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**MINUTES OF THE 109TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
SEPTEMBER 19, 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.

A quorum was present and included: Mr. David Eberdt, Mr. Gordon Knetzer, Mr. D.W. May, Ms. Sue McGowan, Ms. Cynthia Moten, Mr. Ron Roberts, Dr. Neil Rutger, Dr. John White and Mr. Rickey Williams.

Staff members present: Ms. Melissa Adams, Dr. John Ahlen, Ms. Lee Cordon, Mr. Chuck Myers, Dr. Herb Monoson, Ms. Cathy Ma, Mr. J.J. Watkins and Ms. Tovia Chan.

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

Dr. Ward welcomed new Board member, Gordon Knetzer. Mr. Knetzer is owner of Advanced Construction Systems in Benton, AR. Dr. Ward also announced that Board member Rickey Williams had been reappointed to the Board. His new term will expire in 2007.

APPROVAL OF MINUTES

Dr. Ward presented for approval the minutes from the May 16, 2003 Board meeting. Dr. White made a motion for the approval of the minutes. Mr. Roberts seconded the motion. The Board gave its unanimous approval.

Dr. Ward presented for approval the minutes from the June 20, 2003 Board meeting. Dr. White made a motion for the approval of the minutes. Mr. May seconded the motion. The Board gave its unanimous approval.

Dr. Ward presented for approval the minutes from the August 29, 2003 Executive Committee meeting. Mr. Roberts made a motion for the approval of the minute. Dr. White seconded the motion. The board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced Randy Wilcox. Mr. Wilcox is the Authority's new liaison in the Governor's Office. Dr. Ahlen also introduced Ms. Lee Cordon, who is working as an intern for the Entrepreneurship Arkansas grant, which was awarded to the Authority by the Winthrop Rockefeller Foundation.

Dr. Ahlen reviewed with the Board the operating report. This is the president's current report to the Board and will be revised as necessary. This document will also be used to track performance.

Dr. Ahlen pointed out specific items in the report, which included the Authority's budget for FY04. The report will show actual budget expenses by quarter.

The two grants awarded to the Authority by the Winthrop Rockefeller Foundation will also be tracked in the operating report.

The operating report will also show a list of TTAG projects funded. Dr. Ahlen pointed out that the Board approves a TTAG funding resolution once a year and the projects funded are provided to the Board.

Dr. Ahlen stated that the financial report for the Seed Capital Investment Program had been streamlined. The new report was discussed in detail with the Investment Committee.

Board members questioned the deferments granted companies. Dr. Ward suggested that the staff prepare a document that gives a precise explanation of why a company was granted a deferral.

Mr. Roberts stated that the Seed Capital Fund is used to make investments in new startup companies. Mr. Roberts stated that he has expressed to Dr. Ahlen that this fund should be larger and the Board should be making more and larger investments. The Board needs to go to the legislature and the governor's office and ask for more funding. This fund could possibly have an economic impact for the state.

Dr. White stated that this fund could be called the "source of last resort." The number of deferred companies should not be surprising. He stated that maybe the Board should take more risks with this fund. Mr. May stated that too many high risks investments could deplete the fund.

Mr. Knetzer asked what the track record for the fund has been. Dr. Ahlen stated that there has been a return on investments. The fund has turned over.

Dr. Ahlen pointed out the report for closed research projects. He stated that final reports for the last five research projects had been received. The pipeline for research funding is

closed. Each closed project is tracked for five years. Since 1997, the return on investment for research projects is \$7.57.

Dr. Ahlen reported that the staff has been working on the Consolidated Incentive Act. The Board will be approving the tax credits for this project.

Strategic Planning Metrics

Dr. Ahlen reported that in May, the staff prepared the Board to look at performance measures. The staff prepared a strategic plan that was submitted to the legislature. In FY04, the staff will report on the metrics to justify the Authority's budget. Dr. Ahlen stated that in time, the Board should discuss if the metrics outlined are the proper ones for the Authority.

Dr. White complimented the staff on the work done on the metrics. He stated that he was impressed with the staff's work and the information was well presented.

Dr. Ward stated that he spent time going through the metrics. He stated that it is important that the Board recognize this will not be submitted. With the use of these metrics, the staff has challenged themselves. The staff is measuring their progress. Next year the report will be in this format.

Board Operating Guide

Dr. Ahlen reviewed the Board Operating Guide. Dr. Ahlen stated that this document would be updated every two years, after each legislative session. The Operating Guide lists the Board's goals.

Mr. Roberts stated there has been discussion about the need for the Authority to have a closer working relationship with the Arkansas Department of Economic Development (ADED). With the goals outlined, it is clear that the Authority is aligned with ADED and its goals. This is great for the state.

Dr. Ward expressed concern with the change in goals. The new goals address industry and economic development. What drops is research and investment in colleges and universities.

Dr. Ward stated that if these are the goals and the budget is set, that is fine. He wouldn't want these struck as a theme for the next biennial request. The agency needs to have a major theme to have matching funds for federal funds for research projects.

These shouldn't be permanent, long-term goals. The agency can't lose its commitment to build the scientific community at colleges and universities.

Dr. White suggested keeping the original 1 & 2 goals. To get further down the stream, you have to have research funds. Until we have that, there isn't a chance for Arkansas to move up. Keep the goals to ensure the legislature is reminded that it is important, but the Authority has been unsuccessful in getting funding.

Dr. Ahlen pointed out two things. The Authority has changed the way it does business. The budgeting performance process has made the goals high level and layered the strategies. The agency then builds its budget request. This process is easier for the legislature and budget staff to understand. The goals do not reflect everything the agency is doing. The metrics reflect the strategy.

It was suggested that approval of the operating guide be tabled until the next meeting so the Board could think more about the goals.

After further discussion, Mr. May made a motion to approve the revised Operating Guide, with the exception of the goals. Ms. McGowan seconded the motion. The Board gave its unanimous approval.

Board Policy Manual

Dr. Ahlen reviewed the Board Policy Manual. Dr. Ahlen stated that one addition was made to the manual, concerning R&D Tax Credits. The change concerns the President being authorized to issue and process tax credit applications in accordance with Act 759 of 1985, for research projects previously approved by the Board.

Ms. McGowan made a motion for the approval of the Board Policy Manual. Dr. White seconded the motion; the Board gave its unanimous approval.

Annual Report

The Authority's 2002 Annual Report was presented to the Board. Mr. Roberts made a motion to approve and release the Annual Report. Dr. White seconded the motion; the Board gave its unanimous approval.

INDUSTRY COMMITTEE REPORT

Mr. Ron Roberts presented the Industry Committee report.

Debt Write Offs

Mr. Roberts presented a memo concerning a request to write off several project debts. Mr. Roberts stated that the Network has been pursuing past due accounts for 13 projects. Several accounts have been deemed uncollectable. The amount of the write off totals \$8,400.

Mr. Roberts made a motion for the approval of the write-off totaling \$8,400. Mr. May seconded the motion; the Board gave its unanimous approval.

Laine Communications Project

Mr. Roberts updated the Board on the project with Laine Communications. The Network received bids and selected Laine Communications to develop a communications strategy for the Network. This is a three-month project and will be paid in three installments. Final payment will not be released until the Network and Board are satisfied with the results of the project.

Dr. Ward stated that the Executive Committee was satisfied with the choice of Laine Communications.

INVESTMENT COMMITTEE REPORT

Ms. McGowan presented the Investment Committee report.

Project Write-Off

Ms. McGowan presented a memo requesting a write off for Creative Engineering Consultants, Inc.

The Authority invested \$50,000 in the company through the Technology Development Program. The Authority executed a royalty agreement with Creative Engineering Consultants on February 22, 1993. The terms of the royalty agreement allowed the Authority to collect 5% of product sales for tens years beginning February 22, 1993 and ending on February 21, 2003. The company provided \$9,452.34 in royalties.

Ms. McGowan stated that the write off was requested because the royalty agreement has expired.

Mr. Roberts made a motion to approve the write off request. Mr. May seconded the motion; the Board gave its unanimous approval.

Revised TTAG Guidelines

The revised TTAG guidelines were presented for approval.

The TTAG panel proposed changes to the guidelines to strengthen the Authority's ability to monitor projects and provide a method for the Network to use enterprise dollars as federal match.

Dr. White made a motion for the approval of the revised TTAG guidelines. Dr. Rutger seconded the motion; the Board gave its unanimous approval.

RESEARCH COMMITTEE REPORT

Dr. Rutger presented the Research Committee report.

Dr. Rutger presented Amended Resolution 02-06 for approval. The resolution was amended to correct funding amounts.

02-A-01, "ACXIOM Data Engineering Laboratory (ADEL) Second-Year Funding," submitted by Dr. Yupo Chan, Dr. Charles Ford, Dr. Russel Bruhn of the University of Arkansas at Little Rock and Dr. John Talburt of ACXIOM Corporation. This project is sponsored by ACXIOM Corporation in the amount of ~~\$126,340~~ \$130,086.

02-A-02, "Mining Hidden Information From Large Datasets," submitted by Dr. Ningning Wu, Dr. Russel E. Bruhn of the University of Arkansas at Little Rock and Mr. Rasesh Patel of ACXIOM Corporation, in an amount not to exceed \$39,390. This project is co-sponsored by ACXIOM Corporation in the amount of \$47,792.

02-A-03, "An Architecture for Capturing, Storing, and Connecting Event Information to Facilitate Customer Data Integration," submitted by Dr. Ray R. Hashemi, Dr. Charles E. Ford, Jr. of the University of Arkansas at Little Rock and Mr. Stephen D. Sieloff of ACXIOM Corporation, in an amount not to exceed \$40,390. This project is co-sponsored by ACXIOM Corporation in the amount of ~~\$46,080~~ \$118,080.

Dr. Rutger made a motion for the approval of Amended Resolution 02-06. Dr. White seconded the motion; the Board gave its unanimous approval.

Centers for Applied Technology

Dr. Rutger presented the Draft Center for Applied Technology guidelines. The Consolidated Incentive Act of 2003 (Act 182) includes all of the Authority's programs. Under the new legislation, a college or university can apply to the Authority to establish a Center for Applied Technology on their campus, dealing with one of four areas enumerated in the 2000 Research and Development Plan. The institution must have a private sector partner or company willing to contribute to the Center up to \$150,000 annually for five years. After five years, the private sector partner can request an R&D Tax Credit of 33% for its investment.

The guidelines have been revised to include the new legislation.

Dr. Rutger made a motion for the approval of the draft guidelines. Ms. McGowan seconded the motion; the Board gave its unanimous approval.

NEW BUSINESS**Board Committee Structure**

Dr. Ahlen stated that the Authority's Board is relatively small and members are asked to serve on only one committee. There has been some interest in possibly combining three committees into two and reorganizing the programs to fall under the two committees.

Dr. Ahlen referred to a memo that was reviewed and discussed during the Executive Committee's meeting over the summer. Dr. Ahlen stated that there was no urgency to address this issue, but it might be something the Board takes under consideration at a later date.

Dr. Ward suggested that the staff provide the memo to the full Board and the committee chairs be consulted about the issue.

Nominating Committee

Dr. Ward presented for the Board's consideration the slate of officers for the upcoming year: Dr. John White, Chair; Mr. J. Wylie Harris, Vice Chair; Dr. Neil Rutger, Secretary.

Dr. White stated that he would be honored to serve as Chair of the Board. However, he had accepted chairmanship of another committee, which was going to take up a lot of time. He suggested that the Board consider leaving Dr. Ward as Chair for another year.

Dr. Ward suggested that Mr. Harris could be moved up to Chair, if he would agree.

After further discussion, Dr. Ward suggested that the Board defer this issue until the next meeting so that he could consult with Mr. Harris.

ADJOURNMENT

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

Respectfully submitted,



Secretary
Board of Directors

APPROVED by the Board of Directors
on this 21st day of November, 2003



Secretary
Board of Directors