ 4,894,613</u> | <u>\$ 1,110,705</u> | <u>\$ 2,206,355</u> | <u>\$ 7,260,596</u> | <u>\$ 328,299</u> | <u>\$ 15,800,568</u> |
| LIABILITIES | | | | | | |
| Other payables | | | | | | |
| General | \$ 1,071 | \$ - | \$ - | \$ - | \$ - | \$ 1,071 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>\$ 1,071</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,071</u> |
| NET POSITION | | | | | | |
| Restricted by program requirements | | | | | | |
| General | \$ 4,332,944 | \$ 927,224 | \$ 2,206,355 | \$ 7,260,596 | \$ 328,299 | \$ 15,055,418 |
| Nanotechnology Subfund | \$ 560,598 | \$ 183,481 | \$ - | \$ - | \$ - | \$ 744,079 |
| | <u>\$ 4,893,542</u> | <u>\$ 1,110,705</u> | <u>\$ 2,206,355</u> | <u>\$ 7,260,596</u> | <u>\$ 328,299</u> | <u>\$ 15,799,497</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 4,894,613</u> | <u>\$ 1,110,705</u> | <u>\$ 2,206,355</u> | <u>\$ 7,260,596</u> | <u>\$ 328,299</u> | <u>\$ 15,800,568</u> |

Cash and cash equivalents:

Federated Treasury Oblig Fund #398 \$ 1,461,537

AAA'-rated, invested primarily in U.S. Treasury securities maturing in 397 days or less.

Public Funds Interest Checking \$ 286,919

Balance over \$250,000 collateralized

Venture Capital Investment Trust
Statement of Revenue, Expenditures, and Net Position - UNAUDITED
For the fiscal year ending June 30, 2014

| | Enterprise Development Account | Technology Validation Account | Seed and Angel Capital Network | ADFA Co- Investment Fund | VCIT - General Account | Total |
|---|--------------------------------------|----------------------------------|-----------------------------------|-----------------------------|---------------------------|----------------------|
| OPERATING REVENUES: | | | | | | |
| Interest income: | | | | | | |
| General | \$ 155 | \$ 10 | \$ - | \$ - | \$ 11 | \$ 176 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total operating revenues: | 155 | 10 | - | - | 11 | 176 |
| OPERATING EXPENSES: | | | | | | |
| Program administration | | | | | | |
| General | \$ 11,697 | \$ 5,280 | \$ 7,583 | \$ 34,440 | \$ - | \$ 59,000 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total operating expenses: | 11,697 | 5,280 | 7,583 | 34,440 | - | 59,000 |
| OPERATING LOSS | \$ (11,542) | \$ (5,270) | \$ (7,583) | \$ (34,440) | \$ 11 | \$ (58,824) |
| OTHER (LOSS) REVENUE | | | | | | |
| Loss on Investments\Other Contribution | | | | | | |
| General | \$ (151,015) | \$ - | \$ (53,645) | \$ - | \$ 41,379 | \$ (163,281) |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | \$ (151,015) | \$ - | \$ (53,645) | \$ - | \$ 41,379 | \$ (163,281) |
| TRANSFERS IN | \$ 634,344 | \$ 200,000 | \$ 1,752,583 | \$ 5,974,265 | \$ 286,909 | \$ 8,848,101 |
| CHANGE IN NET POSITION | | | | | | |
| General | \$ 471,787 | \$ 194,730 | \$ 1,691,355 | \$ 5,939,825 | \$ 328,299 | \$ 8,625,996 |
| Nanotechnology Subfund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | \$ 471,787 | \$ 194,730 | \$ 1,691,355 | \$ 5,939,825 | \$ 328,299 | \$ 8,625,996 |
| NET POSITION: | | | | | | |
| Beginning of year | | | | | | |
| General | \$ 3,861,157 | \$ 732,494 | \$ 515,000 | \$ 1,320,771 | \$ - | \$ 6,429,422 |
| Nanotechnology Subfund | \$ 560,598 | \$ 183,481 | \$ - | \$ - | \$ - | \$ 744,079 |
| | \$ 4,421,755 | \$ 915,975 | \$ 515,000 | \$ 1,320,771 | \$ - | \$ 7,173,501 |
| End of year | | | | | | |
| General | \$ 4,332,944 | \$ 927,224 | \$ 2,206,355 | \$ 7,260,596 | \$ 328,299 | \$ 15,055,418 |
| Nanotechnology Subfund | \$ 560,598 | \$ 183,481 | \$ - | \$ - | \$ - | \$ 744,079 |
| | \$ 4,893,542 | \$ 1,110,705 | \$ 2,206,355 | \$ 7,260,596 | \$ 328,299 | \$ 15,799,497 |
| Program administration expenses: | | | | | | |
| Friday, Eldredge & Clark (law firm) | \$ 46,828 | | | | | |
| Kutak Rock (law firm) | 11,672 | | | | | |
| Trustee & Misc Fees | 500 | | | | | |
| | \$ 59,000 | | | | | |



December 12, 2014

Senator Bill Sample, Co-Chair
Representative John Charles Edwards
Arkansas Legislative Council
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Sample and Representative Edwards,

As required by ACA §15-5-1110(a) I am providing information that describes the financial condition, the results, and economic impact of the Arkansas Development Finance Authority's (ADFA) Arkansas Credit Reserve Program (AR Cash).

The ADFA AR Cash program encourages financial institutions to make loans to small businesses that fall just outside their conventional underwriting standards. Most types of lending institutions are eligible to participate in AR Cash and the lenders (not ADFA) underwrite their own loans. AR Cash is a form of loan portfolio insurance that provides up to 100% coverage on certain loan charge offs. As more loans that are made through the program, the protection afforded to the lender increases. ADFA sets up a loan loss reserve account for each participating financial institution wherever the institution wants, whether in their bank or at another. ADFA makes a contribution to the loss reserve account with each enrolled loan. The loan loss reserve is used to cover charged off loans when a claim is requested.

Fiscal Year 2014 was the first for the AR Cash program. Thus most of the year was spent marketing the program to lenders and educating them on the details. No lenders enrolled during FY 2014, so there is no financial or economic impact information to provide. However, since the end of FY 2014, two lenders –Arvest Bank and Southern Bancorp- have enrolled in the program. Thus we will have much more detailed information to provide on our FY 2015 report.

Please feel to contact me directly at 682-3339 if you have any questions or would like to learn more about AR Cash and ADFA.

Sincerely,

A handwritten signature in blue ink that reads "Gene Eagle".

Gene Eagle
President