



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

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**MINUTES OF THE 86TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
LITTLE ROCK, ARKANSAS
MARCH 19, 1999**

CALL TO ORDER

The meeting was called to order at 1:32 p.m. by Dr. Charles Hathaway, Chairman of the Board, in the Board Room of the Arkansas Capital Corporation, 225 South Pulaski, in Little Rock.

A quorum of Board members was present and included: Dr. Gene Aist, Dr. Joel Anderson, Dr. Merlin Augustine, Mr. William Dempsey, Dr. Mary Good, Mr. D.W. May, Mr. Stephen Nipper, Mr. Anthony Rampley, Mr. Ron Roberts, and Dr. Harry Ward.

Staff members present included: Ms. Melissa Adams, Dr. John Ahlen, Mr. Bob Alvey, Ms. Sheryl Bollen, Mr. Jerry Buckingham, Mr. Roger Edwards, Mr. Les Lane, Ms. Kelly Lyon, Dr. Herbert Monoson, Ms. Susan Murray, Mr. Chuck Myers, and Ms. Joyce Sadler.

Visitors included: Dr. Stephen Flock and Mr. Kevin Marchitto from Vision Quest Bioimaging, Inc.

APPROVAL OF MINUTES

Dr. Hathaway presented the minutes from the January 15, 1999 meeting for approval. Mr. Nipper made a motion for the approval of the minutes. Mr. Dempsey seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced new Board member Dr. Gene Aist from the Department of Higher Education. Dr. Aist replaced Dr. Ed Crowe.

Dr. Ahlen also introduced new staff member Susan Murray, who filled the position of Grants Coordinator.

The Board was provided a copy of the portfolio of projects.

Dr. Ahlen provided the Board a chart outlining the agency's flow of money. Dr. Ahlen stated that this would be incorporated into the Board's operating guide.

MEMO CONCERNING NETWORK FIELD STAFF

Dr. Ahlen reviewed a memo to the Board concerning the request that 12 Network field engineer positions be included in the Authority's budget request.

Dr. Ahlen stated that this subject originally came up when the industry committee chair attended a meeting of the network field staff. At that meeting, the committee chair suggested that the field engineers become state employees, moving them out of the university system.

The Authority made the budget request for 12 additional positions. This request was submitted to the executive branch and the request was not recommended. The legislative review of the budget request and executive recommendation resulted in the legislative recommendation to give the agency the 12 positions. The request then went to the Joint Budget Committee and to the personnel committee. The personnel committee's decision was to go to with the executive branch's recommendation.

ADVENTURES IN EXCELLENCE

Dr. Ahlen reported that there would be an audit of the ADVENTURES in Excellence project. The Authority has been involved with ADVENTURES for a number of years. The most recent award was made to the University of Arkansas at Fayetteville and before that to the Arkansas Delta Foundation. The Delta Foundation has returned about \$13,000 from its award. There were some questioned costs from when the project was housed at the Delta Foundation, which also received a grant from the Department of Higher Education.

Dr. Ahlen stated that he and Lu Hardin, Director of the Department of Higher Education, agreed that a joint audit should be done. The Authority will use part of the \$13,000 returned to pay for the audit. The total cost of the audit will be less than \$10,000. An RFP for the audit has been issued.

Dr. Hathaway stated that he wrote a letter authorizing the expenditure.

SPECIAL ORDER OF BUSINESS
(Draft Resolution 99-30)

The Board was asked to consider Draft Resolution 99-30, an applied research grant dealing with an SBIR award made to an Arkansas company.

Dr. Ahlen explained that over the past few years, the Authority has seen a growing diversity in the projects being submitted. The Authority has seen approaches from companies as well as state and federal agencies.

At the May, 1998 meeting, the Board discussed using TTAG as phase zero award for SBIR.

David Nelms from Arkansas Microelectronics Development Corporation, received two NASA/SBIR awards, totaling \$140,000. SBIR rules allow him to subcontract work up to 1/3 of the award to work colleges and universities, which he has done. By doing this, he has started the clock running on research that is important to the award. He has submitted an applied research proposal asking the Authority to cost share the subcontract work.

Dr. Ahlen stated that this type of proposal has not been submitted before. The program manager at UAF held the proposal up because of her concerns and as a result, the staff did not have the opportunity to send it to Board members for proper review. If the Board waits until the next meeting in May, more than 90 days will have passed.

Dr. Ahlen stated that if the Board chooses to review the proposal, they should keep in mind three issues. First, the rules and guidelines allow a project to count match retroactively to 90 days. Second, NASA gave the larger proposal, the 25 page proposal submitted to the Authority has not been reviewed. Third, David Nelms' project is in a start-up company with limited resources. The company's matching dollars for this program are federal funds that have passed through the company. The staff believes that when the company receives those funds and writes its check to the University, these funds can be used as a match.

Dr. Hathaway suggested that the Board take a 15-minute recess and give the Research Committee the opportunity to discuss the project and vote to recommend/not recommend it to the full Board. The Board would then re-convene and consider the resolution, if the committee chooses to recommend it.

Mr. May moved that the Board refer Draft Resolution 99-30 to the Research Committee and recess for 15 minutes so that the

committee could review the resolution and proposal. Dr. Augustine seconded the motion; the Board voted unanimously to recess. Dr. Hathaway recessed the Board meeting for 15 minutes.

Dr. Joel Anderson called the Research Committee meeting to order.

Dr. Anderson explained that on past applied research projects, the policy has been that the participating company would provide its match directly to the university, rather than giving the match directly to the company.

This applied research project involves SBIR, which is different from the usual research money.

Committee members stated that the question of the intellectual property needed to be resolved. Committee members stated they did not want to fund the project if the intellectual property did not stay with the company.

Dr. Ward stated that he was very impressed with the proposal. He stated that, given the unusual situation, he saw no reason to pay any indirect costs. UAF should swallow the indirect costs.

Committee members also expressed concern about the budget line for travel expenses. They felt the travel costs should be justified and submitted to the staff for review.

After further discussion, Dr. Ward moved that the Research Committee recommend Draft Resolution 99-30 to the full Board with the following conditions: the intellectual property stays with the company, eliminate overhead, and justification of the travel budget should be submitted to the staff for review. Dr. Hathaway seconded the motion; the Research Committee gave its unanimous approval.

Dr. Anderson adjourned the Research Committee meeting.

Dr. Hathaway reconvened the Board meeting.

RESEARCH COMMITTEE REPORT

Dr. Anderson gave the report for the Research Committee.

Dr. Anderson brought to the Board for approval Draft Resolution 99-30, which provides for the funding of one applied research project:

PROPOSAL NO. 99-A-06, "Development of Integrated Passive Components," by Dr. J. Patrick Parkerson of the University of Arkansas, Fayetteville, in

the amount not to exceed \$46,000.00. This project is cosponsored by Arkansas Microelectronics Development Corporation (AMDC) in the amount of \$23,000.00.

Dr. Anderson stated that the Research Committee voted to recommend the resolution to the full Board with three conditions: the intellectual property stays with the company, eliminate overhead, and justification of travel budget, submitted to the staff.

There being no further discussion, Dr. Anderson made a motion for the approval of Draft Resolution 99-30. Mr. Dempsey seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen stated that the staff would be developing new guidelines for SBIR/Applied Research projects.

The Research Committee voted to recommend Draft Resolution 99-23, providing for the funding of two EPSCoR grant projects:

"Formation of an Arkansas Center for Membrane Transport," by Dr. Michael Jennings of the University of Arkansas for Medical Sciences, in the amount not to exceed \$10,717.53.

"Formation of a Center for Ultra-Fast Electronic-Photonic Material and Devices" by Dr. Gregory J. Salamo of the University of Arkansas, Fayetteville, in the amount not to exceed \$10,717.54.

Dr. Anderson explained that the funds awarded came from monies that were refunded to the Authority. The state is matching federal dollars 1:1 with this award.

Dr. Anderson made a motion for the approval of Draft Resolution 99-23. Mr. Dempsey seconded the motion; the Board gave its unanimous approval.

INVESTMENT COMMITTEE REPORT

Mr. Nipper presented the Investment Committee Report.

Mr. Nipper presented the Investment Fund Report, for quarter ending December 31, 1998.

Mr. Nipper moved for the acceptance of the Investment Fund Report. Dr. Augustine seconded the motion; the Board unanimously voted to accept the report.

REVISED TTAG GUIDELINES

The Board reviewed the revised TTAG guidelines. Les Lane explained that the guidelines were changed to allow private firms to act as technology resource providers for their own behalf. This proposed change was discussed by the Board at an earlier meeting.

There being no discussion, Mr. Nipper made a motion for the approval of the amended TTAG guidelines. Dr. Good seconded the motion; the Board gave its unanimous approval.

TECHNOLOGY DEVELOPMENT PROGRAM

The Board reviewed the guidelines for the Technology Development Program. The staff asked the Board to consider changing the rules to show that the Authority could negotiate royalty agreements with a zero royalty.

Mr. Lane explained that currently the internal paperwork associated with the royalty agreement makes financing technology development activities problematic and burdensome. Bringing technology development projects to the Board without a royalty attachment would simplify the process of investing with other state entities, which would reduce overall administrative costs to the state.

Board members pointed out that the guidelines stated that "the execution of a royalty agreement will be a condition for the disbursement of funds from the Authority to the qualified applicant." They asked if that could be interpreted as a 0% royalty in the agreement.

After further discussion, the Board asked the staff to clarify the guidelines to show that a 0% royalty could be negotiated. They asked that the rules be brought back for their review at the May Board meeting.

DRAFT RESOLUTION 99-24

Draft Resolution 99-24 provides for the formal acceptance of Technology Transfer Assistance Grant (TTAG) projects funded since January 15, 1999. There were a total of five projects funded.

Assisted Enterprise	Application Description	TASP	TTAG Funds
Washday Laundromat Gamaliel, AR 99-TTAG-0028	Environmental Compliance App. Rec'd 12/18/98	HSU	\$ 3,162

Audio Access, Inc. Little Rock, AR 99-TTAG-0030	Product Development Assistance App. Rec'd 1/12/99	UAF	\$ 2,500
North American Marine Jet Benton, AR 99-TTAG-0031	SBIR Assistance App. Rec'd 1/13/99	UALR	\$ 2,500
AMDC Fayetteville, AR 99-TTAG-0032	ATP Assistance App. Rec'd 1/15/99	AMDC	\$2,691.29
Vision Quest Bioimaging, Inc. Little Rock, AR 99-TTAG-0033	SBIR Assistance App. Rec'd 1/26/99	Vision Quest	\$ 3,025

Mr. Nipper made a motion for the approval Draft Resolution 99-24. Dr. Good seconded the motion. Dr. Anderson, Dr. Hathaway, and Dr. Augustine stated that some of the projects came from UALR and UAF, the institutions of their affiliation. The Board gave its unanimous approval.

DRAFT RESOLUTION 99-25

Draft Resolution 99-25 will provide monies for funding recommended projects under the Technology Transfer Assistance Grant (TTAG) Program during the fourth quarter of state fiscal year 1999. The funding is in an amount not to exceed \$15,000.

Mr. Nipper made a motion for the approval of Draft Resolution 99-25. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

DRAFT RESOLUTION 99-26

Draft Resolution 99-26 would provide funding under the technology development program for the following project:

Application No. 99-TDP-01, "Transmembrane Imaging Neuroendoscope," submitted by Vision Quest Bioimaging, Inc., in an amount not to exceed \$50,000.

The investment would result in the development of a medical device called a Neuroendoscope, often used during Endoscopic surgery, that incorporates infrared imaging.

Mr. Nipper made a motion for the approval of Draft Resolution 99-26. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

DRAFT RESOLUTION 99-27

Draft Resolution 99-27 would provide for the Seed Capital investment of \$300,000 into Ultima Group, located in Hardy, Arkansas.

Mr. Lane explained that the Ultima Group provides computerized title information to title companies and county governments. The company, located in Hardy, has tapped out its resources at the local bank. With the investment from the Authority, the company will be able hire additional employees. The investment will also enable the company to stay in Hardy and not move out of state.

Mr. Nipper made a motion for the approval of Draft Resolution 99-27. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

INDUSTRY COMMITTEE REPORT

Dr. Good gave the Industry Committee Report.

DRAFT RESOLUTION 99-28

Draft Resolution 99-28 provides for the formal acceptance of Technology Transfer Assistance Grant (TTAG) projects funded through the Arkansas Manufacturing Extension Network since January 15, 1999. There were a total of two projects funded.

Assisted Enterprise	Application Description	TASP	TTAG Funds
Cloud Corporation Harrison, AR 99-NTTAG-01	ISO 9002 Assistance App. Rec'd 12/28/98	UALR	\$3,750
Garreco, Inc. Heber Springs, AR 99-NTTAG-02	ISO 9002 Assistance App. Rec'd 1/8/99	UALR	\$3,750

Dr. Good made a motion for the approval of Draft Resolution 99-28. Mr. May seconded the motion. Dr. Anderson and Dr. Hathaway stated that the projects funded were from UALR, the institution of their affiliation. The Board gave its unanimous approval.

DRAFT RESOLUTION 99-29

Draft Resolution 99-29 will provide monies for funding recommended projects under the Technology Transfer Assistance Grant (TTAG) Program, through the Arkansas

Manufacturing Extension Network, during the fourth quarter of state fiscal year 1999. The funding is in an amount not to exceed \$50,000.

Dr. Good made a motion for the approval of Draft Resolution 99-29. Mr. May seconded the motion; the Board gave its unanimous approval.

DIRECTION OF THE NETWORK

Dr. Good stated that at the last Industry Committee meeting, committee members discussed the direction of the Network. She stated that the program has been in existence for two and a half years and in that time there has been some problems, some of those problems have been resolved.

The NIST report resulting from the Network's roll over review showed that there are still some serious issues that need to be dealt with.

Right now, the Network Director does not have direct control of the field engineers. Also, the committee felt that too much money was going to the universities to house the engineers.

The committee is unhappy with the current arrangement. The field engineers need to be held accountable, be more tightly managed. The Network Director should have the authority and responsibility for the field engineers.

Dr. Good stated that the committee would like to see the operations localized, but that is not a possibility since the legislature did not approve the 12 new positions. But, the committee felt that the staff could do a better job of putting together the service agreements with the universities. The agreements should show who is responsible for tracking the performance of the field engineers, what goals need to be met, etc. Also, overall guidelines for the operation for the Network need to be developed.

After further discussion, the staff was directed to develop guidelines for the Network and establish the authority and responsibility for the field engineers.

NEW BUSINESS

Dr. Hathaway informed the Board that Mr. Michael Murphy had resigned from the Board. Mr. Murphy cited personal and business obligations for his reason for resigning.

Dr. Hathaway asked the staff to draft a resolution of thanks to Mr. Murphy for his service on the Board.

Dr. Ward pointed out an article that ran in the Arkansas Democrat Gazette concerning biotechnology. The article originally appeared in Governing Magazine. Dr. Ward also invited Board members to a dinner being hosted by UAMS to celebrate biotechnology successes in Arkansas.

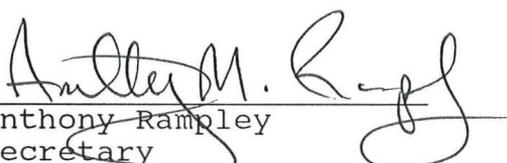
ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,


Anthony Rampley
Secretary
Board of Directors

APPROVED by the Board of Directors
this 21st day of May, 1999


Anthony Rampley
Secretary
Board of Directors