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**MINUTES OF THE 114TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
SEPTEMBER 17, 2004
ARKANSAS STATE UNIVERSITY
JONESBORO, AR**

CALL TO ORDER

The meeting was called to order by Mr. J. Wiley Harris, Chairman of the Board, in the Dean Ellis Library Board Room on the campus of Arkansas State University in Jonesboro, Arkansas.

A quorum of Board members was present and included: Dr. Linda Beene, Mr. David Eberdt, Mr. Robert Hall, Mr. J. Wylie Harris, Mr. Johnny Hooks, Mr. Gordon Knetzer, Mr. Bum Lee, Ms. Sue McGowan, Dr. Harry Ward, Dr. John White and Mr. Rickey Williams.

Staff members present: Ms. Melissa Adams, Dr. John Ahlen, Ms. Lydia Carson, Mr. Dustin Hartung (graduate intern), Mr. Les Lane, Ms. Cathy Ma, Dr. Gail McClure, Mr. Chuck Myers, Mr. Scott Snider, Ms. Patty Trantham (graduate intern) and Mr. JJ Watkins.

Visitors: Mr. Anthony Childress, reporter with the Jonesboro Sun.

APPROVAL OF MINUTES

Mr. Harris presented for approval the minutes from the May 21, 2004 Board meeting.

Dr. White made a motion for the approval of the minutes. Ms. McGowan seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced new Board member Johnny Hooks, who is from Monticello.

Dr. Ahlen introduced Dr. Gail McClure, the Authority's new Vice President Research. Dr. McClure replaced Dr. Herb Monoson, who retired in June.

Dr. Ahlen also introduced two of the three graduate interns working at the Authority, Dustin Hartung and Patty Trantham. The interns will spend the next year working on the Entrepreneurial Grant that was awarded to the Authority by the Winthrop Rockefeller Foundation.

Dr. Ahlen reviewed the Operating Report with the Board. He indicated that the year-end information for May and June was included in the report.

Ms. McGowan made a motion for the acceptance of the Operating Report. Dr. White seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen presented the draft FY04 Annual Report. Dr. Ahlen stated that the Annual Report is brought to the Board at its September meeting as a courtesy. If the Board has no objections, the Annual Report would be posted on the Authority's website.

Dr. Ward suggested that the last paragraph under research in the annual report's cover letter be moved to the top. Dr. Ward stated that making the point about research funding is important and shouldn't be lost.

There being no other changes, the Board approved the release of the annual report.

INVESTMENT COMMITTEE REPORT

Ms. Sue McGowan presented the Investment Committee Report.

Draft Resolution 05-01

Ms. McGowan presented Draft Resolution 05-01, which is a resolution supporting Arkansas Constitutional Amendment 2. Constitutional Amendment 2 would allow the General Assembly to approve the issuance of general obligation bonds for any economic development project that plans to invest more than \$500 million in capital expenditures and to hire more than 500 new employees.

Ms. McGowan stated that the passage of this amendment is important to the state. Dr. White stated that this issue was a high priority for the Governor. The Arkansas Department of Economic Development and the Arkansas Department of Higher Education had already endorsed the amendment. He stated that the Board's silence concerning this issue would send a strong message.

There being no further discussion, Ms. McGowan made a motion for the approval of Draft Resolution 05-01. Dr. White seconded the motion; the Board gave its unanimous approval.

Draft Resolution 05-02

Draft Resolution would provide tax credits for Green Technologies, Inc. for the following project:

Application No. 05-RUPA-01, "Model Reciprocating Pushrim Drive Wheelchair," in the amount not to exceed \$50,000 per year for up to five years.

Green Technologies has applied for tax credit incentives through the Arkansas Department of Economic Development. The Authority Board has the responsibility to approve or deny tax credit applications. The Authority staff provides the due diligence for these applications.

The due diligence has been completed on this company and it was determined that Green Technologies, Inc. is eligible to receive the tax credit.

There being no further discussion, Mr. Williams made a motion for the approval of Draft Resolution 05-02. Dr. Ward seconded the motion; the Board gave its unanimous approval.

Request for Release – Integral Wave Technologies

Ms. McGowan presented a memo from the staff, which contained a request from Integral Wave Technologies that they be released from a clause in their royalty agreement: 7.2 *Principal Place of Business*, which states that "The company will not remove its principal place of business from Arkansas." Releasing the company from this clause would allow it to move its facility to Austin, Texas.

Integral Wave Technologies was formed in August, 2000 as a semiconductor development company in Fayetteville's Genesis Technology Incubator. The Authority made a seed capital investment of \$500,000 in April, 2001. To date, Integral Wave has paid \$29,450.56 in royalties to the Authority.

Center Point Ventures, a venture capital fund headquartered in Austin, has to date invested \$900,000 in Integral Wave Technologies. If Integral Wave relocates, Center Point is prepared to invest an additional \$9 million into the company.

Les Lane explained that the principals in the company have tried to seed the company along in Northwest Arkansas, but have found it difficult. Reasons for the difficulty include an insufficient talent pool and the critical mass of semiconductor companies in Arkansas. Integral Wave Technologies has stated that they intend to repay their loan, but in order for the business to survive they need to move to Austin, Texas.

Board members asked if they chose not to approve this request, could the company still move to Austin. Mr. Lane stated that the Authority could force the issue, but the capital

provider would pull any future funding of the company if that happened. Dr. Ahlen stated that this is a common clause and it would be difficult to enforce without it turning into a legal issue. Dr. Ahlen stated that the prudent course of action would be to release the company from the obligation.

Mr. Knetzer stated that the best option would be to release the company from this clause and keep the good relationship. Board members stated it would be unreasonable if the Board didn't release the company from this clause.

Mr. Williams stated that he would not like to see this sort of request as par for the course. He stated that there needs to be language in future contracts that would address this issue.

Dr. White stated that he would recuse himself from voting because he has personal knowledge about the company.

There being no further discussion, Ms. McGowan moved that the Integral Wave Technologies be released from the following clause in its royalty agreement: *7.2 Principal Place of Business*. Mr. Williams seconded the motion. Dr. White recused himself from the vote. The motion passed.

TTAG Data Impact

Board members were given a memo showing the impact of TTAG investments.

INDUSTRY COMMITTEE REPORT

Mr. Robert Hall presented Industry Committee report.

AMS received a letter from Kevin Carr, commending the center for its continued high performance.

The Department of Commerce has decided not to hold a scheduled recompetition of MEP Centers.

The federal budget for MEP has not been passed to date. The House approved \$106 million for MEP and the Senate is expected to do the same.

AMS Project Debt Write-Offs

Mr. Hall presented a memo from staff requesting approval of write-offs for three companies in the amount of \$6,250. Mr. Hall stated that staff had attempted to collect the debt from the companies, but have determined that the accounts are uncollectible. Mr. Hall reported that there were three additional companies who were refusing to pay. The staff consulted with the Attorney General's Office to determine what recourse AMS had in collecting the debt. The Attorney General's office is reviewing the options.

Mr. Hall stated that the language in contracts signed by companies would be strengthened to state that they would not receive additional funding until previous debts are settled.

There being no further discussion, Mr. Hall made a motion to approve the write-offs totaling \$6,250. Dr. Ward seconded the motion; the Board gave its unanimous approval.

RESEARCH COMMITTEE REPORT

Dr. Ahlen reported that one the Henderson State University representative on the EPSCoR Committee resigned due to a family illness. HSU President Charles Dunn has recommended Dr. John Long to represent HSU on the EPSCoR Committee.

Dr. Ward reviewed Dr. Long's CV and moved that his nomination to the committee be approved. Ms. McGowan seconded the motion; the Board gave its unanimous approval.

NEW BUSINESS

Nominating Committee

Mr. Harris presented for the Board's consideration the slate of officers for the upcoming year: Dr. John White, Chair; Dr. Neil Rutger, Vice Chair; Ms Sue McGowan, Secretary.

Dr. Beene moved that the slate of officers be approved by acclamation. The motion carried.

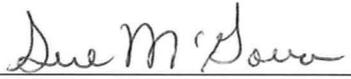
Next Meeting Date

The next Board meeting is scheduled for November 19, 2004.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned.

Respectfully submitted,



Sue McGowan
Sue McGowan
Secretary
Board of Directors

Approved by the Board of Directors
On this 19th day of November, 2004



Sue McGowan
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Secretary
Board of Directors