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**MINUTES OF THE 119<sup>TH</sup> MEETING OF THE  
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY  
BOARD OF DIRECTORS  
OCTOBER 14, 2005  
LITTLE ROCK, AR**

**CALL TO ORDER**

The meeting was called to order at 9:00 a.m. by Dr. John White, Chairman of the Board, in the second floor conference room of the Arkansas Science & Technology Authority.

A quorum of Board members was present and included: Dr. Steve Floyd, Dr. Collis Geren, Mr. Robert Hall, Mr. Johnny Hooks, Mr. Gordon Knetzer, Mr. Gary Phillips, Dr. Harry Ward and Mr. Rickey Williams. Dr. Karen Wheeler from the Department of Higher Education sat in for Dr. Floyd during part of the meeting.

Staff members present: Ms. Melissa Adams, Dr. John Ahlen, Ms. Lydia Carson, Ms. Rachel Lee, Ms. Cathy Ma, Dr. Gail McClure, Mr. Chuck Myers, Ms. Cecilia Xiao, Mr. JJ Watkins and Mr. Ali Yavuzer.

**APPROVAL OF MINUTES**

Dr. White presented for approval the minutes from the May 20, 2005 regular meeting and August 19, 2005 special meeting. Dr. Geren made a motion for the approval of both minutes. Mr. Hooks seconded the motion; the Board gave its unanimous approval.

**PRESIDENT'S REPORT**

**Operating Report**

Dr. Ahlen reviewed the Operating Report. Dr. Ahlen pointed out that the Board was in sync with its strategic plan. The staff is also meeting its metrics.

Dr. Ahlen reported on the budgets for the various Winthrop Rockefeller grants received by the Authority. He stated that the Winthrop Rockefeller Foundation has expressed an interest in expanding the middle school science minigrants to high schools. The Foundation has asked the Authority to submit a proposal for such a project.

Dr. Ahlen reviewed the chart showing TTAG projects funded to date in FY06. Dr. Ahlen stated that the Authority had been hearing good things about TTAG funds being used to help secure SBIR funds. In one recent month four companies that received TTAG funds have been awarded SBIR funding.

Dr. Ahlen reported that the Authority received an additional general revenue appropriation of \$292,653 for the Seed Capital Investment Program. There is a stipulation on the funds that if it is not used, the Authority will lose it. Dr. Ahlen stated that the staff would be working with universities to seek out portfolios of intellectual property that can be moved to the marketplace. Dr. Ahlen stated that there are at least six potential candidates at UAMS. He also stated that UAF and ASU would also be contacted for possible deals.

Authority staff has also been in contact with Arkansas Capital Corporation, Arkansas Department of Economic Development and Arkansas Development Finance Authority to find ways to use this program to increase venture capitalism in the state.

Dr. White stated that the staff should develop a process to accumulate data that would show the potential of this program and take the results to the Legislature. This could make a good case for increasing funding for the Authority. Dr. White also expressed concern about taking the first projects that come along. It was suggested that the Authority conduct some sort of "competition" for the available funds.

Mr. Hall stated that the Authority should look at another approach when presenting results to the General Assembly. The big return the Authority and Board is looking for is more Venture Capital opportunities and more jobs for the state.

Dr. Ahlen stated that he was invited to make a presentation to the Legislative Revenue and Tax Committee. He was invited back a second time to talk about Venture Capital. Legislators are realizing that one time investments to get manufacturers to the state aren't working anymore. Legislators are beginning to understand that companies are being spun off from companies like Acxiom.

Dr. Ahlen stated that there would need to be another accounting process for these types of funds. Rather than looking at the same deals, the Authority is interested in using the money to get help from venture capitalists in getting ideas from the universities into the marketplace. The Authority believes that the venture capitalists could direct the staff to the kinds of deals they are interested in and those could be brought to the Board.

Dr. Phillips asked if there was a place to put any monies that were paid back from this new pool of funds. Dr. Ahlen stated that there was special language stating any money paid back would be put into an account specifically for this pool of money.

Mr. Knetzer asked about the Seed Capital Investment Program and why there were not more deals being made. Mr. Williams shared that the Investment Committee reviews

many deals that they choose not to bring to the full Board because the committee knows the deals are not worthy of moving forward.

It was suggested that the Board members get a first hand look at the process for completing due diligence on potential deals and how it is determined whether it should be brought to the Board for consideration.

Dr. Ahlen pointed out that the revised budget for the WRF Entrepreneurial Arkansas grant (9-0306) had been revised. He stated that the Board would need to approve the revised budget.

There being no further discussion, Dr. Ward made a motion for the approval of the Operating Report, including the revised budget for the WRF Entrepreneurial grant. Dr. Phillips seconded the motion; the Board gave its unanimous approval.

### **Operating Guide**

Dr. Ahlen presented the Board Operating Guide. Dr. Ahlen stated that the Board goals for the new biennium had been added to the Guide.

Dr. Floyd made a motion for the approval of the Board Operating Guide. Mr. Knetzer seconded the motion; the Board gave its unanimous approval.

### **Board Policy Manual**

Dr. Ahlen presented the Board Policy Manual. Dr. Ahlen stated that the one change to the policy manual concerned the Cash Fund Investment Policy. The agency's auditor suggested that the Authority move its cash fund to the State Treasury Money Management Trust Fund.

The new process would be that when a Certificate of Deposit held by the Authority reaches its maturity date, the finance program manger will seek out the current prevailing market rate of interest. This will be compared to the interest rate offered by the Money Management Trust Fund. Based on the comparison, the finance program manager can choose to put the funds in another certificate of deposit or transfer the funds to the Money Management Trust Fund.

There being no further discussion, Mr. Hooks made a motion for the approval of the Board Policy Manual. Mr. Hall seconded the motion; the Board gave its unanimous approval.

### **INDUSTRY COMMITTEE REPORT**

Mr. Robert Hall presented the Industry Committee Report.

On August 4, NIST approved the AMS Cooperative Agreement from July 1, 2005 through June 30, 2006. The agreement was approved for the full funding amount of \$941,110. Currently, AMS has a surplus of \$39,402. AMS has requested a carryover of those funds for use in FY06.

#### **Draft Resolution 06-02**

Mr. Hall presented for consideration Draft Resolution 06-02.

Draft Resolution 06-02 would provide approval for the funding of a partnership agreement between Arkansas Manufacturing Solutions and Winrock International. The resolution would provide funding in the amount of \$87,334 to support one field staff position at Winrock International, from October 1, 2005 through June 30, 2006. A portion of the funding would come from the carryover funds of \$39,402.

Mr. Hall, on behalf of the Industry Committee, recommended approval of Draft Resolution 06-02. The Board unanimously approved the resolution.

#### **Draft Resolution 06-03**

Mr. Hall presented for consideration Draft Resolution 06-03.

Draft Resolution 06-03 recommends to creation of the Arkansas Manufacturing Solutions Advisory Committee. The committee will be composed of six members appointed by the Board of Directors. Members will serve two years, beginning on July 1 and ending on June 30.

Mr. Hall, on behalf of the Industry Committee, recommended approval of Draft Resolution 06-03. The Board unanimously approved the resolution.

#### **Administrative Procedures for AMS Advisory Committee**

Mr. Hall presented for consideration administrative procedures for the AMS Advisory Committee.

Mr. Hall, on behalf of the Industry Committee, recommended approval of the administrative procedures. The Board unanimously approved the resolution.

#### **AMS Advisory Committee Nominations**

Mr. Hall presented the Industry Committee's recommendations for the AMS Advisory Committee.

- Mr. Les Eaves  
Delta Manufacturing, Inc. – Newport
- Mr. Paul Horney

- Innovation Industries, Inc. – Russellville
- Mr. Paul Mastro  
George Fischer Sloane – Little Rock
  - Mr. Hank Matthew  
Hot Springs Village
  - Ms. Robin McClendon  
SeaArk Boats – Monticello
  - Mr. Grey Williams  
Dextera – Little Rock

Dr. Geren indicated that Northwest Arkansas was not represented on the advisory committee. Dr. White stated that it would be useful to seek out minority representation on the advisory committee.

There being no further discussion, the Board unanimously approved the nominations for the AMS Advisory Committee.

#### **INVESTMENT COMMITTEE REPORT**

Mr. Rickey Williams presented the Investment Committee Report.

The committee met on September 22, 2005 and discussed one deal. The committee felt that the deal should not be brought to the Board.

Mr. Williams asked JJ Watkins to update the Board on several projects that are coming down the pipeline.

#### **RESEARCH COMMITTEE REPORT**

Dr. Ward presented the Research Committee Report.

##### **Draft Resolution 06-04**

Draft Resolution 06-04 would certify R&D Tax Credits for the following application:

Application No. 9831-05, “Tax Credit for In House Research by a Targeted Business,” submitted by BioBased Systems for “Project 1: Polyol Project” in the amount of \$666,704.46 in tax credits.

Dr. Ward, on behalf of the Research Committee, recommended approval of Draft Resolution 06-04. Dr. Geren and Dr. White abstained from voting. The Board approved Draft Resolution 06-04.

##### **Draft Resolution 06-05**

Draft Resolution 06-05 would certify R&D Tax Credits for the following application:

Application No. 9831-05, "Tax Credit for In House Research by a Targeted Business," submitted by BioBased Systems (Energy Seal System Design LLC) for "Project 2: Sprayer Project" in the amount of \$217,516.12 in tax credits.

Dr. Ward, on behalf of the Research Committee, recommended approval of Draft Resolution 06-05. Dr. Geren abstained from voting. The Board approved Draft Resolution 06-05.

#### **Draft Resolution 06-06**

Draft Resolution 06-06 would certify R&D Tax Credits for the following application:

Application No. 9917-05, "Tax Credit for In House Research by a Targeted Business," submitted by NanoMech LLC in the amount of \$83,373.59 in tax credits.

Dr. Ward, on behalf of the Research Committee, recommended approval of Draft Resolution 06-06. Dr. Geren abstained from voting. The Board approved Draft Resolution 06-06.

#### **Draft Resolution 06-07**

Draft Resolution 06-07 would certify R&D Tax Credits for the following application:

Application No. 9783-05, "Tax Credit for In House Research by a Targeted Business," submitted by Space Photonics in the amount of \$390,830 in tax credits.

Dr. Ward, on behalf of the Research Committee, recommended approval of Draft Resolution 06-07. Dr. Geren abstained from voting. The Board approved Draft Resolution 06-07.

#### **Draft Resolution 06-08**

Draft Resolution 06-08 would approve matching funds, contingent on the release of monies, for the following project:

Proposal No. 06-ARMF-01, "Proposal to Fund the Arkansas Space Grant Consortium," by Dr. Keith Hudson, of the University of Arkansas at Little Rock, in the amount not to exceed \$107,842. This project is funded federally by a National Aeronautics and Space Administration grant (Space Grant Program) in the amount of \$335,000.

Dr. Ward stated that NASA does not allow purchasing equipment with grant money. The state matching funds would allow the space grant program to purchase needed equipment.

Dr. Ward, on behalf of the Research Committee, recommended approval of Draft Resolution 06-07. Dr. Geren abstained from voting. The Board approved Draft Resolution 06-08.

### **EPSCoR Advisory Committee**

Dr. Ward stated that the research committee was recommending a change in the membership of the EPSCoR Advisory Committee. NSF has indicated that they want to see a member of Governor's cabinet on the committee. For this reason, Dr. Ahlen would replace Dr. Gail McClure on the committee. Dr. McClure will continue to serve as secretary for the committee.

There being no objections, the request was approved.

### **NEW BUSINESS**

#### **Release of Annual Report**

Dr. Ahlen presented the draft FY05 Annual Report. Dr. Ahlen stated that if the Board had no changes, the Annual Report would be posted on the Authority's website.

There being no changes, the Board approved the release of the annual report.

#### **Nominating Committee**

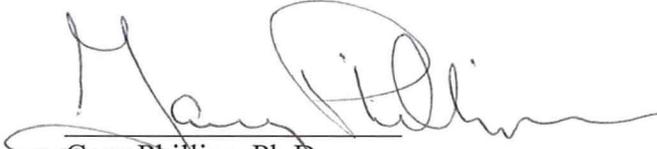
Dr. Ward, on behalf of the nominating committee, presented for consideration the slate of officers for the upcoming year: Dr. Neil Rutger, Chair; Ms. Sue McGowan, Vice Chair; Dr. Gary Phillips, Secretary.

The Board voted unanimously to accept the nominating committee's recommendation.

### **ADJOURNMENT**

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

Respectfully submitted,



Gary Phillips, Ph.D.  
Secretary  
Board of Directors

**Approved** by the Board of Directors  
on this 18<sup>th</sup> Day of November, 2005



Gary Phillips, Ph.D.  
Secretary  
Board of Directors