

ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

200 Main Street, Suite 210, Little Rock, Arkansas 72201 (501) 371-3554

ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
MINUTES OF THE SIXTEENTH REGULAR MEETING OF THE BOARD OF DIRECTORS
LITTLE ROCK, ARKANSAS
JANUARY 16, 1986

The January 16, 1986 meeting of the Board of Directors of the Arkansas Science & Technology Authority was called to order by Mr. Louis Ramsay at 1:45 p.m. Other members of the Board attending the meeting included Dr. Marian Barr, Dr. Ron Hart, Mr. Bart Lindsey, Mr. Charles Mimbs, Mr. Harry Truman Moore, and Dr. Joe Nix.

Mr. Ramsay introduced the two new members of the Authority's staff--Ms. Sandra Branton, Technology Transfer Program Manager; and Mr. Alan Gumbel, Winter 1986 Intern.

The minutes of the November 6, 1985 meeting of the Board of Directors were approved on a motion by Mr. Lindsey, seconded by Mr. Moore.

Dr. John Ahlen gave the President's report. He noted that the members of the Board had received both the November 1985 and December 1985 Monthly Reports, and that the initial draft of the 1985 Annual Report would be mailed shortly.

Dr. Ahlen announced that the Arkansas Jobs for the Future Study Commission--of which Mr. Mimbs is a member--and the Arkansas State Technical Institute Advisory Council (at Beebe)--of which Dr. Ahlen is a member--were functioning, and he invited the Board members to make any comments or present any ideas for consideration by either of these groups if they so desired. Mr. Ramsay pointed out that the Authority is well-represented.

Dr. Ahlen reminded the Board to submit their notarized Code of Ethics Disclosure Forms to the Secretary of State's office before the last day of January 1986.

Dr. Ahlen reported on the Governor's press conference held on January 7, 1986 at which the Governor announced the availability of ASTA's programs. Senator Max Howell, Mr. Ramsay, Dr. Nix, and Dr. Ahlen represented the Authority. Mr. Ramsay commented that the press conference went very well and that the Authority's doors were now open for business.

Dr. Ahlen next reviewed with the Board the deadlines for receiving applications under the Authority's various programs.

A review of the Board's regularly scheduled quarterly meetings was made and a reminder that the July 17, 1986 meeting should be used to elect new officers because it is close to the August 20 anniversary of the last Board election.

Dr. Ahlen brought the Board up to date on the work being done for ASTA by Mr. Jack Williams and Mr. Walter May of the Wright, Lindsey & Jennings law firm. The Confidential Information Agreement has been completed and work is continuing on the Nondisclosure Agreement. It is anticipated that when complete, these two documents will allow the exchange between business enterprises and the Board of Directors of proprietary or confidential information.

The Board next considered the proposed \$18,000 communications contract between ASTA and Combs & Company, a Little Rock public communications firm. The contract would enable the Authority to get information about itself and its programs to the public in a highly visible, concise, and professional manner. Mr. Mimbs pointed out a typographical error under the section titled "Terms". The number of days that the contract would be effective should read 120 rather than 520. Dr. Ahlen noted that he would have the error corrected in the final draft. The draft contract was unanimously approved with that correction on a motion by Mr. Lindsey, seconded by Dr. Nix.

The next item of business was the readoption of the Authority's Bylaws. This was done to allow correction of typographical errors in the original before filing the Bylaws. They were readopted without any substantive changes on a unanimous motion by Mr. Mimbs, seconded by Dr. Hart. (See Appendix A.)

Mr. Moore gave the update on the status of the Authority's Research & Development Tax Credit Rules. The rules received favorable comments from the Legislative Council's Rules and Regulations Subcommittee at their December 12, 1985 session. The Public Hearing was held on December 17, 1985; there were no public comments. The rules are currently being reviewed by the Board of Higher Education, and their approval is expected early in February. The final R&D Tax Credit Rules were unanimously adopted on a motion by Mr. Moore, seconded by Dr. Hart. (See Appendix B.)

Dr. Ahlen reviewed the Authority's Quarterly Financial Report for the second quarter of Fiscal Year 1986. Under ASTA's Bylaws, it is necessary to have each quarterly report approved by the Board. (See Appendix C.)

Mr. Mimbs reported to the Board on the status of the Investment Fund. The \$1.8 million allotment has been invested in sixteen (16) Arkansas banks. The funds in the money market accounts have grown from \$202,000 to \$227,927.40 by taking the interest from the money market accounts and CDs and incorporating it into the money market accounts and maintaining the CDs' face value at \$100,000. The new balance of the Investment Fund has grown to \$1,822,927.40. (See Appendix D.) The Quarterly Financial Report and the Investment Fund Report were unanimously approved on a motion by Mr. Moore, seconded by Mr. Lindsey.

Dr. Hart presented the Research Committee's report on the Basic Research Grant Program status. Solicitations went out to Arkansas colleges and universities on January 10, 1986 and the staff will begin the initial review of applications after the first deadline of February 3, 1986. A question concerning the function of the Science Advisory Committee was also addressed. The Committee's function will be to review the general scientific content of the proposals and to help identify the ones which may not be based on sound scientific principles, and to help in recommending scientists to participate in the peer review process. Dr. Ahlen added that the draft list of possible members for the Science Advisory Committee was ready for Mr. Ramsay's review and appointments. Dr. Nix raised the question of the Authority's time limit in the current fiscal year to allocate the monies provided for the Basic Research Grant Program. Dr. Ahlen answered that the Authority's current programs' appropriations will end on June 30, 1987 with the end of the current biennium, and that any funds not distributed by that time will be carried over to the next biennium only by Act of the legislature. Dr. Nix also pointed out the probable need in future ASTA budgets for funds to compensate for the in-depth, expert review necessary for the peer review of eligible proposals.

Ms. Alice Smith presented the Planning Committee's report concerning the Business Incubator Program. The wording of Resolution No. 85-3 was made consistent with the minutes of the last Board meeting and clarifies that the Business Incubator Program will be a competitive program. Any eligible institution may apply by either of the program's deadlines--March 6, 1986 or September 4, 1986. (See Appendix E.)

Mr. Mimbs offered an amendment to Resolution No. 85-4. The word "minimum" would be added to paragraph seven on page one to clarify that a minimum rate of interest be set by the Authority based on the prevailing market rate of interest. The motion was seconded by Mr. Lindsey, and passed unanimously by the Board. (See Appendix F.)

Mr. Williams reminded the Board that filing their notarized Code of Ethics Disclosure Forms (one for each appointment and/or commission with the Secretary of State's office before January 31, 1986 was mandatory, not optional, for all members of the Board.

The Board meeting was adjourned at 2:40 p.m.

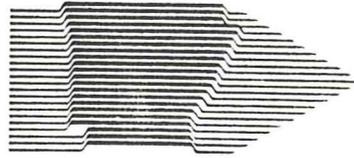
Respectfully Submitted,

Joe Nix, Ph.D.
Secretary, Board of Directors

APPROVED by the Board of Directors on this 17 day of
April.



Joe Nix, Ph.D.
Secretary, Board of Directors



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

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BYLAWS
OF THE ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

TABLE OF CONTENTS

ARTICLE I - IDENTIFICATION

- Section 1. Authority
- Section 2. Abbreviations
- Section 3. Official Office
- Section 4. Other Offices

ARTICLE II - PURPOSES

- Section 1. Statement of Purpose
- Section 2. Basic Research
- Section 3. Applied Research
- Section 4. Technology Transfer
- Section 5. Business Incubators
- Section 6. Seed Capital Investments
- Section 7. Planning
- Section 8. Inventory and Information

ARTICLE III - BOARD OF DIRECTORS

- Section 1. Qualifications
- Section 2. Ex-Officio Members
- Section 3. Terms
- Section 4. Vacancy
- Section 5. Rights of Directors
- Section 6. Compensation
- Section 7. Removal
- Section 8. Property Rights

ARTICLE IV - ANNUAL REPORT

ARTICLE V - MEETINGS

- Section 1. Regular Meetings
- Section 2. Special Meetings
- Section 3. Quorum
- Section 4. Voting
- Section 5. Freedom of Information
- Section 6. Executive Session

ARTICLE VI - OFFICERS

- Section 1. Elections
- Section 2. Terms of Officers
- Section 3. Vacancies
- Section 4. Chairman
- Section 5. Vice-Chairman
- Section 6. Secretary

ARTICLE VII - EMPLOYEES OF THE AUTHORITY

- Section 1. President
- Section 2. Staff

ARTICLE VIII - COMMITTEES

- Section 1. Executive Committee
- Section 2. Other Committees
- Section 3. Committee Minutes

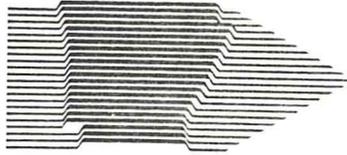
ARTICLE IX - CONTRACTS, CHECKS, DEPOSITS AND FUNDS

- Section 1. Contracts
- Section 2. Checks and Drafts
- Section 3. Deposits
- Section 4. Gifts

ARTICLE X - CONFLICT OF INTEREST

ARTICLE XI - AMENDMENTS TO BYLAWS

ARTICLE XII - LIMITATION UPON LIABILITY



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BYLAWS
OF THE ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

ARTICLE I - IDENTIFICATION

- Section 1. Authority: The Arkansas Science & Technology Authority is an instrumentality of the State of Arkansas, created by Act 859 of 1983, as amended. This Act provides for the Authority to make, amend, and repeal bylaws for the conduct of its affairs.
- Section 2. Abbreviations: Wherever it is desirable to abbreviate the name of the Arkansas Science & Technology Authority, the initials "ASTA" shall be considered the equivalent of the legal name of the instrumentality.
- Section 3. Official Office: The offices of the Authority shall be in the City of Little Rock, State of Arkansas, but the Authority may hold its meetings at such other places as it may designate.
- Section 4: Other Offices: The Authority may establish and maintain such other offices within the State of Arkansas, as the Board of Directors may from time to time determine, or where an Act of the Arkansas General Assembly shall require.

ARTICLE II - PURPOSES

- Section 1. Statement of Purpose: The Arkansas Science & Technology Authority shall have the powers, functions, and duties to be the instrumentality of this State to exert leadership in and to give direction to a broad spectrum of programs and services designed to gain for this state and its people the benefits and opportunities to be realized through advanced science and technology, and, in pursuit of these programs and services to cooperate with similarly situated sister organizations--public and private--in the State of Arkansas. The Authority shall have all the powers necessary to carry out its purposes as granted by law, including but not limited to the following programs.

- Section 2. Basic Research: The Authority is authorized to create and fund on a matching basis a program designed to enhance the competitiveness of scientists performing basic research at Arkansas colleges and universities.
- Section 3. Applied Research: The Authority is further charged with (1) stimulating applied research partnerships between private industry and Arkansas colleges and universities and (2) matching funds from private industry for proposed applied research projects which are likely to provide enhanced employment opportunity within the State.
- Section 4. Technology Transfer: The transfer of knowledge and technology from college, university and government laboratories to private industry will be facilitated by the Authority.
- Section 5. Business Incubators: The Authority will create, in cooperation with Arkansas colleges and universities, facilities to foster the growth of technology-based enterprises.
- Section 6. Seed Capital Investments: Qualified securities issued by enterprises as a part of a scientific and technological project for the purpose of raising the initial capitalization for the enterprises may be purchased by the Authority subject to statutory restrictions.
- Section 7. Planning: Administering the Authority's programs requires long-range planning for specific science and technological projects, including project definition and feasibility.
- Section 8. Inventory and Information: Identifying and cataloging scientific and technological resources in Arkansas is key to the mission of technology transfer. This information will also be the centerpiece of an educational effort to improve the image of Arkansas as a State committed to supporting technology development.

ARTICLE III - BOARD OF DIRECTORS

- Section 1. Qualifications: The Authority shall be governed by eleven (11) Directors, who together shall serve as the Authority's Board of Directors.

Directors shall be legal residents of the State of Arkansas, appointed by the Governor, subject to confirmation by the Arkansas Senate, as follows:

(i) three (3) Directors shall be appointed as engineers or scientists recognized for their scientific or technological research efforts.

(ii) two (2) Directors to be appointed as representatives of academic institutions who have an extensive involvement in science and technology research; and

(iii) five (5) Directors to be representatives of the private sector of the State, who shall be persons with knowledge or experience in the fields of agriculture, forestry, finance, economic development and/or science and technology.

(iv) The Director of the Department of Higher Education shall be a member of the Authority's Board of Directors.

Section 2. Ex-Officio Members: There shall be two (2) nonvoting ex-officio Directors, one each from the membership of the Arkansas Senate and House of Representatives appointed by the Governor, to serve from the date of their appointment until the opening day of the next regularly scheduled session of the Arkansas General Assembly.

Section 3. Terms: Directors shall hold office for the terms of their appointments and until their successors shall have been appointed and qualified. No Director of the Authority shall serve more than two (2) terms of office. The Governor shall appoint two (2) Directors to serve until January 14, 1986; two (2) Directors to serve until January 14, 1987; three (3) Directors to serve until January 14, 1988; and three (3) Directors to serve until January 14, 1989; and thereafter, upon expiration of such terms, Directors shall be appointed for terms running four years from January 14 of the year of appointment.

Section 4. Vacancy: In the event of a vacancy in the position of a Director of the Authority, such vacancy shall be filled by appointment by the Governor in the same manner as provided for the initial appointment, for the remainder of the unexpired portion of the term of said Director.

- Section 5. Rights of Directors: All Directors shall be entitled to vote on all issues presented for a vote of the Board, including the election of the officers of the Board, and may serve as such officers and on such committees as are established herein or by the Board of Directors.
- Section 6. Compensation: A Director of the Authority shall serve without pay, but shall be entitled to reimbursement for reasonable and necessary expenses of meals, lodging, and other expenses directly related to attending meetings of the Authority, or in the performance of duties assigned by the Authority. In addition thereto, Directors shall be entitled to reimbursement for mileage at the same rate as provided by law for reimbursement of official travel by State employees.
- Section 7. Removal: A Director of the Authority may be removed by the Governor for cause, stated in writing, after a hearing thereon, or upon joint address of a majority of the membership of both houses of the General Assembly or a special or regular session thereof.
- Section 8. Property Rights: No Director shall have any right, title or interest in or to any property of the Authority.

ARTICLE IV - ANNUAL REPORT

The Authority shall make an annual report to the Governor and to both houses of the General Assembly setting forth in detail the operations and transactions conducted under the authority of Act 859 of 1983, as amended.

ARTICLE V - MEETINGS

- Section 1. Regular Meetings: The Board of Directors of the Authority shall meet at least once each calendar quarter, and at such other times as may be determined by the Board of Directors.
- Section 2. Special Meetings: The Chairman of the Board, the President or a majority of the Directors may call a special meeting of the Authority for the purpose of transacting any business designated in the call. At such special meeting, no business shall be considered other than as designated in the call, but if all of the members are present at a special meeting, any and all business may be transacted at such special meeting.

- Section 3. Quorum: A majority of the Directors of the Authority shall be necessary to transact business of the Authority, and all actions of the Directors shall be by a majority vote of the full number of the members of the Board of Directors.
- Section 4. Voting: Only those Directors present at the Board meeting shall vote on any question. Voting by proxy shall not be permitted.
- Section 5. Freedom of Information: In all proceedings, the Authority shall follow rules set forth in Act 93 of 1967, as amended, governing "Freedom of Information". All meetings of the Board of Directors, formal or informal, special or regular, shall be public meetings. The time and place of each regular or special meeting shall be announced to representatives of the news media requesting notification at least twenty-four (24) hours before said meeting.
- Section 6. Executive Session: Executive sessions of the Board will be permitted only for the purpose of considering employment, appointment, promotion, demotion, disciplining, or resignation of any public officer or employee. No resolution, ordinance, rule, contract, regulation, or motion considered or arrived at in executive session will be binding unless following the executive session the Board of Directors reconvenes in public session and presents and votes on such resolution, ordinance, rule, contract, regulation, or motion.

ARTICLE VI - OFFICERS

- Section 1. Elections: Directors of the Authority shall annually elect from their membership one member as Chairman, one member as Vice-Chairman, and one member as Secretary.
- Section 2. Terms of Officers: Officers of the Authority shall be elected annually by the Board of Directors.
- Section 3. Vacancies: In case any office of the Authority becomes vacant by death, resignation, retirement, disqualification or any other cause, the majority of the directors may elect an officer to fill such vacancy, and the officer so elected shall hold office and serve until the next annual meeting of the Board of Directors and until the election of his successor.

- Section 4. Chairman: The Chairman shall preside at all meetings of the Board of Directors, sign rules and regulations of the Board of Directors, and appoint the committees of the Board of Directors.
- Section 5. Vice-Chairman: The Vice-Chairman shall preside in the absence of the Chairman at all meetings of the Board of Directors.
- Section 6. Secretary: The Secretary shall preside in the absence of the Chairman and the Vice-Chairman.

ARTICLE VII - EMPLOYEES OF THE AUTHORITY

- Section 1. President: The President shall be the chief executive officer of the Authority, appointed by the Board of Directors and serving at the pleasure of the Governor. The President shall be responsible for carrying out the policies and programs of the Authority, shall propose the biennial budget for the Authority for adoption by the Board of Directors, and shall also be the spokesman for the Authority in matters concerning procedures and programs.

The President shall keep the records of the Authority, keep the minutes of all meetings of the Board of Directors, keep a record of the proceedings of the Authority in a journal, give notice of meetings of the Board of Directors, and perform all duties incident to the office, or conferred on the office by the Board of Directors.

The President shall be the custodian of all funds and securities of the Authority, shall keep full and accurate records and accounts of all receipts, disbursements, credits, assets, liabilities, and general financial transactions of the Authority. The President shall endorse for collection or deposit to the credit of the Authority all bills, notes, checks and other negotiable instruments of the Authority coming into his possession and deposit the same with all funds of the Authority in such accounts in such depositories and safe deposits as may be designated by the Board of Directors. The President shall disburse the funds of the Authority as may be ordered by the general or specific instructions of the Board of Directors.

The President shall prepare and submit to the Board of Directors, for their approval, a full and complete quarterly report or statement of all monies received

and expended and of the existing condition of the funds and assets of the Authority for each quarter. An audit of the Authority shall be made annually at the close of each fiscal year and at such other times and for such other periods as the Board of Directors may determine.

The Directors of the Authority shall select some person who is not a member of the Board of Directors to serve at the pleasure of the Governor as President of the Authority.

- Section 2. Staff: The President shall appoint, employ and discharge such staff as allowed by law, and shall determine their qualifications and duties.

ARTICLE VIII - COMMITTEES

- Section 1. Executive Committee: The Directors shall establish an Executive Committee, to be composed of the Chairman, the Vice-Chairman, and the Secretary of the Board, and two (2) additional members to be chosen by the Chairman from the remaining Directors. The Executive Committee may, in intervals between meetings of the Board, transact any business of the Board that has been delegated to the Executive Committee. A majority of the Executive Committee may conduct business and a favorable vote of three (3) members shall be deemed consent of the Executive Committee. Members of the committee shall serve without compensation for their membership on the committee, but shall be reimbursed for any reasonable expenses incurred by them in the performance of duties assigned by the Board.
- Section 2. Other Committees: The Authority may provide by resolution for other committees to serve as may be necessary to carry out the purposes of the Authority. The resolution shall provide the name of the committee(s), the charge of the committee(s), and the number of members to serve on the committee(s). The members of the committee(s) shall be named by the Chairman of the Board of Directors.
- Section 3. Committee Minutes: Each committee shall keep minutes of its meetings and report the same to the Board of Directors at the next subsequent meeting of the Directors.

ARTICLE IX - CONTRACTS, CHECKS, DEPOSITS AND FUNDS

- Section 1. Contracts: The Board of Directors may authorize the President of the Authority or officers of the Board to apply for and accept grants, gifts, or donations and enter into any contracts or execute and deliver any instrument in the name of and on behalf of the Authority. Such authority may be general or confined to specific instances.
- Section 2. Checks and Drafts: All checks, drafts and other orders for payment of money from Funds of the Authority shall be signed by such officers and in such manner as shall from time to time be determined by resolution of the Board of Directors.
- Section 3. Deposits: All funds specifically designated as cash funds of the Authority, shall be deposited from time to time to the credit of the Authority's Investment Fund in such banks, trust companies or other depositories as the Board of Directors may direct.
- Section 4. Gifts: The Board of Directors may accept on behalf of the Authority any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Authority.

ARTICLE X - CONFLICT OF INTEREST

- Section 1. No Director, officer, or employee of the Authority for purpose of personal gain, shall have or attempt to have, directly or indirectly, any interest in any contract or agreement of the Authority in connection with the qualified investments or other programs of the Authority.
- Section 2. The Authority shall not invest in any qualified security of (1) any enterprise that is owned, wholly or partially, directly or indirectly, by any Director or officer of the Authority or (2) any enterprise that employs a Director of the Authority.
- Section 3. Any college, university or other nonprofit institution with which a Director of the Authority is affiliated may participate in any program of the Authority provided that such Director shall promptly disclose the nature of the affiliation to the Board.

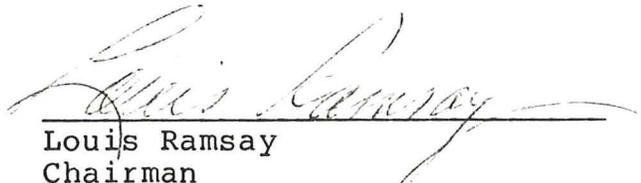
ARTICLE XI - AMENDMENTS TO BYLAWS

These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted providing at least a majority of the members of the Board of Directors are present and at least a majority of the members of the Board of Directors vote in the affirmative.

ARTICLE XII - LIMITATION UPON LIABILITY

Members of the Board do not assume liability financially or legally, for any action taken or not taken by the Authority, its Board of Directors, or its agents or employees. In addition, all officers and directors of the Authority do not assume any responsibility or liability for the Authority except that which is imposed by law.

The foregoing Bylaws were approved by the Board of Directors of the Arkansas Science & Technology Authority on this 16th day of January 1986.



Louis Ramsay
Chairman
ASTA Board of Directors



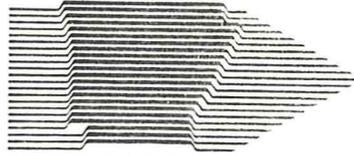
Joe Nix, Ph.D.
Secretary
ASTA Board of Directors



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**RESEARCH & DEVELOPMENT TAX CREDIT PROGRAM
RULES**

- 1.0 GENERAL INFORMATION
 - 1.1 PROGRAM NAME
 - 1.2 PURPOSE
 - 1.3 AUTHORIZATION
- 2.0 PROGRAM DESCRIPTION
 - 2.1 LIMITS ON CREDIT
 - 2.2 DEFINITIONS
- 3.0 ELIGIBILITY
- 4.0 APPLICATION PROCESS
- 5.0 EVALUATION
 - 5.1 EVALUATION CRITERIA
 - 5.2 TAX CREDITS GRANTED
- 6.0 NOTIFICATION LETTER



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**RESEARCH & DEVELOPMENT TAX CREDIT PROGRAM
RULES**

1.0 GENERAL INFORMATION

Act 759 of 1985 provides several tax credit incentives to Arkansas taxpayers to support research and educational program efforts at Arkansas colleges and universities.

Act 759 of 1985 allows the Arkansas Science & Technology Authority and the Arkansas Department of Higher Education to adopt certain rules specifically governing claims for tax credits for contributions to qualified research programs at qualified educational institutions.

1.1 PROGRAM NAME

These rules will govern the Arkansas Department of Higher Education and the Arkansas Science & Technology Authority's Research & Development Tax Credit Program.

1.2 PURPOSE

The purpose of the Research & Development Tax Credit Program is to provide incentive to Arkansas industry to participate in the Science & Technology Authority's Applied Research Grant Program, Basic Research Grant Program or similar research programs.

A goal of this program is to further stimulate the transfer of science and technology by enhancing opportunities for research support from industry to colleges and universities.

1.3 AUTHORIZATION

The Research & Development Tax Credit Program for qualified research programs is authorized by Sections 2 and 3 of Act 759 of 1985, the same being Arkansas Statutes 84-2021.32 and 84-2021.33.

The power to establish rules governing this program is granted by Section 6 of Act 759 of 1985, the same being Arkansas Statute 84-2021.36.

2.0 PROGRAM DESCRIPTION

The Research & Development Tax Credit Program allows credits against a taxpayer's Arkansas state Income tax for making certain qualified research expenditures as well as certain donations or sales below cost of new machinery and equipment to a qualified research program.

2.1 LIMITS ON CREDIT

- 2.1.1 In the case of a qualified research expenditure, the amount of credit granted shall be thirty-three percent (33%) of the amount expended by the taxpayer in the tax year on the qualified research program.
- 2.1.2 In the case of a donation of new machinery or equipment, the amount of credit granted shall be thirty-three percent (33%) of the cost of the machinery or equipment donated.
- 2.1.3 In the case of a sale below cost of new machinery or equipment, the amount of credit granted shall be thirty-three percent (33%) of the amount by which the cost is reduced.
- 2.1.4 Total credit for qualified research expenditures, donations, and sales below cost shall be limited to fifty percent (50%) of the net tax liability of the taxpayer after all other credits and reductions in tax have been calculated.

- 2.1.5 In the case of donations or sales below cost, the credit shall be claimed in the tax year of the donation or sale below cost, but all or any part of the unused credit may be carried over to and claimed in succeeding tax years until the credit is exhausted or until the end of three tax years next succeeding the tax year of the donation or sale below cost, whichever occurs earlier.
- 2.1.6 In the case of a qualified research expenditure, the credit shall be claimed in the tax year in which the expense incurred for the qualified research is actually paid, but all or any part of any unused credit may be carried over to and claimed in succeeding tax years until the credit is exhausted or until the end of three tax years next succeeding the tax year of the payment for the qualified research expenditure, whichever occurs earlier.
- 2.1.7 Any person claiming any credit granted by Act 759 of 1985 for any expense, or contribution, or sale below cost shall not take any deduction under the Arkansas Income Tax Law for the same expense or contribution.
- 2.2 DEFINITIONS
- For the purposes of the Authority's Research and Development Tax Credit Program, the following words and phrases have the following definitions.
- 2.2.1 "Applied Research" shall mean any activity which seeks to utilize, synthesize, or apply existing knowledge, information, or resources to the resolution of a specific problem, question, or issue.
- 2.2.2 "Basic Research" shall mean any original investigation for the advancement of scientific or technological knowledge
- 2.2.3 "Cost" shall mean, in the case of a donation or sale below cost by a wholesale or retail business, the amount actually paid by the wholesaler or retailer to the supplier for the machinery and equipment.

"Cost" shall mean, in the case of a donation or sale below cost by a manufacturer of machinery or equipment, the enhanced value of the materials used to produce the machinery or equipment, which shall be deemed to be the lowest price at which the manufacturer sells the machinery or equipment.

- 2.2.4 "Industry" shall include, but not be limited to, manufacturing facilities, warehouses, distribution facilities, repair and maintenance facilities, agricultural facilities, and corporate management offices for industry.
- 2.2.5 "Machinery and Equipment" shall mean the tangible personal property used in connection with a qualified research program, and which has been approved for a tax credit under rules and regulations prescribed by the Department of Finance and Administration.
- 2.2.6 "New" shall mean the machinery and equipment that is state-of-the-art machinery and equipment which (1) has never been used except for normal testing by the manufacturer to insure that the machinery or equipment is of a proper quality and in good working order, or (2) has been used by the wholesaler or retailer solely for the purpose of demonstrating the product to customers for sale.
- 2.2.7 "Qualified Educational Institution" shall mean (1) any public university, college, junior college, or vocational technical training school supported by the State of Arkansas, or (2) any private university, college, junior college, or vocational technical training school located in the State of Arkansas and qualified for tax-exempt status under Arkansas Income Tax Law, or (3) any public elementary or secondary school located in the State of Arkansas.
- 2.2.8 "Qualified Research Expenditures" shall mean the sum of any amounts which are paid by a taxpayer during the taxable year in funding a qualified research program, and which have been approved for tax credit treatment under rules and regulations promulgated by the Department of Finance and Administration.
- 2.2.9 "Qualified Research Program" shall mean a research program undertaken by a qualified educational

institution which meets the eligibility criteria of the Arkansas Science & Technology Authority's Applied Research Grant Program or Basic Research Grant Program.

- 2.2.10 "State-of-the-Art Machinery and Equipment" shall mean machinery and equipment which is of the same type, design, and capability as like machinery and equipment which is currently sold or manufactured by donee for sale to customers.

3.0 ELIGIBILITY

Industries and individuals that qualify for a Research & Development Tax Credit under this program will be those which satisfy the following criteria.

- 3.1 Expenditures or donations and sales below cost of machinery and equipment must be made to a qualified educational institution for a qualified research program as defined by these rules.
- 3.2 The taxpayer must provide the following for each piece of machinery or equipment donated or sold below cost.
- 3.2.1 A statement from the receiving, qualified, educational institution that:
- 3.2.1.1 It has received the machinery or equipment,
- 3.2.1.2 The machinery or equipment is "new" machinery or equipment as defined by there rules,
- 3.2.1.3 It has received the machinery or equipment as a donation or, if it purchased the machinery or equipment below cost, a statement of the amount paid for the machinery or equipment,
- 3.2.1.4 The machinery or equipment has been donated or sold to the qualified educational institution for use in a qualified research program,
- 3.2.2 A copy of the invoice from the business' supplier, in the case of a donation or sale below cost by a wholesale or retail business, showing the actual cost of the machinery or equipment, and
- 3.2.3 A copy of the manufacturer's wholesale price list, in the case of a donation or sale below cost by a manufacturer, showing the lowest price for the machinery or equipment for which credit is claimed.

- 3.3 In order to claim a tax credit for qualified research expenditures, the taxpayer must provide a statement from the Arkansas Science & Technology Authority that the Arkansas Department of Higher Education and the Arkansas Science & Technology Authority have approved the expenditure as part of a qualified research program.

4.0 APPLICATION PROCESS

Application for an Arkansas Income Tax Credit under this program shall be submitted to the Arkansas Science & Technology Authority. The following three documents must be submitted as part of this application,

- 4.1 An application form provided by the Authority must be completed with the following information included,
- 4.1.1 Name and address of the applicant,
- 4.1.2 Tax identification number of the applicant,
- 4.1.3 Name and address of the qualified educational institution conducting the qualified research program,
- 4.1.4 Title of the qualified research program,
- 4.1.5 Name and phone number of the contact person for the qualified research program,
- 4.1.6 Amount or value of the donation,
- 4.1.7 Date of the donation,
- 4.1.8 any other information that may be required by the Authority.
- 4.2 A copy of the statement from the receiving educational institution (as described in Section 3.2.1). A copy of the check or receipt for the donation must be included with this statement.
- 4.3 A copy of the proposal for the research program receiving the donation.

5.0 EVALUATION

Proposals for tax credit treatment for expenditures, donations, or sales below cost to qualified research programs will be evaluated on the basis of the following criteria.

5.1 EVALUATION CRITERIA

5.1.1 All applications will be reviewed by Authority staff for completeness.

5.1.2 Such proposals will be thoroughly investigated by Authority staff to assure that all eligibility criteria are met.

5.2 TAX CREDITS GRANTED

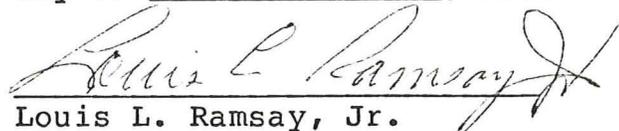
Final decisions on Granting tax credits will be made by the Board of Directors of the Arkansas Science & Technology Authority.

6.0 NOTIFICATION LETTER

The Board shall notify all taxpayers applying for tax credit treatment under this program of its final decision by letter.

Approved by the Arkansas Science & Technology

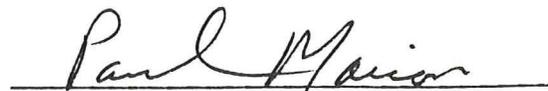
Authority on this 16th day of January, 1986



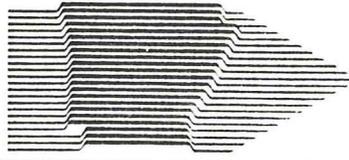
Louis L. Ramsay, Jr.
Chairman
Board of Directors
Arkansas Science &
Technology Authority

Approved by the Arkansas Department of Higher

Education on this 31st day of January, 1986



Dr. Paul Marion
Director
Arkansas Department of
Higher Education



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
200 Main Street, Suite 210, Little Rock, Arkansas 72201 (501) 371-3554

GENERAL FUND
FISCAL YEAR 1986
SECOND QUARTER EXPENDITURE REPORT
OCTOBER - DECEMBER 1985

DESCRIPTION	BUDGET FOR QTR	EXP FOR QTD	% EXP FOR QTD	BUDGET FOR FY	EXP FOR YTD	% EXP FOR YTD
SALARIES	\$57,421.00	\$57,421.00	100%	\$209,274.00	\$102,635.00	49%
EMPLOYEE BENEFITS	\$13,971.00	\$11,379.78	81%	\$48,007.76	\$20,375.82	42%
POSTAGE & FREIGHT	\$1,150.00	\$1,033.51	90%	\$2,464.00	\$1,047.51	43%
T-PHONE T-GRAPH T-TYPE	\$2,000.00	\$1,357.12	68%	\$5,000.00	\$1,357.12	27%
PRINT & DUPLICATING	\$2,500.00	\$1,549.25	62%	\$9,254.10	\$1,853.35	20%
OFFICE EQUIP MAINTENANCE	\$1,221.41	\$269.36	22%	\$1,595.20	\$523.15	33%
RENT OFFICE & EQUIP	\$11,760.00	\$8,337.91	71%	\$25,782.51	\$9,200.42	36%
TRAVEL & SPONSORED MEET.	\$10,490.00	\$3,661.70	35%	\$33,666.83	\$9,193.53	27%
PROFESSIONAL FEES	\$0.00	\$0.00	---	\$40,950.00	\$0.00	0%
CENTREX SERVICES	\$2,250.00	\$1,924.39	86%	\$8,249.41	\$3,423.80	42%
CONF & CONV FEES	\$875.00	\$447.00	51%	\$3,175.00	\$1,447.00	46%
INSURANCE PREMIUMS	\$200.00	\$56.00	28%	\$862.00	\$118.00	14%
STATIONARY & OFFICE SUPPL	\$1,750.00	\$1,475.78	84%	\$6,518.37	\$2,744.15	42%
SUBSCRIPTIONS & PUBS	\$500.00	\$297.87	60%	\$3,423.69	\$1,296.56	38%
PURCHASE DP SOFTWARE	\$1,050.00	\$41.90	4%	\$3,592.85	\$584.75	16%
CAPITAL OUTLAY	\$44.10	\$44.10	100%	\$22,500.00	\$7,836.18	35%
APPROPRIATION TOTAL	\$107,182.51	\$89,296.67	83%	\$424,315.72	\$163,636.34	39%

APPENDIX D

BALANCE SHEET
SEED CAPITAL INVESTMENT FUND

TOTAL APPROPRIATION = \$1,800,000.00

INITIAL APPROPRIATION RECEIVED = \$202,229.58

MONEY MARKET ACCOUNTS

	INITIAL DEPOSIT	ADDITIONAL DEPOSIT	INTEREST PAID *	BALANCE
UNION NATIONAL BANK (LITTLE ROCK)	\$67,409.86	\$2,770.42 **	\$1,020.42	\$71,200.70
FIRST AMERICAN BANK (LITTLE ROCK)	\$67,409.86	\$19,837.55 ***	\$1,136.03	\$88,383.44
METROPOLITAN NATIONAL BANK (LITTLE ROCK)	\$67,409.86	\$0.00	\$933.40	\$68,343.26
TOTAL MONEY MARKET ACCOUNT =	\$202,229.58	\$22,607.97	\$3,089.85	\$227,927.40

BALANCE OF APPROPRIATION RECEIVED = \$1,597,770.42

CERTIFICATE OF DEPOSIT (CD) ACCOUNTS

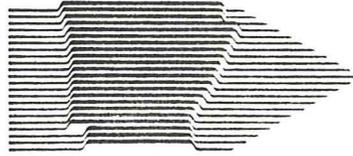
	INITIAL BALANCE	INTEREST PAID *	BALANCE
ARKANSAS BANK & TRUST (HOT SPRINGS)	\$100,000.00	\$1,256.99	\$101,256.99
STATE 1ST NATIONAL BANK (TEXARKANA)	\$100,000.00	\$1,272.27	\$101,272.27
BANK OF BENTONVILLE	\$100,000.00	\$1,256.99	\$101,256.99
CITIZEN'S BANK OF BATESVILLE	\$100,000.00	\$1,256.98	\$101,256.98
1ST NATIONAL BANK (EL DORADO)	\$100,000.00	\$1,256.99	\$101,256.99
BANK OF WEST MEMPHIS	\$95,000.00	\$1,194.14	\$96,194.14
McILROY BANK (FAYETTEVILLE)	\$100,000.00	\$1,256.99	\$101,256.99
HELENA NATIONAL BANK	\$100,000.00	\$1,216.44	\$101,216.44
BANK OF AUGUSTA	\$100,000.00	\$1,216.44	\$101,216.44
COMMERCIAL NAT'L BANK & TRUST (MONTICELLO)	\$100,000.00	\$1,216.43	\$101,216.43
1ST NATIONAL BANK (FT. SMITH)	\$100,000.00	\$1,256.99	\$101,256.99
FARMERS BANK & TRUST (BLYTHEVILLE)	\$100,000.00	\$1,212.78	\$101,212.78
NATIONAL BANK OF COMMERCE (PINE BLUFF)	\$100,000.00	\$1,256.99	\$101,256.99
CITIZEN'S NATIONAL BANK (HOPE)	\$100,000.00	\$1,236.71	\$101,236.71
HEBER SPRINGS STATE BANK	\$100,000.00	\$1,236.71	\$101,236.71
1ST NATIONAL BANK (CONWAY)	\$100,000.00	\$1,236.71	\$101,236.71
TOTAL CD ACCOUNTS =	\$1,595,000.00	\$19,837.55	\$1,614,837.55

TOTAL INVESTMENT FUND = \$1,622,927.40 *

* AS OF 1/7/86

** BALANCE FROM 2ND APPROPRIATION CHECK (DEPOSITED 11/6/85)

*** INTEREST INCOME FROM CD ACCOUNTS (DEPOSITED 1/7-9/86)

**ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY**

200 Main Street, Suite 210, Little Rock, Arkansas 72201 (501) 371-3554

RESOLUTION NO. 85-3

PROVIDING FOR POLICIES FOR THE ALLOCATION OF FUNDS UNDER APPROPRIATIONS ACT 595 of 1985, TO CREATE, IN COOPERATION WITH COLLEGES AND UNIVERSITIES, FACILITIES TO FOSTER THE GROWTH OF TECHNOLOGY-BASED ENTERPRISES IN ARKANSAS.

WHEREAS, the mission of the Arkansas Science & Technology Authority is to bring the benefits of science and advanced technology to the people of Arkansas; and

WHEREAS, Act 859 of 1983, as amended, authorizes the Authority to establish a business incubator program in cooperation with colleges and universities to enhance economic development by stimulating technology innovation and fostering the growth of technology-based enterprises; and

WHEREAS, the Authority recognizes the novel requirements of new, technology-based businesses; and

WHEREAS, the Authority emphasizes the accessibility to scientific and engineering expertise as a key to the success of business incubators which will stimulate the innovation process and result in economic benefits to the people of Arkansas;

NOW THEREFORE, BE IT RESOLVED;

THAT the Board of Directors designates (1) the University of Arkansas, Fayetteville, (2) the University of Arkansas, Little Rock, the University of Arkansas for Medical Sciences, and the Graduate Institute of Technology in Little Rock, and (3) the Arkansas State University as preferred incubator sites because of their strengths in science and engineering; and

THAT \$1.5 million of the designated appropriation from Act 595 of 1985 be set aside for Fiscal Year 1986 to fund proposals prepared by institutions in accordance with the final rules governing this program; and

THAT the balance of said appropriation in addition to any remaining funds from the set-aside may be awarded on a competitive basis during Fiscal Year 1987;

BE IT FURTHER RESOLVED:

THAT all of the above policies are subject to the action of the Board of Directors within the framework established by Act 859 of 1983 as amended by Act 409 of 1985, the State Constitution and the U.S. Constitution.

APPROVED by the Board of Directors
on this 6th day of November, 1985



Joe Nix, Ph.D.
Secretary of the Board of Directors



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

200 Main Street, Suite 210, Little Rock, Arkansas 72201 (501) 371-3554

RESOLUTION NO. 85-4

PROVIDING FOR THE POLICIES FOR THE INVESTMENT OF THE MONIES OF THE INVESTMENT FUND OF THE AUTHORITY UNDER THE APPROPRIATIONS ACT 640 OF 1985.

WHEREAS, Act 859 of 1983 as amended, authorizes the Authority to establish an Investment Fund for the purpose of making seed capital investments in technology-based enterprises in Arkansas; and

WHEREAS, the Authority recognizes the need to invest the monies of the Investment Fund safely and prudently;

NOW THEREFORE, BE IT RESOLVED:

THAT the monies of the Investment Fund be adequately protected by investing in the certificates of deposit of banks in the state of Arkansas in an amount not to exceed \$100,000 each; and

THAT the term of investment of each certificate of deposit not exceed 180 days; and

THAT the minimum rate of interest be set by the Authority based on the prevailing market rate of interest; and

THAT an amount of cash to be determined by the Investment Committee be placed in insured, interest-bearing, bank accounts for immediate accessibility when needed; and

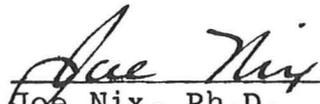
THAT for the purpose of withdrawals, either the Chairman or Vice Chairman of the Board of the Authority AND either the President or Vice President Finance of the Authority must sign checks authorizing the withdrawal of funds for the purpose of seed capital investment in the qualified securities of an Arkansas based enterprise; and

BE IT FURTHER RESOLVED:

THAT all of the above policies are subject to the action of the Board of Directors within the framework established by Act 859 of 1983 as amended by Act 409 of 1985, the State Constitution and the U.S. Constitution.

APPROVED by the Board of Directors
on the 6th day of November 1985.

AMENDED by the Board of Directors
on this 16th day of January 1986.



Joe Nix, Ph.D.
Secretary of the Board of Directors