



423 Main Street, Suite 200
Little Rock, Arkansas 72201

www.ArkansasScienceAndTechnology.org

Phone: 501.683.4400
Fax: 501.683.4420

**MINUTES OF THE 116TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
JANUARY 21, 2005
LITTLE ROCK, AR**

CALL TO ORDER

The meeting was called to order by Dr. John White, Chairman of the Board, in the second floor conference room of the Arkansas Science & Technology Authority.

A quorum of Board members was present and included: Mr. David Eberdt, Dr. Steve Floyd, Mr. Johnny Hooks, Mr. Gordon Knetzer, Ms. Sue McGowan, Mr. Gary Phillips, Dr. Neil Rutger, Dr. Harry Ward and Mr. Ricky Williams.

Staff members present included: Ms. Melissa Adams, Dr. John Ahlen, Ms. Tiki Alexander, Mr. Les Lane, Dr. Gail McClure, Ms. Danielle Morris, Mr. Chuck Myers, Mr. Scott Snider and Mr. JJ Watkins.

Visitors included: Dr. James K. Hendren, commission member of the Arkansas Department of Economic Development.

Dr. White introduced a new Board member, Mr. Gary Phillips from Salem, AR. Mr. Phillips replaced Mr. J. Wylie Harris.

APPROVAL OF MINUTES

Dr. White presented for approval the minutes from the November 19, 2004 meeting. Dr. White asked that the minutes reflect that Mr. Robert Hall and Mr. Buzz May participated in the meeting via phone.

Dr. Rutger made a motion for the approval of the minutes, with the necessary corrections. Dr. Floyd seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen directed the Board's attention to two handouts: The Authority's Mid Year Progress Report and 1st & 2nd Quarter Report. Dr. Ahlen stated that the information in the two reports would be incorporated into the Annual Report.

Dr. Ahlen reviewed the Operating Report with the Board.

Dr. Ahlen noted that the expenditures for the Winthrop Rockefeller Foundation grant "Entrepreneurial Arkansas" (listed on page 6 of the Operating Report) were small because Accelerate Arkansas had done much of the work.

Dr. Harry Ward noted that page 5 of the Operating Report labels the \$1,900,000 Seed Capital Investment budget as cash. He stated that using the word "actual" instead of "cash" might be more appropriate. Dr. Ahlen stated that the available amount to spend is on page 10. That amount is \$1,648,146.64. Dr. Ahlen agreed with Dr. Ward would change the wording in the Operating Report.

Mr. Eberdt made a motion to accept the Operating Report. Dr. Ward seconded the motion; the Board gave its unanimous approval.

ACCELERATE ARKANSAS

The Chair recognized Dr. James K. Hendren for a presentation on Accelerate Arkansas.

Dr. Hendren explained that the mission of Accelerate Arkansas is to promote economic development in the state. Accelerate Arkansas hired the Milkin Institute to develop an economic study. Using an illustration of the state's per capita income, Dr. Hendren pointed out that between 1930 and the 1970s there was a 25% to a 28% increase in per capita income as a percentage of national per capita income as Arkansas gained on the nation. . Since the 1970s, per capita income has increased in terms of the dollar amount, but Arkansas has not gained on the nation because its per capita income as a percentage has remained steady between 75% and 80% of the nation.

Dr. Hendren stated that Arkansans need to build an economic infrastructure to affect the state average. This infrastructure would increase the tax base by increasing the per capita income and assist profitable corporations to create high paying jobs in Arkansas.

Dr. Hendren reviewed the legislative initiatives that Accelerate Arkansas will be proposing during this legislative session.

The first initiative is a proposed bill to add a new section to the Arkansas Code Annotated, 14-171-219, to send payments that would have previously been made to convention or tourist facilities to the seed capital Investment Fund and the Arkansas Research Matching Fund administered by the Arkansas Science & Technology Authority

and to promote economic development. Dr. Hendren stated that Arkansas put 1.9 million dollars toward these efforts in 1985 and has added nothing since that date. In comparison, Oklahoma places \$8 million per year toward these efforts.

Initiatives two and three are a proposed bill that will make Technical Corrections and other changes to the Consolidated Incentives Act of 2003 and to promote economic development.

Initiative four is a proposed bill to eliminate the two-year waiting period for tax credits available through the Commerce Capital Development Company and to promote economic development. Dr. Hendren stated that the tax-credit is a significant leverage because it not only allows a 33% discount, but it is also transferable. Mr. Lane added that this incentive is in 13 to 17 states. Most are in the 20% to 40% range.

Initiative five is a proposed bill to amend the municipalities and counties industrial development bond law to include technology-based enterprises within the definition of industry and to promote economic development. It was noted that the Arkansas Development Finance Authority (ADFA) and the Arkansas Department of Economic Development (ADED) have bond programs. These programs qualify for tax exempt funds and lower the cost of capital improvements for companies. Dr. Ahlen stated that bond funds are available.

Initiative six is a proposed bill to amend the Tuition Reimbursement Tax Credit to provide the employee tuition reimbursement tax credit through means other than reimbursement to the student and to further develop Arkansas' human capital resources for the purpose of economic development. This bill will keep students from paying upfront costs.

Initiative seven is a proposed bill to amend the Technical Careers Student Loan Forgiveness Program to allow graduate students to participate in the program and to further develop Arkansas' human capital resources for the purpose of economic development. Chairman White asked if this has been funded. Dr. Hendren stated that some money was appropriated, but it was not funded. Mr. Lane stated that the payback is a two to three year payback rate. Dr. Hendren stated that the purpose for this initiative is to keep the graduates in state.

Initiative eight is a proposed bill to amend the enabling legislation of the Arkansas Science & Technology Authority's program to support technology development to increase the amount of such investments from \$50,000 to \$100,000 and to promote economic development. This initiative allows a grant to be used for initial start-up.

Dr. Ward made a motion of support to endorse these initiatives. Dr. Rutger seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen then asked the Board to add another bill for endorsement. House Bill 1148 would amend the Authority's enabling legislation to show that a R&D Plan would be developed by the agency. The sponsor of the bill is Representative Mark Martin.

Dr. Floyd made a motion to support House Bill 1148. Mr. Knetzer seconded the motion; the motion was passed unanimously.

INVESTMENT COMMITTEE REPORT

Ms. Sue McGowan presented the Investment Committee report.

Ms. McGowan presented for the Board's consideration a request to write off the balance of five projects funded by the Authority. Two projects were funded through the Seed Capital Investment Program (Hot Metals Technologies and Alloy Castings & Composites) and three were funded through the Technology Development Program (Continental Parkaire, Hale Engineering, and Southern Innovations, Inc.).

The terms of the Hot Metals Technologies' agreement were that the company would pay a royalty based on 1% of gross sales generated. The company had repaid the original investment of \$295,000 plus an additional \$239,284.25 in royalties prior to closing its doors. The company's payback cap was three times the amount borrowed. The staff has requested the write off because the company has closed.

The terms of the Alloy Castings & Composites' (ACCI) agreement were that the company would pay the principle plus interest at the rate of 7% over 99 months. The Authority invested \$300,000.00 in the firm. The assets of ACCI and the owner, Mr. Walker, have since been liquidated. The Authority was awarded a Default Judgment in 2003. The staff has requested that the investment be written off because the company has closed.

The terms of Continental Parkair's agreement were that the Authority would collect 5% of product sales for ten years. The Authority originally invested \$10,225.00. No sales were generated during the term of the agreement; therefore, the staff has requested that the full balance of \$10,225.00 be written off.

The terms of Hale Engineering's agreement were that the Authority would collect 5% of product sales for ten years. The Authority originally invested \$46,765.00. No sales were generated during the term of the agreement; therefore, the staff has requested that the full balance of \$46,765.00 be written off.

The terms of the Southern Innovations, Inc. agreement were that the Authority would be provided with 1.5% of product sales for ten years, 5% if the company licensed the technology, and 5% if the company sold the rights of the product to a third party. The Authority originally invested \$50,000.00. No sales were generated during the term of the agreement; therefore, the staff has requested that the full balance of \$50,000.00 be written off.

Dr. Ward made a motion to approve the five write-offs. Mr. Knetzer seconded the motion; the motion was passed unanimously.

INDUSTRY COMMITTEE REPORT

Mr. Knetzer presented the Industry Committee report.

AMS received approval for full funding through June 30, 2005.

To gain further support from Arkansas' Congressional Delegation and the Administration, members of the committee discussed making contact with legislators to discuss AMS.

Mr. Knetzer also stated that an AMS strategy retreat is scheduled for February 15, 2005. At this retreat, the participants plan to review the results of an online survey, which assesses the needs of Arkansas' manufacturers. He stated that 3900 surveys went out.

RESEARCH COMMITTEE REPORT

Dr. Rutger presented the Research Committee Report.

Dr. Rutger stated that the Research Committee had not met since the last Board meeting. Dr. Rutger stated that staff was working on reviving the Arkansas Math & Science Coalition. Dr. Gail McClure was recognized to provide an update.

Dr. McClure stated that the Coalition's efforts are geared towards kindergarten through 12th grade education; namely middle school education. The Coalition is being stimulated, structured, and activated through the efforts of the Research Committee's collaboration with the Arkansas Department of Education and Acxiom. The first step was a meeting of the Coalition on January 7, 2005. The keynote address was given by Dr. Richard Cole.

NEW BUSINESS

Dr. Ahlen reviewed Arkansas Code Annotated 25-16-902, which states that at its first regularly scheduled meeting of the year, the Board may vote to authorize expense reimbursement for each Board member for performing official Board duties. There being no further discussion, Mr. Phillips made a motion for the approval for expense reimbursement. Mr. Williams seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen reviewed Arkansas Code Annotated 25-17-211, which outlines the attendance policy of Board members. The Code states that if a member misses three consecutive meetings, it must be reported to the Governor's Office.

Dr. Ahlen updated the Board on the e-corridor initiative.

When the e-corridor was being developed, none of the pathway went through Arkansas. The Governor's intention is to ask for ten million dollars to create a loop through Arkansas from Alabama to Oklahoma. Doug Elkins, the state's Executive CIO, is the lead for this initiative, which is significant to Accelerate Arkansas.

Dr. White stated that Louisiana committed ten million dollars to obtain a seat on the National Lambda Rail Board of Directors and has committed forty million dollars, overall, to ensure that the state's universities are connected to the e-corridor. Arkansas' universities can be connected to the link from Monroe to Tulsa.

ADJOURNMENT

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

Respectfully submitted,



Sue McGowan
Secretary
Board of Directors

APPROVED by the Board of Directors
on this 20th day of May, 2005.



Sue McGowan
Secretary
Board of Directors