



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

100 Main Street, Suite 450, Little Rock, Arkansas 72201 (501) 371-3554

ARKANSAS SCIENCE AND TECHNOLOGY AUTHORITY
MINUTES OF THE 23RD REGULAR MEETING OF THE BOARD OF DIRECTORS
LITTLE ROCK, ARKANSAS
MARCH 5, 1987

In the absence of the Board chairman and a quorum, the meeting began at 3:10 p.m. under the direction of the vice chairman of the Board, Mr. Winfred L. Thompson. Other Board members present were Dr. Joe F. Nix, Dr. Paul Marion, and Dr. Joycelyn Elders. Board chairman Bill Bowen subsequently joined the meeting.

Visitors included Mr. Phil Price, Governor's Office; Mr. Walter May, Wright, Lindsey, & Jennings; Mr. Chuck Heinbockel, Arkansas Gazette; Mr. Mark Carnopis, Arkansas Democrat; and Mr. Karry Guillory, intern in the Office of Finance and Administration, University of Arkansas, Fayetteville.

Mr. Thompson reminded those gathered that in the absence of a quorum no formal action could be taken. Dr. John Ahlen said that aside from the approval of the minutes from the Board meeting January 16, there were no other issues requiring formal Board action. Dr. Ahlen reported a call from Dr. Ron Hart who, at the last minute, was unable to attend the Board meeting.

PRESIDENT'S REPORT

Dr. Ahlen referred to the minutes of the last Board meeting and the January Monthly Report included in the Board packet. He said the vice presidents would explain in more detail the activities of the last two months with regard to each program.

Alan Gumbel, formerly with the Authority's staff as an intern, accepted the position of technology transfer program manager in January. The position had been vacant about 12 months. It is expected that the technology transfer program will move ahead into exciting areas, including some cooperative arrangements with NCTR.

At the Board meeting January 16, it was announced that Dr. Patricia Troth would soon leave the Authority to join her husband who had accepted a position in Michigan. Before her

departure January 31, Dr. Troth personally recruited as her successor a former colleague at Weyerhaeuser, Dr. Joe Gentry, who has been on the Authority's staff since February.

Mr. Thompson welcomed Dr. Gentry and Mr. Gumbel on behalf of the Board. With only nine positions on the staff, Dr. Ahlen said, it made a tremendous difference to have every position filled.

Dr. Ahlen referred to the article in Arkansas Business about the Authority and to the recent issue of the Arkansas Entrepreneur in the Board's packet. The Arkansas Entrepreneur highlighted business incubators, with articles focusing on projects that have been funded by the Authority.

The Board meeting January 16 was a landmark meeting from the staff's perspective in that it took place roughly one year after the announcement of the implementation of the Authority's programs. At the meeting, resolutions in three of the major funded programs of the Authority were approved: one seed capital project, three business incubator projects, and eight research projects.

In the course of the last year, the Authority has moved ahead in spite of problems with the budget and being shorthanded. It is a credit to the staff and the Board that the Authority has progressed to the extent that it has, and that its projects have far-reaching economic influence.

INVESTMENT COMMITTEE

Jim Benham, vice president finance, reported that activities at ARTECH, the first seed capital investment project by the Authority, continued as outlined by the business plan. Since beginning operations in mid-November, ARTECH has completed its first four orders on time. Mr. Benham said this reflected well on the company's ability to operate successfully. Management is actively seeking opportunities to bid on projects, and the company is taking orders. ARTECH has grown from three principals in September to employing 18 full-time employees. The company appears to be healthy and the Authority is pleased with the progress made to date.

Micoil Corporation has completed the move from Cape Girardeau, Missouri, to the Conway Industrial Park. Equipment is in the process of being installed at the site. Most of the legal documents have been drafted and only a few of the requirements of the Authority remain to be met. It is anticipated that the closing for the Micoil investment will take place the week of March 9.

Mr. Benham circulated a small circuit board which Mr. Dunlap had provided as an example of surface-mounted technology. Micoil plans to reduce the size and increase the quality of a small piece of the surface-mounted technology displayed on the card.

In response to a question from Mr. Thompson, Mr. Benham said that Micoil is recruiting employees in Arkansas and has hired three or four employees to start work in the next few weeks. It is wonderful to recruit companies to come into Arkansas which will create jobs and opportunities, Mr. Thompson said; however, it is particularly gratifying when people in Arkansas who need jobs are able to find them as a result of the Authority's efforts.

PLANNING COMMITTEE

Alice Rumph Smith, vice president information, reported on the incubator awards made by the Board January 16. The process of negotiating with Southern Arkansas University and Salem continues. Salem will have its opening ceremonies March 6. The first payment to SAU for acquisition of equipment and supplies will be made soon.

Arkansas State University held a ground-breaking ceremony for the East Arkansas Business Incubator System (EABIS) January 27. A new product is being used at the construction site which allows the work to continue even in damp weather. UALR is awaiting Board of Trustees' action. The incubator is expected to be open by late spring and will be located on the fourth floor of the Technology Center.

Fayetteville is maintaining its three tenants, with several more prospects. In addition, GENESIS project leaders are working with some other communities on potential incubator projects.

Memoranda of agreement with all of these institutions are expected to be finalized by mid-April. Mr. Thompson asked the total amount authorized for incubators to date. Ms. Smith responded that the total appropriation was \$1.9 million and the total amount authorized for incubators is approximately \$1.7 million.

RESEARCH COMMITTEE

On behalf of Dr. Gentry, Dr. Ahlen summarized activities in the area of research.

In its solicitation for basic research grants, the Research Committee put no limitations on the kinds of proposals that would be accepted in terms of the size of the award being sought, the

field of science within which the proposal was being made, or the kind of work or equipment being supported by the award. In response to the solicitation, 138 proposals were received. Two were eliminated because they failed to meet eligibility requirements; the other 136 proposals were reviewed. Fifty were found to be competitive. The Board approved 18 basic research grants.

Over a period of about 18 months, applied research proposals could be submitted whenever a company to sponsor a proposal was found. There were no deadlines; nor limitations on the kinds of projects which would be accepted. Eleven were received; all were reviewed. Eight applied research grants were awarded by the Board; one was eliminated because funding by one of the cosponsors was withdrawn, thus leaving seven active projects.

The review process involves sending the proposals to selected out-of-state reviewers from a list of 450. These reviewers have national and international reputations in their particular fields of science, and are of the caliber of those who sit on the review boards of the National Science Foundation, the National Institutes of Health, and other federal agencies with competitive grant programs.

The Board's Research Committee reviewed the best of the proposals in terms of scientific merit. Then, taking the advice of the Arkansas Legislative Council, the Committee matched the proposals with the Arkansas economy.

There have been 25 awards in the Basic and Applied Research Grant Program. It is Dr. Gentry's intention to visit each principal investigator at his home institution to become more familiar with each project. On many of those visits he will be accompanied by Mr. Gumbel who will be alert to ways to transfer the results from those projects to Arkansas companies.

On Mr. Bowen's arrival, Mr. Thompson asked whether there was a quorum present. Dr. Ahlen said this question had been raised with Mr. Walter May in the past. The Board has two members whose terms expired in January; these two members have the statutory authority to serve until their replacements are named. However, there are also two positions vacant due to the fact that the members have left the state or have resigned for other reasons. There are therefore nine Board members -- with five members present. Six Board members would constitute a quorum.

LEGISLATIVE REPORT

Alice Rumph Smith said S.B. 250, the executive recommendation for operations at the Authority, was introduced on January 29. The bill went before Joint Budget twice with questions raised by legislators as to the Authority's activities and accomplishments. To provide answers to these questions, the staff put together charts which showed the economic impact of three of the Authority's programs. These charts impressed enough committee members that, along with Mr. Bowen's persuasive and eloquent speech on the Authority's behalf, the bill passed Joint Budget February 9. On the appropriations bill, the Authority is hoping for further amendments from the Governor's Office, in the form of a supplemental budget request. It will go before the Joint Budget one more time before going before the House and the Senate.

S.B. 572 is the reappropriation of the Authority's General Improvement Funds which provide monies for the Basic and Applied Research Grant Programs and the Business Incubator Program. In order to monitor both of these programs, the Authority needs the authorization to hold onto those funds through the duration of the projects. The reappropriation authorizes the disbursement of those funds in the next biennium. The bill was introduced on Monday, passed Joint Budget Tuesday, and the Senate, Wednesday; it only awaits House action. It is expected the bill will be signed during the week of March 9.

H.B. 1327 contains the amendments to the Authority's enabling legislation. The bill was introduced in early January and awaits Senate action. The Authority has had good support on the bill in both the House and Senate Agriculture and Economic Development Committees. Members have shown interest in and support of the bill.

H.B. 1865 is the appropriation for the next biennium's general improvement fund for incubators and research. The bill includes \$1 million for incubators and \$1.8 million for research. The bill passed Joint Budget on Tuesday. This bill -- and, in fact, all the bills -- will be subject to the Revenue Stabilization Act. Even if the bill passes intact with a total of \$2.8 million total, it is still uncertain whether all the funds will be released.

Mr. Thompson said that his distinct impression from what he read in the press and what he heard otherwise was that the progress of the Authority's budget proposals owed much to the persuasiveness of the chairman. Mr. Thompson expressed the appreciation of the Board for the time Mr. Bowen spent with the legislature assisting in this process. Mr. Bowen expressed his thanks, but said that indeed the work product of the staff spoke for itself. He felt the Authority had been too modest in its original presentation.

OLD BUSINESS

Dr. Ahlen said he wanted to share with the Board some of the information gathered for the Joint Budget Committee that underscored the economic impact of seed capital investments, business incubators, basic and applied research on the Arkansas economy.

When the report was prepared for Joint Budget, there were 19 people who had jobs because of projects in which the Authority had made an investment. When those investments were originally made, there were only five people employed -- the first seed capital investment had three employees; the second, two. This shows how rapidly employment can grow from investments in new businesses. The three-person business that started in November had nine employees in December and currently has 18 employees. The Authority expects the same kind of performance from Micoil Corporation, and over the next year anticipates adding 24 jobs. One of the mistakes the staff has made in presentations was not making it clear the Authority has a handful of programs and that those 19 jobs resulted from only one of the programs.

In the Business Incubator Program, the five proposals suggested establishing between 40 and 50 businesses, employing between 200 and 300 people in the course of the two years of the project. Those businesses, when they graduate from the incubator, could experience the same kind of growth rate as Micoil and ARTECH.

In addition, Dr. Gentry called each of the cosponsors and asked what the economic impact of a particular applied research project had within his company. The responses were that the projects were of critical importance -- numbers could not be assigned to the impact because the health of the entire industry depended, for example, on the acid rain research, and its significance to Weyerhaeuser. Others were able to say that the project had the potential to save 35 jobs in the company. When the jobs saved figures were totaled, 2,500 jobs had the potential to be saved because of the applied research being done with the Authority's support. As many as 1,800 jobs could be created based on the new information generated and the use of that new information in Arkansas companies.

Dr. Ahlen said the Authority has to begin emphasizing the economic impact of its work. It is not an easy thing to do, particularly with basic research, which is difficult to identify with job creation. The staff has begun to look at the areas of the economy that will be influenced by job creation or by saving jobs because of basic research projects, and suspects that there will be an influence on every sector of the Arkansas economy, especially those concerned with manufacturing, agriculture, or medical-related services. The information from that analysis and the

information presented by the vice presidents make the case convincingly that the Authority is on the right track in terms of economic development.

It is important to keep in mind, Mr. Thompson said, the obligation that Board members and staff have to the Governor, legislators, and the people of Arkansas to ensure the Authority's efforts are directed toward job creation and economic benefit for the state. Everything that can be done to make the public aware of the success of the Authority's efforts is important and should be kept in mind. The Authority can be gratified by the support that the Governor, in particular, and members of the legislature have given, and the importance placed on economic development because they recognize it is so crucial to everything about the future of the state.

When the Board has approved a number of resolutions funding projects, the Authority makes a formal written request to the Governor for the release of funds at his discretion.

In the incubator program, there have been three releases of funds in response to formal requests totaling a little over \$1.8 million. The total approved projects are about \$10,000 less than that. Funds are available for all the incubator projects that have been awarded by the Board of Directors.

In the area of research, there have been two releases of funds for both basic and applied projects. The amount is approximately \$870,000. Eight projects had been forwarded to the Governor's office with a request for a release of funds. The Governor was able to release funds for the five applied research projects. Funds were not released for the three basic research projects. Excluding those three from consideration, funds have been released that fully cover all of the 18 basic and seven applied research projects.

There are four applied research projects that were received prior to the January 15 deadline; they are out for review. The Research Committee will be asked to look at those proposals and make a recommendation. The availability of funds for those projects at this time is uncertain.

NEW BUSINESS

Board members agreed to a Board of Directors' meeting Friday, May 29.

March 5, 1987

The meeting was adjourned at 3:55 p.m.

Respectfully submitted,

Joe F. Nix, Ph.D.
Secretary, Board of Directors

Approved by the Board of Directors on this 29th day of May, 1987.



Joe F. Nix, Ph.D.
Secretary, Board of Directors