



**MINUTES OF THE 110TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
NOVEMBER 21, 2003
LITTLE ROCK, ARKANSAS**

CALL TO ORDER

The meeting was called to order at 1:30 p.m. by Dr. Harry Ward, Chairman of the Board in the Authority's conference room at 423 Main Street in Little Rock, Arkansas.

A quorum was present and included: Mr. J. Wiley Harris, Mr. Gordon Knetzer, Mr. Bum Lee, Ms. Sue McGowan, Ms. Cynthia Moten, Mr. Ron Roberts, Dr. Neil Rutger, Dr. John White, and Mr. Rickey Williams.

Staff members present: Dr. John Ahlen, Ms. Tovia Chan, Mr. Les Lane, Ms. Cathy Ma, Dr. Herb Monoson, Mr. Chuck Myers, Mr. Scott Snider, Ms. Kim Reynolds, and Mr. J.J. Watkins.

Visitors included: Mr. Randy Wilcox from the Governor's Office.

APPROVAL OF MINUTES

Dr. Ward presented for approval the minutes from the September 19, 2003 Board meeting.

Dr. Ward requested that page three of the minutes be corrected to show that the return on investment for research projects is \$7.57 for every \$1.00 invested, not \$7.57.

Mr. Knetzer requested that page one of the minutes be corrected to show that he is from Bryant, not Benton.

Dr. White made a motion for the approval of the minutes, with the necessary corrections. Dr. Rutger seconded the motion. The Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced two new staff members: Ms. Kim Reynolds, Executive Secretary, and Mr. Scott Snider, Communications Manager.

Dr. Ahlen welcomed Mr. Randy Wilcox from the Governor's Office.

Dr. Ahlen welcomed new Board member, Bum Lee. Mr. Lee is Executive Vice President of Celerit in Little Rock.

Dr. Ahlen reviewed with the Board agency's FY02 audit. He stated that there were no questions when the report was filed with the Joint Legislative Audit Committee. The only problem stated in the letter from the legislative auditor was segregation of duties in AASIS in a small agency. Dr. Ahlen stated that with a staff of eleven it was difficult to have a full segregation of duties.

Dr. Ahlen stated that the auditor complimented the Authority on its work matching individuals to different functions within AASIS.

Operating Report

Dr. Ahlen reviewed with the Board the Operating Report. In January, the Authority will present the Board with its interim metrics for 2004. The interim metrics will then be submitted to Legislative Council in February.

Dr. Ahlen presented the first quarter budget numbers. Mr. Ron Roberts asked if the Authority recorded a budget for each quarter in addition to each year. Dr. Ahlen responded that the quarters do not vary. He stated that Technology Development, which includes TTAG and Technology Development grants, requires some planning. He also stated that Professional Fees and Field Services do not vary annually.

Dr. Ward asked what the line Act 1291 of 2003 under Network Support meant. Dr. Ahlen responded that Act 1291 was an appropriation of general revenue funds in support of the Network and was passed in the 2003 legislative session. The funds would be primarily allocated to technology transfer projects for manufacturers in Arkansas. The funds are managed the same as the Technology Transfer Assistance Grants funds in the General Operations section.

Dr. Ward asked if the funds are allocated as an annual grant or if they are figured into the quarterly budget. Dr. Ahlen responded that the funds are exclusively TTAG incentives. Dr. Ward stated that the funds could vary from quarter to quarter.

Dr. Ahlen presented the updated Action Plan. Dr. Ahlen pointed out that the shaded areas of the report relate to the Consolidated Incentives Act of 2003. He stated that the Authority has continued to work with the Arkansas Department of Economic Development, the Arkansas Capital Corporation, and the Commerce Capital

Development Company on planning how the state will use this collection of incentives for entrepreneurial development. These companies offer tax credits for Angel investors and research and development.

Dr. White asked why the plan is moving slowly. Dr. Ahlen responded that the plan is moving quickly. The Authority has worked with the Department of Economic Development on a couple of cases regarding in-house research and development and targeted research and development.

Dr. Ahlen pointed out that the staffs of the Authority, the Department of Economic Development, and the Arkansas Department Finance Authority have worked together to discuss the Commerce Capital Development Company legislation. The staffs believe that a narrower view should be taken to focus on start-up companies and technology on university campuses. State representatives on this board agree the view should be narrowed. Dr. Ahlen stated that discussions are continuing and the collaboration between the agencies is better than has been seen in many years.

Dr. Ahlen presented a list of TTAG projects approved this year. He explained that TTAG projects are projects approved by the staff within a budget approved annually by the Board.

Dr. Ahlen presented the Seed Capital Investment Fund Quarterly Report. Dr. Ward asked why no investment returns were listed on the report. Dr. Ahlen responded that the report has been consolidated to show the total investment cash balance.

Dr. Rutger asked if foreclosure in the comment section meant that the investment was lost. Mr. Lane responded that the companies have been turned over to the Authority's lawyer.

Dr. Ahlen presented financial summaries of the two grants the Authority has received from the Winthrop Rockefeller Foundation. The first grant is for the Middle School Science Project. The second grant is for the Entrepreneurial Arkansas project.

Dr. Ward presented for approval the Operating Report. Mr. Roberts made a motion to accept the report. Dr. White seconded the motion. The Board gave its unanimous approval.

Board of Directors' Operating Guide

Dr. Ahlen asked to defer the discussion on Board committee structure. Dr. Ahlen asked the Board to discuss the goals and operating guide.

Dr. Ahlen asked for suggestions to update Board's current seven goals without concern for how the goals would fit in the strategic plan mandated by Performance Budgeting and Accountability System (PBAS). Dr. Ahlen stated that the Chairman had some ideas about goals one and two, which concern research and development funding at

universities. Dr. Ahlen pointed out that goal seven was addressed in the Research Development Plan. The Board adopted the R&D Plan in January 2002.

Dr. Ahlen stated that it is helpful to the staff to understand what the Board thinks that the Authority should be striving to accomplish.

Dr. Ward asked if the Authority included what was initially proposed at the September meeting. Dr. Ahlen responded that the Board's goals have been incorporated into the Operating Guide. Every two years the Board would be asked to update the guide. Dr. Ahlen stated that at the last meeting, it was proposed that all the goals should be deleted from the operating guide because the guide seemed to be an inappropriate place for the Board's goals. The new place for the Board's goals would be in the Strategic Plan. At the time, there was some concern about deleting the goals so action was deferred.

Dr. Ward stated that the Board agrees with the goals listed. The Board feels strongly about role that the Authority can play in economic development.

Dr. Ward expressed concern that the Authority has dropped the goal to promote science in Arkansas and pointed out that this was part of the original statute for the Authority. Dr. Ward stated that the goals were more technology-based. He pointed out that they reason this was originally done was because there is not enough matching money to promote science and stated that there would most likely not be enough money next year. Dr. Ward stated that he believes that science should still be in the mission.

Dr. Ward stated that the goals of the Board and the Authority are the same. Dr. Ward expressed concern that it appears from the page the page showing Board goals and Authority goals that they are different.

Dr. White suggested the Board have a discussion as to whether or not science is included in knowledge-based projects. Dr. White stated that he believes it is included. Dr. White stated that when he uses the term knowledge-based, he is talking about research and development. This is usually oriented toward the high-tech sector, which is normally science.

Dr. White stated that he believes the Authority should be a major leader in helping Arkansas transform into a more science- and technology-based economy. Dr. White pointed out that the Authority has to be the voice within the state that advances the agenda of science and technology to ensure that the state is attractive to higher-paying knowledge-based businesses.

Mr. Roberts stated that if the Authority does not act as a voice, then who will be the voice. Mr. Roberts pointed out that the Authority has not had the ability to perform as a leader due to lack of funds.

Mr. Roberts stated that it is important that the Board reach a consensus on the goals. Mr. Roberts suggested that an ad hoc committee be formed to work on the goals.

Dr. Rutger stated that the staff has presented a plan, but that the Board is having trouble understanding it.

Dr. Ward suggested the Board ask the new chairman to form the ad hoc committee.

Dr. White suggested that all the Board members state their ideas of what the Authority's goals should be.

Dr. Ahlen stated that two years ago, in response to the new budget process, the staff came up with a strategic plan that he believes takes into account every thing the Board members have expressed. To come up with the Agency goals, the staff used the Board's seven goals as strategies to carry out what the Authority is supposed to do and then simplified the structure above the strategies.

Dr. Ahlen stated that in regards to the science part of the Agency's goals, the Authority included funding for basic research to help individual scientists on campuses throughout the state become eligible for federal funding.

Dr. Ahlen stated that also included are research matching funds for larger projects primarily at the state's research campuses, the University of Arkansas, Fayetteville and the University of Arkansas for Medical Sciences. While these campuses could find the matching funds on their own, some other campuses who are doing good work would never qualify, for example, Arkansas State University and the University of Arkansas at Little Rock. Dr. Ahlen stated that there is a statewide network of 14 universities that require \$100,000 a year in matching funds to support the NASA Space Grant Consortium. These colleges do not have sufficient funds in their budget to supply the match. Dr. Ahlen proposed that the Authority provide those funds.

Dr. Ward expressed concern that some words in the plan suggest that the Board goals are different from the Agency goals. Dr. Ward stated that the overall goal of the Board and the Agency is to increase funding for science. Dr. Ward suggested that there should be operational goals to quantify the overall failure or success.

Dr. Ward asked for comments from the Board members. Dr. Rutger stated that he is struggling with the understanding the vision put forth by Dr. Ahlen and the staff. He stated that a committee to figure out the goals would be helpful. Ms. Moten stated that the Board's goals need to be clear so that the Agency can implement them. Ms. McGowan stated that she is concerned that research is not listed in the goals. She pointed out that even though there may not be enough funds, research should still be included in the goals. Mr. Knetzer stated that he is still trying to discern what his role is going to be on the Board. He stated that when he first came he envisioned that what would happen is the staff would bring projects to the Board, who would then approve or decline. Mr. Williams stated that the Agency needs to define where it is headed and determine how to get there. Mr. Williams stated that he does not feel that the Authority is moving forward

with the goals as stated. Mr. Roberts stated that he would like ASTA to be a change agent in the state to move the state forward. The goals need to reflect that vision. Mr. Harris stated that Dr. Ahlen should work with the Board on the goals.

Dr. Ward stated that rather than form a formal ad hoc committee, Dr. Ahlen and the staff should work with the Board to fix the goals before the next Board meeting.

Mr. Lee asked if a charter was written when the Authority was formed. Dr. Ward responded there was and it should be reviewed. Dr. Lee stated that the goals should be looked at to see how far the Agency has come since the beginning.

Mr. Harris stated that the goals at the beginning were outstanding. The Board needs to consider the limited amount of funds when considering the goals now.

INDUSTRY COMMITTEE REPORT

Mr. Ron Roberts presented the Industry Committee Report.

H-1B Grant Initiative for Advanced Manufacturing in Arkansas

Mr. Roberts stated that a new grant proposal has been submitted by the Network and the Northwest Workforce Assessment Board to the Department of Labor. The grants would provide training to higher-skill level persons. Under the terms of the Department of Labor, the Network is required to provide the training through a workforce investment board. The proposals are open-ended.

Laine Communications Project

Mr. Roberts stated that Laine Communications is the company that was hired to help develop a communications strategy for the Arkansas Manufacturing Extension Network. The company is in the initial stages of the project.

Arkansas Quality Award

Mr. Roberts stated that the Arkansas Manufacturing Extension was once again awarded the Arkansas Quality Award.

Network Impact Performance

Mr. Roberts stated that during the most recent quarter, the Network received a perfect score of 100. Mr. Roberts pointed out specific rankings against the metrics they are graded against in that review project. Mr. Roberts thanked Ms. Lydia Carson and her staff for their outstanding work.

NIST MEP Center Panel Review

Mr. Roberts stated that the Center had its bi-annual meeting. Mr. Roberts stated that the Panel recommended that the Network continue to receive full funding and the reviews continue to be on a bi-annual basis.

INVESTMENT COMMITTEE REPORT

The Investment Committee Report was presented by Ms. Sue McGowan.

Ms. McGowan stated that the staff submitted two projects to the committee, both were declined.

RESEARCH COMMITTEE REPORT

The Research Committee Report was presented by Dr. Rutger.

Dr. Rutger stated the only item related to the Centers for Applied Technology. This is new legislation that states that any college or university can apply to establish a technology center on its campus in cooperation with the private sector. Dr. Rutger stated that an application is pending for Acxiom and the University of Arkansas at Little Rock.

OLD BUSINESS

Nominating Committee

Dr. Ward stated that the Nominating Committee has nominated a chairman. Dr. Ward stated that the Vice-Chair, Dr. John White, asked that he remain as Vice-Chair and postpone his nomination for chairman until next year. Dr. Ward stated that the members of the Board requested he ask Mr. J. Wylie Harris to accept the nomination.

Dr. Ward nominated Mr. Harris as next year's chairman. Dr. White seconded the motion. The Board gave its unanimous approval.

Mr. Harris stated that his first order of business would be to discuss the goals with Dr. Ahlen.

Dr. Ahlen stated that Dr. White will continue as Vice-Chair and Dr. Rutger is the new secretary.

Dr. Wylie moved that Dr. White and Dr. Rutger be accepted as Vice-Chair and Secretary. Ms. McGowan seconded the motion. The Board gave its unanimous approval.

Dr. White expressed the Board's appreciation for Dr. Ward's service as Chairman.

ADJOURNMENT

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Neil Rutger", written over a horizontal line.

Neil Rutger
Secretary
Board of Directors

APPROVED by the Board of Directors
on this 16th day of January, 2004

A handwritten signature in blue ink, appearing to read "Neil Rutger", written over a horizontal line.

Neil Rutger
Secretary
Board of Directors