

**MINUTES OF THE 138TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
MAY 15, 2009**

CALL TO ORDER

The meeting was called to order by Mr. Paul Mastro, Chairman of the Board, in the Authority's conference room, located at 423 Main Street in Little Rock.

A quorum of Board members was present and included: Mr. Gary Campbell, Dr. Cesar Compadre, Dr. Collis Geren, Mr. Joel Harrison (via phone), Mr. Wayne Hartsfield, Dr. Glen Jones, Dr. Beverly Lyn-Cook, Mr. Paul Mastro, Ms. Cynthia Moten, Dr. Stephen Seidman and Mr. George Williams (via phone).

Staff present included: Ms. Melissa Adams, Dr. John Ahlen, Dr. Gail McClure, Ms. Becky Hart, Mr. Chuck Myers, Mr. Chris Snider, Dr. Blake Perry, Dr. Steve Stanley, Ms. Cathy Bailey, Ms. Stephanie Johnson, Mr. Dan Curtis.

Visitors included: Mr. Justin Mattocks and Mr. Eugene Jones with Immigreat Now LLC; Mr. Ethan Schwartz with Global Strategy Group; Mr. Andrew Parker with the Governor's Office.

APPROVAL OF MINUTES

Mr. Mastro presented for approval the minutes from the March 20, 2009 Board meeting. Dr. Geren made a motion for the approval of the minutes. Mr. Hartsfield seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced new staff member, Greg Henderson, who is the new marketing manager for Arkansas Manufacturing Solutions.

Dr. Ahlen reviewed the Operating Report. There being no questions, Mr. Hartsfield made a motion for the acceptance of the Operating Report as presented. Mr. Campbell seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen reviewed the Act 1415, the Authority's appropriation act for fiscal years 2009-2010. Mr. Hartsfield made a motion for the acceptance of the Authority's appropriation for Fiscal Years 2009-2010. Mr. Campbell seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen stated that the senior staff would have a retreat in June. The way the Authority does business is changing and the staff will be discussing how to better improve how the agency conducts business. The staff will discuss this with the Board at a later meeting.

INDUSTRY COMMITTEE REPORT

Mr. Paul Mastro presented the Industry Committee Report.

Federal funding for NIST MEP was approved and was more than budgeted. The residual amount of funds over the NIST MEP budget will be prorated to the MEP centers in the country. AMS projects that it will receive \$50,000 in additional funding.

AMS received the highest score possible on MAIM; AMS exceeded all its metrics.

As reported earlier, AMS has filled its Marketing Manager position. Greg Henderson was hired for this position.

AMS is working on a new project with the AEDC Energy Office to create a single clearinghouse in Fayetteville for Arkansas energy opportunities. The effort will be coordinated by AMS field staff member, Scotty McKnight. AEDC will be responsible for administration of the grant.

AMS has launched the "Arkansas Manufacturing Stimulus" program. AMS will offer Arkansas manufacturers an AMS consultant free of charge for one day. This will be a good opportunity for companies to improve their performance. This service will be offered from May 1 through June 30.

AMS has developed new web marketing services. There will be three new classes and nine new on-site services offered.

AMS Advisory Committee Nominations

Mr. Mastro presented the AMS Advisory Committee nominations.

The nominations are as follows: Mr. Les Eaves, Delta Manufacturing Inc.; Ms. Robin McClendon, SeaArk Boats; Mr. Grey Williams, Dextera Inc.; Ms. Jennifer Fairchild, AGL Corporation; Mr. Scott Kingsborough, Premium Refreshment Service.

Mr. Mastro, on behalf of the Industry Committee, moved to accept the advisory committee nominations as presented. The Board gave its unanimous approval.

Draft Resolution 09-26

Mr. Mastro presented Draft Resolution 09-26, which provides funding of seven partnership agreements in an amount not to exceed \$1,378,432 for field staff and AMS Director activities and \$10,000 for partner activities at the following locations:

Three field staff positions at the GENESIS Technology Incubator, University of Arkansas, Fayetteville, in an amount not to exceed \$388,926;

One AMS Director's position and three field staff positions in an amount not to exceed \$487,340 University of Arkansas at Little Rock;

One field staff position at the Delta Center for Economic Development, Arkansas State University in an amount not to exceed \$141,875;

One field staff position at Southern Arkansas University Tech, in an amount not to exceed \$150,370;

Two staff positions at Winrock International, in an amount not to exceed \$209,922;

Sponsorship of the Arkansas Institute for Performance Excellence program at the Arkansas Institute for Performance Excellence in an amount not to exceed \$5,000;

Sponsorship of a manufacturing conference conducted by the Arkansas Economic Development Commission in an amount not to exceed \$5,000;

Mr. Mastro, on behalf of the committee, made a motion for the approval of Draft Resolution 09-26. Dr. Lyn-Cook seconded the motion; the Board gave its unanimous approval.

Arkansas Innovation Marketplace

Mr. Mastro recognized Mr. Curtis to discuss the Arkansas Innovation Marketplace.

The mission of the marketplace is to bring buyers and sellers together. It will be an interactive, web based marketing place that is easy to use. The partners are NIST MEP, The Eureka Ranch, the Authority and AMS.

The Authority is asking the Board to approve an amount not to exceed \$150,000 for the development of the marketplace with Merwyn Research Incorporated.

Merwyn Research will provide the following:

- Provide a minimum of 150 Merwyn Business Simulations for entering Arkansas Innovations into the marketplace. These business simulations will take the inventor information and translate that information into a five page business report that will be listed on the National Innovation Marketplace and the Arkansas Innovation Marketplace. The retail value of the Merwyn Business Simulation is \$2000 per translation.
- Develop, host and maintain the Arkansas Innovation Marketplace through April 17, 2013.
- Actively manage the pipeline of Arkansas Innovation offerings.
- Track Business Requests for innovations from Arkansas companies.
- Develop custom dashboards at the request of Authority/AMS to allow pulling information out of the marketplace for management of technology development in the state of Arkansas. Provide for mining information about Arkansas companies and their technology interests. These dashboards will allow Arkansas Economic Development interests to view what innovations and technologies are being developed versus the technology interests of Arkansas companies.

The Arkansas Science & Technology Authority and Arkansas Manufacturing Solutions propose to fund the \$150,000 project through the following sources:

- Federal partner, NIST MEP - approximately \$100,000 from Arkansas Manufacturing Solutions' FY09 and FY10 Cooperative Agreement allocations.
- University of Arkansas, Fayetteville - \$10,000.
- Arkansas State University - \$5,000.
- Arkansas Economic Development Commission - an amount to be determined.
- Authority/AMS - the remainder of what is not covered by the above sources.

There being no further discussion, Mr. Mastro, on behalf of the Industry Committee, made a motion to fund the Arkansas Innovation Marketplace at an amount not to exceed \$150,000. Dr. Lyn-Cook seconded the motion; the Board gave its unanimous approval.

INVESTMENT COMMITTEE REPORT

Dr. Stanley presented the Investment Committee report.

The following items were brought to the Board for consideration in one vote:

TTAG Activity Report for the quarter ending March 31, 2009

SCIP Quarterly Report for the quarter ending March 31, 2009.

Draft Resolution 09-27

Draft Resolution 09-27 would provide authorization to grant funds for projects under the Technology Transfer Assistance Grant Program.

The funding will be in an amount not to exceed \$356,975 (\$156,975 TTAG/TDP and \$200,000 AMS TTAG, respectively) for state fiscal year 2010.

Draft Resolution 09-29

Draft Resolution 09-29 certifies that In House Research by a Targeted Business Tax Credits are lawfully available for the following AEDC projects:

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by BioBased Systems, L.L.C. in the amount of \$146,861 in expenses eligible for \$48,464.13 in tax credits (AEDC Project No. 10544);

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by BioBased Insulation, L.L.C. in the amount of \$132,747 in expenses eligible for \$43,806.51 in tax credits (AEDC Project No. 10543);

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by BioBased Technologies, L.L.C. in the amount of \$555,472 in expenses eligible for \$183,305.76 in tax credits (AEDC Project No. 10542);

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by Lynguent, Inc in the amount of \$253,090 in expenses eligible for \$83,519.70 in tax credits (AEDC Project No. 10836);

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by Ocean NanoTech, L.L.C. in the amount of \$330,045.99 in expenses eligible for \$108,915.18 in tax credits (AEDC Project No. 10656);

“Tax Credit for In House Research by a Targeted Business,” submitted for tax year 2008 by InvoTek, Inc. in the amount of \$213,412.37 in expenses eligible for \$70,426.08 in tax credits (AEDC Project No. 10541);

Wright, Lindsey & Jennings Contract Extension

The Authority currently has a contract with Wright, Lindsey & Jennings for outside legal services. The contract expires on June 30, 2009. The Authority would like to extend the contract for one year, from July 1, 2009 through June 30, 2010. The amount of the contract will total \$20,000.

Dr. Stanley presented for approval, on behalf of the Investment Committee, the items listed above for approval. Mr. Campbell seconded the motion; the Board gave its unanimous approval.

Draft Resolution 09-28

Draft Resolution 09-28 would provide funds for a seed capital investment in the following project: Silicon Solar Solutions, LLC (SSS) for an initial capitalization investment in the amount not to exceed \$200,000.

SSS is structuring itself as research-based corporation that licenses patented technology to solar cell manufacturers. Revenues will be generated through licensing agreements with existing solar manufacturers. The primary company focus will be to expand its patent portfolio.

Dr. Stanley stated that the company initially requested an investment of \$500,000, but the committee reduced the amount to \$200,000 because the company is in its early stages.

Mr. Campbell made a motion for the approval of Draft Resolution 09-28. Mr. Hartsfield seconded the motion. Dr. Geren abstained. The motion passed.

Abatement of Earthcare Systems, Inc.

Dr. Stanley reviewed the request for abatement of the Authority's royalty agreement with Earthcare Systems, Inc.

The Authority entered into a royalty investment agreement on June 23, 1993 with EarthCare Systems, in which the Authority provided \$100,000.00 in funding for EarthCare Systems to produce the Earthtender 4001 machine. EarthCare agreed to make quarterly royalty payments of 5% of net sales to the Authority until the cumulative payments equaled \$825,000.00 based on a formula defined in the investment agreement.

To date, EarthCare Systems has made one payment of \$16,500.00 to the Authority. This left \$83,500.00 in principal that was still outstanding and unpaid. Since then, the company has apparently stopped all business activities; it is no longer producing any products or selling any services.

On December 27, 2007, EarthCare Systems, Inc. and the Authority entered into a Release and Settlement Agreement in which EarthCare Systems, Inc. agreed to make two (2) payments to the Authority of \$15,000 each. The payments would be made one year apart. The Authority in return agreed to release Mr. Fredericks and the other named defendants from all claims arising out of the investment agreement.

On December 28, 2007 and February 2, 2009 Mr. Fredericks made the two required payments totaling \$30,000 to the Authority.

The Investment Committee has reviewed the debt and the actions taken to collect the debt and determined that the remainder of the debt, which totals \$53,500, is uncollectible.

Mr. Hartsfield moved that the Board accept the report and approve the abatement of the remaining \$53,500 in unpaid principal. Dr. Lyn-Cook seconded the motion; the Board gave its unanimous approval.

Abatement of Genesis Feeds, Inc.

Dr. Stanley reviewed the request for abatement of the Authority's royalty agreement with Genesis Feeds, Inc.

The Authority entered into an investment agreement on December 28, 1994 with Genesis Feeds Inc., in which the Authority provided \$100,000.00 in funding for Genesis Feeds Inc. to produce organic plant and crop fertilizers from poultry wastes. Genesis Feeds agreed to make 60 monthly payments of \$2,112.42 to the Authority. The investment was backed by a personal guarantee from Mr. and Mrs. Black, the business owners.

To date, Genesis Feeds has made payments totaling \$5,484.06 and incurred late fees of \$18,169.05. This left \$94,515.94 in unpaid principal and \$18,169.05 in late fees from the investment.

The company filed bankruptcy on November 4, 1998 and Mr. & Mrs. Black filed personal bankruptcy on November 22, 2002. The Authority received no proceeds from either bankruptcy case.

The Investment Committee has reviewed the debt and the actions taken to collect the debt and determined that the remainder of the debt, totaling \$94,515.94, is uncollectible.

Dr. Geren moved that the Board accept the report and approve the abatement of the remaining \$94,515.94 in unpaid principal and the associated late fees. Dr. Jones seconded the motion; the Board gave its unanimous approval.

Dr. Jones asked if the committee looked at financial statements when considering investments into companies. Dr. Stanley stated that most companies that submit request for funding are in the early stages of development and do not have financial statements to review. Mr. Hartsfield added that the committee, when possible, tries to get personal guarantees from a company.

Draft Resolution 09-21

Dr. Stanley provided additional information on Draft Resolution 09-21, which was tabled by the Board at the last meeting until additional information could be provided.

Draft Resolution 09-21 would provide a seed capital investment in Immigreat Now, LLC in an amount not to exceed \$100,000. Immigreat Now plans to create an online software product to assist foreign nationals to complete and submit US Immigration visa application forms. The applicant would answer a series of questions that would guide the

software in selecting the proper forms and supply the needed information to insert into the forms.

Dr. Stanley was recognized to address the questions raised by the Board concerning the riskiness of the loan, the liability issues that the company would be exposing itself to and the company's ability to automate their system.

Dr. Stanley reported that members of the management team from Immigreat Now and Authority staff met with immigration attorney, Mr. DeJesus. Mr. DeJesus concluded that the company could face some liability issues, but they could be managed by making clear statements about what they were providing and by purchasing liability insurance. He also felt that what Immigreat Now proposed to do could be automated. He stated that there were other companies in the market that were offering similar types of automated services. Dr. Stanley also addressed the question about other competition. He stated that Immigreat Now proposes to provide their service directly to foreign nationals; the services that are already on the market are provided to immigration lawyers.

Mr. Williams asked if Immigreat had developed a demo. Justin Maddox with Immigreat stated that they were currently working on an Alpha 2 test with the Catholic charities, which they hope to launch in July.

Mr. Hartsfield made a motion for the approval of Draft Resolution 09-21. Mr. Campbell seconded the motion; the Board gave its unanimous approval.

RESEARCH COMMITTEE REPORT

Dr. Collis Geren presented the Research Committee report.

Draft Resolution 09-30

Draft Resolution 09-30 would provide funding for the following project:

09-WRF Intern-01, "WRF STEM Internship Award", submitted by University of Central Arkansas, in the amount not to exceed \$18,450 for the period of July 1, 2009 through June 30, 2010.

This award is being paid through the Winthrop Rockefeller Foundation Smart Grant.

Dr. Geren, on behalf of the Research Committee, moved approval of Draft Resolution 09-30. The Board gave its unanimous approval.

Draft Resolution 09-31

Draft Resolution 09-31 would provide funding for the following project:

Proposal No. 09-EPSCoR-0088, "Extending the e-Journal Resources for NSF EPSCoR Grant Program," submitted by Ms. Judy Ganson, of the

University of Arkansas, Fayetteville, in an amount not to exceed \$40,000 for the period of May 15, 2009 through June 30, 2010.

This award is being funded through the Winthrop Rockefeller Foundation Smart Grant.

Dr. Geren, on behalf of the Research Committee, moved approval of Draft Resolution 09-31. Dr. Geren abstained. The motion passed.

Draft Resolution 09-32

Draft Resolution 09-32 would provide funding for the following project:

“A Faculty/Student Exchange Program award in the amount of \$18,000 shall be awarded to Dr. Carole Cramer, Arkansas State University, and Co-PI of the ASSET Initiative P3 Center, for advance registration fees and travel support for P3 students and faculty for the 9th International Congress on Plant Molecular Biology, St Louis, Missouri.”

Dr. Geren, on behalf of the Research Committee, made a motion for the approval of Draft Resolution 09-32. Dr. Jones and Dr. Geren abstained. The motion passed.

Draft Resolution 09-33

Draft Resolution 09-33 would provide funding for a professional services contract between the Authority and Minnick and Associates, in an amount not to exceed \$50,000, for evaluation of EPSCoR and the STEM educational outreach. It is a continuation of funding for Minnick and Associates.

Dr. Geren, on behalf of the Research Committee, moved approval of Draft Resolution 09-33. The Board gave its unanimous approval.

Draft Resolution 09-34

Draft Resolution 09-34 would provide funding for the following applied research project:

Proposal 09-A-01, "Silicon Carbide Fault Current Limiter Research," by Dr. Alan Mantooth of the University of Arkansas, Fayetteville. This project is funded by Arkansas Power Electronics International, Inc at \$5,000 and Oklahoma Gas and Electric Company at \$20,000.

Dr. Geren, on behalf of the Research Committee, moved approval of Draft Resolution 09-34. Dr. Geren abstained. The motion passed.

Evaluation Contract for WRF Funded Programs

Dr. Geren presented for the Board's consideration a contract extension for Dr. Cecil McDermott. Dr. McDermott has for the past four years provided expertise as a

consultant/evaluator for the two Authority STEM Educational Initiative Programs: the Middle School Science Minigrant/STUART Grant Program and for the SMART Program.

Funding for the contract extension totals \$19,625.

Dr. Geren, on behalf of the Research Committee, moved approval of the contract extension for Cecil McDermott. The Board gave its unanimous approval.

Contract with Stone Ward

Dr. Geren presented for the Board's consideration a contract extension for Stone Ward. For the past two years, Stone Ward has provided public relations services for the Arkansas ASSET Initiative research and education outreach efforts.

Funding for the contract extension totals \$24,500.

Dr. Geren, on behalf of the Research Committee, moved approval of the contract extension for Stone Ward. The Board gave its unanimous approval.

FY2010 Arkansas EPSCoR Advisory Committee Nominees and Alternates

Dr. Geren presented for the Board's consideration a nomination for the EPSCoR Committee. Stephen R. Addison from UCA was recommended to the Research Committee to fill the vacancy. An alternate for Dr. Addison will be selected by the UCA campus.

Dr. Geren, on behalf of the Research Committee, moved the approval of the nomination of Stephen Addison to the EPSCoR Committee. The Board gave its unanimous approval.

FY10 STEM Advisory Committee Nominations

Dr. Geren presented for approval the STEM Advisory Committee members for FY10.

Nominees: Ms. Cecilia Patterson, Arkansas Community Foundation; Ms. Deborah Coffman, Arkansas Department of Education; Dr. Micheal Gealt, University of Arkansas at Little Rock; Mr. Alfred Hampton, Retired, University of Arkansas at Little Rock; Ms. Sue Hawkins, NASA Space Grant Outreach; Ms. Kim Koch, TME, Inc.; Dr. John Martini, University of Arkansas, Fort Smith; Dr. Suzanne Mitchell, Arkansas Department of Higher Education; Ms. Sherry Smith, Southwest Educational Cooperative; Dr. Gail McClure, Arkansas Science & Technology Authority; Ms. Melanie Nichols, Arkansas School for Mathematics, Sciences and the Arts; Ms. Lydia Plant, American Interplex; Mr Max Kolstad, AT&T.

Dr. Geren, on behalf of the Research Committee, moved to accept the FY10 STEM Advisory Committee nominations as presented. The Board gave its unanimous approval.

Items for Future Consideration

Dr. Geren reported that the Research Committee reviewed three pending National Science Foundation (NSF) proposals at their April 16 committee meeting: ASSET Initiative Grant subagreements, NSF supplemental funding proposals and Faculty Student Exchange grant. The proposals have not been funded, but it is expected that they will be approved during the summer. Upon approval, an expenditure of funds will be required before the Board's next regularly scheduled meeting in September. For that reason, the Research Committee voted to bring the items to the full Board and recommend that the Executive Committee take the requests under consideration during the summer.

Dr. Geren, on behalf of the Research Committee, moved that the Executive Committee take the three items under consideration when approval has been received from NSF. The Board gave its unanimous approval.

NEW BUSINESS

Nominating Committee

Dr. Geren moved to appoint Mr. Mastro to serve as the nominating committee. Dr. Jones seconded the motion; the Board gave its unanimous approval.

Connect Arkansas Funding

Dr. Ahlen reported that in the current biennium, the Authority has had funding for Connect Arkansas. There is a possibility that funds would be made available through General Improvement Fund appropriations through the Authority to Connect Arkansas in the next fiscal year. The challenge is that Connect Arkansas' funding runs out in June and the Board would not meet again until September. For that reason, Dr. Ahlen requested that the Board delegate this matter to the Executive Committee to handle when it becomes clear that funding would be available.

Mr. Hartsfield moved that the Board delegate this issue to the Executive Committee for consideration. Dr. Lyn-Cook seconded the motion; the Board gave its unanimous approval.

Proposed July Board Meeting

Dr. Ahlen stated that with the increasing number of issues that the Authority is involved in that require the consideration of the Board, it may be worthy of meeting in the summer.

Dr. Compadre moved that the Board add a meeting in the summer, if there are sufficient items for the agenda. Dr. Seidman seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen stated that based on the items presented for Executive Committee consideration, it may be necessary to schedule a Board meeting on July 17. He stated that staff would notify members when it was decided.

Next Meeting Date

Dr. Ahlen reminded Board members that the next regularly scheduled meeting would be September 18, 2009.

ADJOURNMENT

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

Respectfully submitted,

Heartsill Ragon, III
Secretary
Board of Directors

Approved by the Board of Directors
on this 17th day of July, 2009.

Heartsill Ragon, III
Secretary
Board of Directors