

ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

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**MINUTES OF THE 98TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
LITTLE ROCK, AR
SEPTEMBER 21, 2001**

CALL TO ORDER

The meeting was called to order at 1:30 p.m. by Dr. Joel Anderson, Chairman of the Board, in the Bob Lamb Conference Center of the Arkansas State Chamber of Commerce, 410 S. Cross in Little Rock.

A quorum of Board members was present and included: Dr. Merlin Augustine, Mr. J. Wylie Harris, Dr. Charles Hathaway, Mr. D.W. May, Mr. Ron Roberts, Dr. Neil Rutger, Ms. Melinda Saunders, Dr. Harry Ward and Mr. Rickey Williams.

Staff members present included: Ms. Melissa Adams, Dr. John Ahlen, Mr. Bob Alvey, Mr. Kevin Carr, Ms. Lydia Carson, Ms. To Chan, Mr. Les Lane, Dr. Herb Monoson, Mr. Chuck Myers, Ms. Amy Scivally and Ms. Alma Valley.

APPROVAL OF MINUTES

Dr. Anderson presented the minutes from the May 18, 2001 Board meeting. Dr. Hathaway made a motion for the approval of the minutes. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced three new staff members. Ms. To Chan, Operations Manager for the network; Amy Scivally, Management Project Analyst; Alma Valley, Accounting Supervisor.

Dr. Ahlen reviewed the Board operating plan, which he said would be reviewed at every Board meeting. The information reviewed included financial reports, a list of research projects closed since the May, 200 Board meeting and TTAG projects.

Dr. Ahlen reported that the Seed Capital Investment deal with Art Exchange, Inc. in Hot Springs had closed. As of the Board meeting, there was a total of \$1.6 million available to fund deals and there were \$1.2 million worth of projects on the table for review.

Mr. Roberts stated that it would be a good idea to periodically conduct an assessment of companies that the Authority invested in. It would help the staff see if a company is performing well and if the agency will get a return on the investment. One example of tracking would be a forward calendar with anticipated payments and royalties.

There being no further discussion, Dr. Hathaway made a motion for the approval of the Board Operating Guide as presented. Dr. Ward seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen reported that the staff consulted with the Research Committee and Chairman concerning research proposal deadlines. Because of the current funding situation, it was decided that the research proposal deadlines would be eliminated for now. The universities were notified of this decision.

Dr. Anderson stated that he and Dr. Ward stressed to Dr. Ahlen that it was the appropriate step to take considering the current funding situation.

Dr. Ward stated that if it appears that money will become available later, the committee could ask the Board's permission to send a letter to the universities soliciting proposals.

Mr. Roberts made a motion that the full Board concurs with the Research Committee's decision. Dr. Hathaway seconded the motion; the Board gave its unanimous approval.

Dr. Monoson updated that Board on the project with Garlock. The testing has exceeded expectations and everything is proceeding as planned. The company plans to request a no-cost extension. Dr. Monoson distributed a full report on the project.

The agency's strategic plan is due to the Legislature by September 28th. Dr. Ahlen stated that this submission is part of Performance Based Budgeting.

The staff is in the process of developing a secure website so that Board members can access information, including meeting notices and prepackets.

Dr. Ward pointed out that in the strategic plan, Goal 1 for the agency (to increase per capita research and development (R&D) funding at colleges and universities) is dependent upon the Basic Research Grant Program. Goal 2 (to increase per capital R&D funding at colleges and universities) involves the Arkansas Research Matching Fund, which has no money. He stated that the leadership of the General Assembly and the Governor need to be made aware of the importance of these two programs.

Mr. Roberts stated that given the mission of this agency, the goals should not change. The General Assembly and the Governor need to be informed.

INVESTMENT COMMITTEE REPORT

Mr. Harris presented the Investment Committee Report

Draft Resolution 02-01 would provide seed capital investment funding, in the amount of \$300,000, for Alloy Castings and Composites, Inc. (ACCI) in Malvern, AR.

ACCI has developed a new process to make replacement tools for aerospace industry. The new process involves using hand held scanners to plot the points from tool drawings. A computer-generated model of the tool is then made. Using this system will cut the production time in half.

Mr. Roberts asked that due to the events of September 11, 2001, what would be the future of this investment since it deals mainly with the aerospace industry. Kevin Carr stated that he spoke to company representatives and BF Goodrich, one of their customers. They both indicated that they didn't see a decrease in business because this could also be used for military planes.

There being no further discussion, Mr. Harris made a motion for the approval of Draft Resolution 02-01. Mr. May seconded the motion. The Board gave its unanimous approval.

Draft Resolution 02-02 would provide technology development funding for the University of Arkansas for Medical Sciences on the project entitled, "Therapeutic Ovarian Cancer Vaccine."

This project is for the development of a therapeutic vaccine for ovarian cancer patients who have failed other therapies. The researchers plan to use the body's natural defense system to combat cancer.

Dr. Ward stated that this was very promising research.

Mr. Harris made a motion for the approval of Draft Resolution 02-02. Dr. Augustine seconded the motion. There were eight yes votes, one abstention. The motion passed.

RESEARCH COMMITTEE REPORT

Dr. Ward reported that at its September 5, 2001 meeting the committee felt there was no reason to act on future ARMF proposals due to lack of funds.

Dr. Ward presented for the Board's approval the nominees for the FY2002 EPSCoR Committee. Dr. Ward made a motion to accept the nominees. Dr. Hathaway seconded the motion; the Board gave its unanimous approval.

INDUSTRY COMMITTEE REPORT

Mr. May presented the Investment Committee Report.

Mr. May discussed the current situation with the Manufacturing Extension Network.

One year ago, it was determined by an outside party that the Network should be moved to the Arkansas Manufacturer's Association. Later, it was decided that a move would not be made.

In April of 2001, the Network received a notice from NIST MEP requesting a reimbursement of \$173,000 for disallowed costs. After careful review of the questioned costs, the Authority felt that the reimbursement amount should only be \$36,000. A letter was sent to NIST explaining the Authority's view and that the Authority would agree to pay \$36,000.

In September 2001, the Network received a letter from NIST MEP stating that the Network would be put on high-risk status. Network Director Lydia Carson contacted Pat Lee at NIST and asked for an explanation for the high-risk status. The reason given was that NIST did not receive any of the information previously requested from the Network. Lydia Carson was able to prove that the information requested by NIST had been sent. After further investigation, it was determined by NIST that the information had been received and the Network was taken off high-risk status.

During a teleconference with NIST, after the Network was taken off high-risk status, NIST put the Network back on high-risk status until a 2000 audit of the Network was completed. The state auditor assigned to the Authority has said that the 2001 Network records look good.

Mr. May stated that it has been very frustrating for the Industry Committee and the staff to deal with NIST. Committee members questioned whether it would be prudent to contact the state's congressional delegation concerning these issues. Dr. Hathaway stated that Dr. Good needed to be closely involved.

Mr. May stated that the Network's Center Performance Review was scheduled for October 30, 2001 in Little Rock. He stated that it would be very helpful if Board members could attend. Board members asked that a reminder be sent to them.

OLD BUSINESS

Strategic Planning

Dr. Ahlen stated that during the morning session, the Board reviewed the goals that would be included in the agency's strategic plan being submitted for performance based budgeting. The Board stated that the staff should use their best judgment when listing goals. The staff should show some agency achievements.

NEW BUSINESS

Nominating Committee

Dr. Hathaway presented for the Board's consideration the slate of officers for the upcoming year: Mr. D.W. May, Chair; Ms. Melinda Saunders, Vice Chair; Dr. Harry Ward, Secretary.

Dr. Rutger made a motion for the approval of the slate of officers. Mr. Harris seconded the motion; the Board gave its unanimous approval.

Next Board Meeting

Dr. Anderson reminded Board members that the next Board meeting was scheduled for November 16, 2001.

ADJOURNMENT

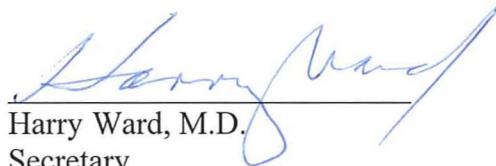
There being no further business to conduct, the meeting was adjourned.

Respectfully submitted,



Harry Ward, M.D.
Secretary
Board of Directors

APPROVED by the Board of Directors
on this 16th Day of November, 2001



Harry Ward, M.D.
Secretary
Board of Directors