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**MINUTES OF THE 123RD MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
MAY 19, 2006
LITTLE ROCK, AR**

CALL TO ORDER

The meeting was called to order at 1:28 p.m. by Dr. Neil Rutger, Chair 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. Collis Geren, Mr. Johnny Hooks, Mr. Paul Horney, Mr. Patrick Hutton, Mr. Paul Mastro, Ms. Sue McGowan, Dr. Gary Phillips and Mr. Rickey Williams.

Staff members present: Ms. Melissa Adams, Dr. John Ahlen, Ms. Lydia Carson, Ms. Cathy Ma, Dr. Gail McClure, Mr. Chuck Myers, Mr. Chris Snider, Dr. Steve Stanley and Mr. JJ Watkins.

INTRODUCTIONS

Dr. Ahlen introduced new Board member, Paul Mastro. Mr. Mastro is Vice President of Manufacturing for George Fischer Sloane in Little Rock. Mr. Mastro replaces Dr. Harry Ward, whose term expired in January.

Dr. Ahlen reported that the Governor's Office had appointed Mr. Brian Porbeck to the Board. He participated in one industry committee meeting. However, Mr. Porbeck decided to submit his resignation because of work and time constraints. Dr. Ahlen stated that the Governor's Office would be working to find a replacement for Mr. Porbeck.

APPROVAL OF MINUTES

Dr. Rutger presented for approval the minutes from the March 17, 2006 Board meeting. Dr. Geren made a motion for the approval of the minutes. Mr. Hooks seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen reviewed the operating report. Dr. Ahlen stated that the budget report for this quarter included a release of \$350,000 from the Governor's Office into the Authority's research and TTAG line.

Dr. Ahlen reviewed the list of TTAG projects funded and the Seed Capital Investment portfolio.

Mr. Hooks made a motion to accept the Operating Report as presented. Mr. Hutton seconded the motion; the Board gave its unanimous approval.

Budget Plan for the 2007-2009 Biennium

Dr. Ahlen reviewed the agency's proposed budget plan for the upcoming biennium. Dr. Ahlen pointed out that the budget included a \$30,000 increase in the agency's maintenance and operations line because there had not been an increase for the past five bienniums. The budget also includes capital outlay money for the purchase of a new server. The agency is asking for the restoration of the TTAG and Technology Development budget back to the amount it was before September 11 (\$325,000).

The budget for Arkansas Manufacturing Solutions is a combination of federal funds and matching funds that come from client fees collected.

The budget also included a best estimate for the grants funded through the Winthrop Rockefeller Foundation.

Dr. Ahlen stated that it would be good to have a Board member present at the agency's budget hearing.

INDUSTRY COMMITTEE REPORT

Mr. Paul Horney presented the Industry Committee Report.

AMS has submitted its funding request to NIST for FY07. The funding request totaled \$941,110. AMS has received support from a majority of the state's congressional delegation.

Congressman Vic Snyder toured Hall Manufacturing, at the invitation of AMS. The tour was covered by all the local networks and there were several good sound bites from Congressman Snyder. The staff is working to schedule a tour in Northwest Arkansas.

AMS received a favorable report in the latest NIST MEP Impact Measures. AMS scored 100%.

Mr. Horney stated that the committee had discussed the idea of increasing the per project funding amount for TTAG. The Authority staff recommended not changing the amount because increasing funding amounts could lengthen project times. Staff members also indicated that increasing the funding amounts would cause a change in the approval process. Any amount over \$5,000 must be approved by the Board. The current funding amounts only require approval by the agency President. Increasing the funding amount could create a delay in projects being approved and started.

Mr. Horney reported that the Authority staff had consulted with the Attorney General's office concerning a conflict of interest question about Board member companies receiving and paying for assistance from AMS. The Attorney General's office recommended that until this issue could be resolved by changing the Arkansas Code, the Authority should not begin any new projects that involve Board member companies, but the companies would be able to participate in any open enrollment classes that are offered to all other manufacturers in the state. Any ongoing projects will be allowed to be completed.

AMS is working with the Arkansas Association of Two Year Colleges on a Memorandum of Agreement. The agreement would serve as a way for AMS and AATYC to better coordinate their services. There had been a concern on the part of the two year colleges that AMS was overstepping their bounds.

Draft Resolution 06-30

Draft Resolution 06-30 would provide approval for the funding of seven partnership agreements with Arkansas Manufacturing Solutions and its partners. The funding is in an amount not to exceed \$1,195,135 for field staff and AMS Director activities and \$20,250 for partner activities at the following locations:

Three field staff positions at the GENESIS Technology Incubator, University of Arkansas, Fayetteville, in an amount not to exceed \$364,615;

One AMS Director's position and three field staff positions in an amount not to exceed \$453,468 and one graduate student in an amount not to exceed \$10,250 at the Institute for Economic Advancement, University of Arkansas at Little Rock;

One field staff position at the Delta Center for Economic Development, Arkansas State University in an amount not to exceed \$131,121;

One field staff position at Southern Arkansas University Tech, in an amount not to exceed \$132,743;

One field staff position at Winrock International, in an amount not to exceed \$113,188;

Sponsorship of the Arkansas Institute for Performance Excellence program at the Arkansas Institute for Performance Excellence in an amount not to exceed \$5,000; and

Sponsorship of a manufacturing conference conducted by the Arkansas Department of Economic Development in an amount not to exceed \$5,000.

Mr. Horney made a motion, on behalf of the Industry Committee, for the approval of Draft Resolution 06-30. The Board gave its unanimous approval.

AMS Advisory Committee Nominees

Two individuals have been nominated to serve on the AMS Advisory Committee. The nominees will fill vacancies resulting from Mr. Horney and Mr. Paul Mastro being appointed to the Authority Board. The nominees: Ms. Jennifer Fairchild from Hiwasse Manufacturing Company in Jacksonville and Dr. Satya Garg from Anchor Packaging in Paragould.

Mr. Horney, on behalf of the Industry Committee, moved to accept the nominees. The Board gave its unanimous approval.

INVESTMENT COMMITTEE REPORT

Ms. McGowan presented the Investment Committee Report.

Draft Resolution 06-12

Draft Resolution would provide funds for the Technology Transfer Assistance Grant Program for Fiscal Year 2007. The resolution provides funding in an amount not to exceed \$354,352 (\$154,352 for TTAG/TDP and \$200,000 AMS TTAG).

Ms. McGowan, on behalf of the Investment Committee, made a motion to approve Draft Resolution 06-12. The Board gave its unanimous approval.

Draft Resolution 06-13

Draft Resolution 06-13 would provide funding from the Technology Development Program for an investment in the following application:

Application No. 06-TDP-02, "Dendritic Cell Immunotherapy for Ovarian Cancer," by DCV Technologies, in an amount not to exceed \$50,000; with the first disbursement of \$25,000 coming from fiscal year 2006 and the second disbursement of \$25,000 coming from fiscal year 2007.

The funds will be used to bridge the gap between the company's Phase I and Phase II STTR grants. The project is for the development of Dendritic Cell immunotherapy for ovarian cancer. Immunotherapy based on induction of tumor-specific cytotoxic T Lymphocyte (CTL), this treatment prevents division of cancerous cells and attacks infected cells.

Ms. McGowan, on behalf of the Investment Committee, made a motion for the approval of Draft Resolution 06-13. The Board gave its unanimous approval.

Draft Resolution 06-14

Draft Resolution 06-14 would provide funding from the Seed Capital Investment Program for an investment in the Stage I Diagnostics (Project No. 06-S-0004) in an amount not to exceed \$292,653.

Stage I Diagnostics is developing diagnostic products to detect ovarian, prostate and other reproductive tract cancers at their earliest stages. Part of the development is a test kit that can be used in the physician's office, hospital point of care facilities and ultimately in the home.

JJ Watkins stated that Stage I Diagnostics was one of the companies presented at the UAMS IP Roundtable. They received favorable comments from the venture capitalists who participated in the roundtable.

The proposed terms for the deal are that the Authority would receive a percentage based repayment on the company's stock appreciation. The current value of the stock is at one dollar per share.

Mr. Watkins stated that the venture capitalists who reviewed the company saw a repayment schedule during its development phase as not the best approach. The proposed terms would defer royalty payments to a later stage based on the company's valuation.

Dr. Ahlen also stated that another good reason to approve this deal was because of the source of funding. The funding is at risk if the Authority doesn't use it because it is general revenue monies that were designated for Accelerate Arkansas. The Authority has been looking at ways to get away from straight loans. The UAMS IP Roundtable presented another type of deal. The venture capitalists have scrutinized this deal and therefore the staff feels more comfortable presenting it for approval.

The model for this deal was taken from Pennsylvania. The model is the closest thing to an equity deal without being an equity investment.

Dr. Phillips stated that he like the deal because it doesn't penalize the company for struggling in the beginning. He also stated that he showed the company's product description to his wife, who is a physician. She was excited to read about the product and its possibilities.

Ms. McGowan, on behalf of the Investment Committee, made a motion for the approval of Draft Resolution 06-14. The Board gave its unanimous approval.

Draft Resolution 06-29

Draft Resolution 06-29 would certify tax credit for the following application:

Application No. 10323, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by Arkansas Power Electronics International, Inc. in the amount of \$304,494.93 in expenses eligible for \$100,483.33 in tax credits.

Ms. McGowan stated that all the paperwork for the tax credit is in order and Dr. Stanley and Mr. Watkins completed an on-site visit.

Ms. McGowan, on behalf of the Investment Committee, made a motion for the approval of Draft Resolution 06-29. Dr. Geren abstained. The motion was passed.

Tax Incentive Committee Change

Ms. McGowan reported that in the past the Research Committee was responsible for reviewing tax credit applications. That responsibility has now been shifted to the Investment Committee.

RESEARCH COMMITTEE REPORT

Dr. Collis Geren presented the Research Committee Report.

Draft Resolutions 06-16 through 06-25

Draft Resolutions 06-16 through 06-25 were presented as a group for approval.

Draft Resolution 06-16 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. 06-TB05-8(a), "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by BioBased Systems for "Project 1- Polyol Project" in the amount of \$1,731,736.98 in expenses eligible for \$571,473.20 in tax credits.

Draft Resolution 06-17 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. 06-TB05-8(b), "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by BioBased Systems for "Project 2- Sprayer Project" in the amount of \$319,569.86 in expenses eligible for \$105,458.05 in tax credits.

Draft Resolution 06-18 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #04-9783, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by Space Photonics in the amount of \$962,315.00 in expenses eligible for \$317,563.95 in tax credits.

Draft Resolution 06-19 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #10101, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by Nanomaterials and Nanofabrication Laboratories in the amount of \$825,024.07 in expenses eligible for \$272,257.94 in tax credits.

Draft Resolution 06-20 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #TB05-1, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by SFC Fluidics in the amount of \$40,517.00 in expenses eligible for \$13,370.61 in tax credits.

Draft Resolution 06-21 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #TB05-3, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by Vergrandis, LLC in the amount of \$159,520.00 in expenses eligible for \$52,641.60 in tax credits.

Draft Resolution 06-22 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #TB05-5, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by BioDetection Instruments, LLC in the amount of \$110,358.00 in expenses eligible for \$36,418.14 in tax credits.

Draft Resolution 06-23 would certify In House Research by a Targeted Business Tax Credits for the following application:

Application No. ADED #9917, "Tax Credit for In House Research by a Targeted Business," submitted for tax year 2005 by NanoMech, LLC in the amount of \$317,819.00 in expenses eligible for \$104,880.27 in tax credits.

Draft Resolution 06-24 would certify In House Research & Development Tax Credits for the following application:

Application No. ADED #9661, "Tax Credit for In-House R&D," submitted by Eaton Hydraulics Inc. for tax year 2004 in the amount of \$275,000 in expenses eligible for tax credits not to exceed \$10,000.

Draft Resolution 06-25 would certify In House Research & Development Tax Credits for the following application:

Application No. ADED #9661, "Tax Credit for In-House R&D," submitted by Eaton Hydraulics Inc. for tax year 2005 in the amount of \$333,900.00 in expenses eligible for tax credits not to exceed \$10,000.

Mr. Hooks made a motion for the approval of Draft Resolutions 06-16 through 06-25. Mr. Horney seconded the motion. Dr. Geren abstained. The motion passed.

Draft Resolution 06-26

Draft Resolution 06-26 provides for the approval of the budgets for the following Winthrop Rockefeller Foundation grants:

WRF 9-0501, "Models of Growth: Using Minigrants to Improve Science Education and to Connect the Arkansas Community Foundation Affiliates to their Public School," in the amount of \$250,040;

WRF 9-0505, "Science and Mathematics Accessible Resource Tool (SMART)," in the amount of \$167,427;

WRF 9-0522, "STEM Teacher Empowerment," in the amount of \$567,030; and

WRF 9-0306, "Entrepreneurial Arkansas," in the amount of \$319,000.

Dr. Geren, on behalf of the Research Committee, made a motion for the approval of Draft Resolution 06-26. The motion passed unanimously.

Draft Resolution 06-27

Draft Resolution 06-27 would approve funding for a Best Robotics Grant for the following proposal:

06-WRF-ROBO1, "Crowley's Ridge BEST Robotics Hub," submitted by Dr. E.T. Hammerand of Arkansas State University in an amount of \$15,000. This project is cosponsored by Jonesboro Regional Chamber of Commerce with a commitment to secure the cash and/or in-kind match in the amount of \$15,000.

Dr. Phillips made a motion for the approval Draft Resolution 06-27. Mr. Hutton seconded the motion; the Board gave its unanimous approval.

Draft Resolution 06-28 would approve funding for a Best Robotics Grant for the following proposal:

06-WRF-ROBO2, "NorthArk BEST," submitted by Mr. Ed Proctor of North Arkansas College in an amount of \$15,000. This project is co-sponsored by Harrison Chamber of Commerce with a commitment to secure the cash and/or in-kind match in the amount of \$15,000.

Dr. Phillips made a motion for the approval of Draft Resolution 06-27. Mr. Hutton seconded the motion; the Board gave its unanimous approval.

Draft Resolution 06-31

Draft Resolution 06-31 would provide matching funds for the following proposal:

Proposal No. 06-ARMF-02, "Proposal to Fund the Arkansas Space Grant Consortium," by Dr. Keith Hudson of the University of Arkansas at Little Rock, in an amount not to exceed \$147,498. This project is funded federally by a National Aeronautics and Space Administration grant (Space Grant Program) in the amount of \$403,000.

Dr. Geren, on behalf of the Research Committee, made a motion for the approval of Draft Resolution 06-31. The Board gave its unanimous approval.

Draft Resolution 06-32

Draft Resolution 06-32 would provide matching funds for the following proposal:

Proposal No. 06-ARMF-03, "Arkansas EPSCoR Research Infrastructure," by Dr. John Hehr, of the University of Arkansas, Fayetteville and Dr Larry D. Milne, University of Arkansas for Medical Sciences in the amount not to exceed \$255,304. This project is funded federally by a National Science Foundation grant in the amount of \$510,608.

Dr. Geren, on behalf of the Research Committee, made a motion for the approval of Draft Resolution 06-32. The motion passed.

STEM Advisory Committee

Dr. Geren presented for review the draft administrative procedures for the STEM Advisory Committee and nomination list for the advisory committee. The Advisory Committee was formed to review and evaluate grant applications for STEM initiative projects, to make recommendations to the research committee and to oversee expenditures of the various educational initiatives funded by the Winthrop Rockefeller Foundation.

Ms. McGowan made a motion for the approval of the STEM Advisory Committee administrative procedures and the nomination list. Dr. Phillips seconded the motion; the Board gave its unanimous approval.

EPSCoR Advisory Committee

Dr. Geren presented for review a request to change the administrative procedures for the EPSCoR Advisory Committee. The change being requested will allow an alternate to be appointed for each voting member. The request also included the list of advisory committee members and their potential alternates.

Ms. McGowan made a motion to approve the change to the administrative procedures for the EPSCoR Advisory Committee and the membership list. Mr. Mastro seconded the motion; the Board gave its unanimous approval.

OLD BUSINESS

Dr. Ahlen stated that at the last Board meeting, it was suggested that the agency look into doing a Lean Manufacturing case study. The staff has identified purchasing as the agency topic to tackle for this case study.

NEW BUSINESS

Draft Resolution 06-15

Draft Resolution 06-15 would provide funding for the following project:

06-CAT-01, "Delta Center for Identity Solutions: Planning Grant Proposal," submitted by Dr. Elizabeth Hood of Arkansas State University in the amount of \$150,000.

Dr. Ahlen stated that this planning grant will help determine if a planning center for identity management is a good idea for the state. This started last fall when Buddy Beck visited Arkansas State University. Beck discussed the big issue that he was currently involved in, which was identity management. He offered to help ASU if they wanted to pursue this issue.

Several representatives met with the Governor and he agreed to release \$150,000 to the Authority for the planning grant. The planning grant will include the campuses of the University of Arkansas at Little Rock and the University of Arkansas, Fayetteville.

Mr. Hutton made a motion for the approval of Draft Resolution 06-15. Mr. Hooks seconded the motion. Dr. Geren abstained. The motion was passed.

Nominating Committee

Dr. Rutger appointed Dr. John White to serve with him on the nominating committee.

Next Meeting Date

Dr. Rutger reminded members that the next meeting was scheduled for September 15, 2006.

ADJOURNMENT

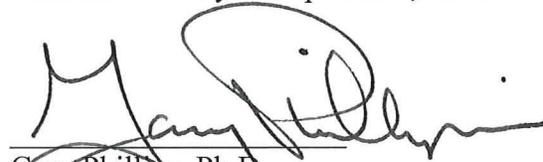
There being no further business to conduct, the meeting was adjourned.

Respectfully submitted,



Gary Phillips, Ph.D.
Secretary
Board of Directors

APPROVED by the Board of Directors
On this 15th day of September, 2006



Gary Phillips, Ph.D.
Secretary
Board of Directors