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**MINUTES OF THE 108<sup>th</sup> MEETING OF THE  
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY  
BOARD OF DIRECTORS  
423 MAIN STREET, LITTLE ROCK, AR  
June 20, 2003**

**CALL TO ORDER**

The meeting was called to order by Dr. Harry Ward, Chairman of the Board, at 1:30 p.m., in the Authority's conference room at 423 Main Street in Little Rock, Arkansas.

A quorum of Board members was present: Dr. Merlin Augustine, Mr. Jonathan Davis (via telephone), Mr. David Eberdt, Dr. Charles Hathaway (via telephone), Mr. D. W. May, Ms. Sue McGowan (via telephone), Ms. Cynthia Moten, Mr. Ron Roberts, and Mr. Rickey Williams.

Staff members present included: Dr. John Ahlen, Ms. Tovia Chan, Dr. Herbert Monoson, Mr. Chuck Myers, Mr. James Watkins, and Ms. Rebecca Wright.

Visitors present: Gene Eagle, Vice President Finance of the Arkansas Development Finance Authority; Mike Karney, Securities Attorney for Friday, Eldridge and Clark Law Firm.

**VENTURE CAPITAL ACT OF 2001 SUMMARY**

Dr. Ward reported that on June 6, 2003, Authority staff and Board members met with staff members from the Arkansas Development Finance Authority to discuss the Venture Capital Act. During the meeting, ADFA proposed two ways the Board could support ADFA in the implementation of the Venture Capital Act. First, serve as settlor in the process of establishing a public trust. Second, be represented as a trustee of the public trust through the president of the Authority, along with the president of the Development Finance Authority, and the director of the Department of Finance and Administration.

Gene Eagle and Mike Karney explained that the Authority would play a one-time role as settlor. As settlor, the Authority would create the trust with three trustees, named by title.

The Authority Board members would not be holders of the trust. There would be no liabilities as settlor. Any liability would be placed on the assets of the public trust, not on the trustees or Board members.

The public trust is an entity that can own equity interest in the Venture Capital Act's fund of funds. No tax will be paid on the income to the public trust. The distribution of 90% equity interest to the trust from the fund of funds will be viewed as a dividend and therefore deductible for tax purposes. If it were not set up this way, the US Partnership, as the only equity interest holder in the fund of funds, would be liable for the entire tax liability for 100% of income, but would only have a 10% participation interest. By initiating a public trust, the 90% equity interest will be used for distribution and investment to finance future investments in small businesses.

Mr. Ron Roberts made a motion to accept the recommendations to instigate the Authority as settlor and to have the president of the Authority serve as a trustee. Dr. Augustine seconded the motion. Mr. May called the question. The motion passed unanimously.

#### **INDUSTRY COMMITTEE REPORT**

Mr. Roberts presented the Industry Committee Report.

Mr. Roberts stated that after the May 16, 2003 Board meeting, the Network received confirmation that it would receive \$259,027 in state funding for Fiscal Year 2004, per Act 1291 of 2003.

On June 5, 2003, the Network submitted revised documents to NIST changing the FY04 funding request from \$941,110 to \$948,580. This increase includes a \$7,470 cost of living adjustment.

#### **AMENDED RESOLUTION 03-07**

Mr. Roberts presented Amended Resolution 03-07.

The amendment would add \$250,000 for Network projects under the Technology Transfer Assistance Grant Program for fiscal year 2004.

Mr. Roberts made a motion to accept Amended Resolution 03-07. Mr. May seconded the motion. The motion passed unanimously.

#### **ADJOURNMENT**

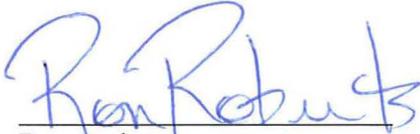
There being no further business to conduct, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,

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Ron Roberts  
Secretary  
Board of Directors

**APPROVED** by the Board of Directors  
on this 19<sup>th</sup> day of September, 2003



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Ron Roberts  
Secretary  
Board of Directors