

POCATELLO DEVELOPMENT AUTHORITY MINUTES
Meeting February 16, 2011

Members present: Karl Anderson, Larry Fisher, Cynthia Hill, Darsi Johnson, Eva Nye, Michael Orr, and Ryan Ward.

Staff present: Robert Chambers, Interim Executive Director, A. Dean Tranmer and Darcy Taylor of the City Legal Dept.; and Dave Swindell and Jerry Higgins of the City Finance Dept.

The meeting was called to order at 11:07 a.m., by **Chair R. Ward**.

1. Preliminary matters:

A. Guests, Conflicts, and Agenda. No conflicts of interest were declared, no guests were present, and no changes to the agenda were noted.

B. Minutes. Minutes of the regularly scheduled January 12, 2011 meeting were reviewed and it was noted that R. Chambers was listed as present in the minutes, but was not at that meeting. With that amendment, **it was MSC (D. Johnson, E. Nye)** to approve the minutes.

C. Financial Report. J. Higgins presented the January financial report. Total cash available as of January 31, 2011 was \$3,946,705.99. The PDA received cash in the amount of \$1,138,442.58 during January, which included \$47.62 in interest and tax increment payments of \$430,746.82 to the Central Corridor District, \$620,462.50 to the North Yellowstone District, \$1,310.49 to the North Portneuf District, and \$85,875.15 to the Naval Ordnance District. Expenses for January included an infrastructure reimbursement payment from the North Yellowstone District fund to Costco in the amount of \$122,014.96, trust fees on the North Yellowstone bond in the amount of \$2,500.00, PDA lunch costs of \$127.08, and a refund to Bannock County for excess property tax received in the amount of \$21,001.11, for a total expenditure amount of \$145,643.15. Upon completion of Mr. Higgins' report, D. Swindell provided an update regarding the tax increment funds received in January, and how those funds are attributed to each district. He directed the Board's attention to the lower half of page three of the financial report. **R. Ward** asked **K. Anderson** if the County had determined if property valuations had increased, decreased or remained even. **K. Anderson** advised it was his information that valuations may have decreased a bit. After a brief discussion, **it was MSC (K. Anderson, C. Hill)** to approve the January financial report.

D. Recognition. **R. Ward** congratulated Board Commissioner **L. Fisher** on his recent recognition for Business of the Year award by the Idaho Small Business Development Center. **L. Fisher** advised the Board that ABC News recently featured Pocatello as one of the most romantic beds in the country, referring to the Black Swan Inn. He added that Rebecca Satter of the Visitors and Convention Bureau had initiated that recognition.

2. General Matters:

A. Positron. R. Chambers introduced Eric Oaas and Steve Yano from Positron and reiterated the Board's business with Positron over the last several months, primarily regarding the negotiations to release the PDA's Deed of Trust on the Positron building. Mr. Oaas discussed the history of the negotiations, the background of Positron and its plans for the spin-off company Acceloris, and the current offer on the table to exchange Positron stock for release of the deed of trust. Steve Yano provided a progress report for Positron since his last presentation in October, 2010. He noted that since October the company has worked on key developments with both the U.S. Air Force and Boeing. He further noted that at this time Positron does not have any sales or marketing resources, but that a valuation of the company was completed to use as a tool to seek

business partners to promote the company. Thereafter, Mr. Oaas and Mr. Yano invited questions from the Board regarding the company and the most recent proposal. The question and answer period clarified issues including that the purpose of the release of the Deed of Trust would be to allow Positron to obtain an operating and capital growth loan; that Positron would begin to repurchase the shares of stock issued to the PDA when the company had more than five hundred thousand dollars in unrestricted funds available, that the term “unrestricted funds” would be defined by a CPA firm; that the shares would be repurchased by Positron at the issue price; that there is no definite time frame within which the repurchase of the shares would occur; that Positron cannot continue without the release of the encumbrance on its building; that Positron’s Articles of Incorporation and by-laws allow for future issuances of stock; and that the operating and capital growth loan funds would be used for the advancement of Positron only, for the development of a small marketing operation and capital outlay for equipment necessary for the core technology of the corporation. Mr. Yano advised the Board that the company is a SBIR Phase II awardee to develop additional technology, and as a result, received a \$750,000.00 award. Additionally, the award of a SBIR Phase II grant places the company in a good position for a SBIR Phase III grant. The development period takes two to three years, during which time the company would seek to combine research and development grants with the U.S. Department of Defense funds in order to develop a working prototype of its product. Mr. Yano indicated the operating and capital growth loan would sustain the company through that developmental period. Positron currently has three full time employees, one of whom works in Pocatello, and two of whom commute. R. Chambers asked what Positron’s employment projection is, if it is able to succeed. Mr. Yano asserted that they project that roughly forty positions would be available within four years, and that the positions would be tied to the Pocatello area due to the location of the facility and the ongoing collaboration Positron enjoys with ISU and the Research and Development teams.

After the Board was satisfied that all of its questions had been asked of Mr. Oaas and Mr. Yano, they were excused from the meeting, and further Board discussion ensued. **R. Ward** asked Board Commissioners if they were willing to release the collateral on the building, in the event Positron’s financial information is sound. **D. Johnson** stated she was not comfortable with releasing the collateral solely for stock, and suggested the PDA receive part cash, part stock for the release. **C. Hill** noted that not releasing the collateral makes it more difficult, if not impossible, for the company to succeed. R. Chambers advised the Board that his gut feeling is to support Positron’s endeavor if the company can show its ownership of the technology is secure. After further discussion, the Board determined that it wanted to see additional documentation regarding the company and its technology before making a final determination. **It was MSC (C. Hill, M. Orr)** to request the following information prior to making a final decision regarding the stock proposal by Positron:

1. A commitment letter from a financial institution indicating that the institution will only grant an operating/capital growth loan to Positron if the ISU building can be used as collateral for said loan.
2. The amount and term of the said operating/capital growth loan, and documentation from Positron that said loan is sufficient to attain Positron’s goals.
3. Confirmation of Positron’s SBIR Phase II status.
4. Amount of funds received by Positron as a result of its SBIR Phase II status, and the date received or expected to be received.
5. Updated audited or reviewed balance sheet and income statement for Positron.

6. Corporate documents for Positron, including corporate By-Laws, Articles of Incorporation, and stock ledgers.
7. Evidence of Positron's patentability of project, or ownership of intellectual property.

B. Legislative Update. R. Chambers and D. Swindell provided the Board with updated information regarding the status of various bills being considered by the state legislature, and efforts being made to educate the legislators regarding the use of tax increment financing funds and urban renewal law. A brief discussion was held by the Board regarding various bills and their impact. The Board felt it was important for R. Chambers and D. Swindell to closely follow all developments regarding any bills that would have a negative impact on the revenue allocation and urban renewal laws and encouraged Robert and Dave to procure letters of support from businesses in this area that have had a positive experience involving tax increment financing. The Board further encouraged Robert and Dave to travel to Boise and testify before the legislature on said proposed bills.

3. Adjournment:

There being no further business, **it was MSC (D. Johnson, E. Nye)** to adjourn the meeting at 1:17 p.m.