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**MINUTES OF THE 125TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
NOVEMBER 17, 2006
LITTLE ROCK, AR**

CALL TO ORDER

The meeting was called to order by Dr. Gary Phillips, Vice 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. Steve Floyd, Dr. Collis Geren, Mr. Robert Hall, Mr. Johnny Hooks, Mr. Paul Horney, Mr. Patrick Hutton, Mr. Gordon Knetzer, Mr. Paul Mastro, Dr. Neil Rutger, Dr. Steve Seidman and Dr. John White.

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

APPROVAL OF MINUTES

Dr. Phillips presented for approval the minutes from the September 15, 2006 Board meeting. Dr. White 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 and the budget numbers for FY2007.

Dr. Ahlen stated that a contact list had been distributed to the Board. He requested that any changes to the contact information be submitted to Melissa Adams.

Dr. Ahlen reviewed the upcoming legislative session and the Authority's budget request. The agency requested a total of \$2.9 million for operations. The executive recommendation was \$1.6 million. The agency did receive a slight increase in its M&O budget, but not the amount requested. The agency did not receive the ARMF funding request and the \$500,000 request for the match for the EPSCoR proposal.

Dr. Ahlen stated that he visited with Mike Stormes at the Department of Finance & Administration and Mr. Stormes suggested that the agency seek a Governor's letter asking for an amendment to the executive recommendation. The challenge will be that the agency has funds from several different sources. Dr. Ahlen suggested that in the Governor's letter, the agency request a total of \$2 million a year for ARMF and for the match for the EPSCoR proposal.

Dr. White made a motion directing the staff to draft a Governor's letter of support, requesting \$2 million per year for ARMF and EPSCoR. Mr. Hooks seconded the motion; the Board gave its unanimous approval.

Dr. Ahlen pointed out that if the agency did receive the \$2 million, the state will still be behind in a competitive economy. Arkansas' counterpart in Oklahoma, OCAST, received \$10 million in additional funds on top of their \$16 million budget. Its first Seed Capital Investment totaled \$5 million. It was agreed that this fact should be included in the Governor's letter.

INDUSTRY COMMITTEE REPORT

Robert Hall presented the Industry Committee report.

A continuing resolution was passed to fund federal government programs through November 17. The CR is based on a \$92 million budget, which is the level passed by the full house. The senate bill provides \$106 million for MEP. This will not affect AMS funding because it has funding through December 2006.

Mr. Hall reported that the Industry Committee had planned to present for approval project debt write offs, but have decided to wait until the staff receives word from the Attorney General's office on some additional write offs. One delinquent account is \$7,800 from Bancroft Industries.

AMS received their Project Impact Performance scores for the most recent quarter. AMS received a score of 100%. Of the 59 total MEP centers, AMS ranked: 3rd in cost per job created or retained; 6th in cost per impacted client; 7th in bottom line impact ratio; 12th in investment leverage ratio; and 4th in customer satisfaction.

Mr. Hall reported that he received a phone call from a representative of Boeing. They saw the segment on Made in America and were interested in learning more about Hall Manufacturing's success with LEAN. This could lead to a possible visit by representatives from Boeing to Hall Manufacturing.

Dr. Ahlen stated that he attended the recent MEP Center Director's meeting in Oklahoma and AMS director Lydia Carson is held in very high esteem by her peers.

INVESTMENT COMMITTEE REPORT

Mr. Patrick Hutton presented the Investment Committee report.

The Investment Committee met on October 26, 2006 and reviewed quarterly reports and considered one resolution for funding.

Mr. Hutton presented for review the Seed Capital Investment Fund Quarterly Report and the Seed Capital Investment Portfolio Report. Dr. Stanley pointed out on the portfolio report that Audio Access has folded. There is a personal guarantor on the investment and the Authority is working with the guarantor to arrange repayment.

Mr. Hutton, on behalf of the Investment Committee, made a motion for the approval of the Seed Capital Investment Program Fund Quarterly Report. The Board gave its unanimous approval.

Draft Resolution 07-02

Mr. Hutton presented for consideration Draft Resolution 07-02. The resolution would provide approval to release the second disbursement of \$250,000 to KonaWare Transportation and Logistics, LLC.

Dr. Stanley reported that the Authority made its first disbursement to KonaWare on September 1, 2006. The original loan document stated that the company would not receive its second disbursement if it had met the milestone of employing 20 Arkansas residents. However, on October 20, 2006 KonaWare submitted a written request that the Authority make the second disbursement in December to coincide with KonaWare's second tranche of C-1 financing, but before meeting the milestone of 20 employees. The Authority staff has concluded that the company has met all other requirements for the second disbursement, except for the employment issue. The staff is satisfied, however, that the company has made a good faith effort to meet the requirement.

Mr. Hutton, on behalf of the Investment Committee, made a motion for the approval of Draft Resolution 07-02. The Board gave its unanimous approval.

RESEARCH COMMITTEE REPORT

Dr. Geren presented the Research Committee report. Dr. Geren reported that the Research Committee met on October 31 and considered one resolution.

Draft Resolution 07-03

Draft Resolution 07-03 would provide funding for the following STEM Projects:

07-WRF-ProvDev05, "Get A Clue," submitted by Jannnie Trautwein of Rural Institute for Math & Science Education, Arkansas State University, in the amount not to exceed \$7,000.

07-WRF-ProvDev06, "Teaching the K-4 Science Frameworks using Standards-based Activities," submitted by Steve Zimmer of Math and Science Institute, Arkansas Tech University, in the amount not to exceed \$7,000.

07-WRF-ProvDev07, "Space Days and Nights: Fun for Classroom and Family," submitted by Lynne H. Hehr of Center for Math and Science Education, in the amount not to exceed \$7,000.

07-WRF-NASA/EAST01, "Preserve Our *Past," submitted by Ron Thomas of Saint Joe High School, Ozark Mountain School District, in the amount not to exceed \$1,456.20.

07-WRF-STEM_Partnership01, "Pak Fly/Hydrilla Research with U.S. Army Corps of Engineering," by Quin Johnson of Kirby High School, Kirby School District, in the amount not to exceed \$1,469.37.

Dr. Geren, on behalf of the Research Committee, made a motion for the approval of Draft Resolution 07-03. Dr. Geren abstained from voting. Dr. White stated that one of the grants would be awarded to the University of Arkansas, the institution of his affiliation. The motion passed.

Dr. Geren asked Dr. McClure to update the Board on the NSF EPSCoR proposal. Dr. McClure reported that the committee received a letter from NSF that contained 17 questions concerning the proposal. The committee must respond to the questions by December 4. Overall, the committee feels good about the types of questions asked by the review panel.

Dr. Geren reported that the STEM Coalition will be working on a legislative initiative for the next session. One of the common themes is to continue the K-6 science specialists program.

NEW BUSINESS

Meeting Dates for 2007

The Board meeting dates for 2007 were set. They are: January 19, March 16, May 18, September 21 and November 16.

Committee Assignments

Committee assignments for 2007 were reviewed:

Executive Committee: Ms. Sue McGowan, Dr. Gary Phillips, Mr. Paul Mastro,
Committee Chairs.

Research Committee: Dr. Collis Geren, Chair; Dr. Neil Rutger; Dr. Stephen Seidman;
and Dr. John White.

Investment Committee: Dr. Gary Phillips, Chair; Dr. Steve Floyd; Mr. Johnny Hooks;
Mr. Patrick Hutton; and Mr. Rickey Williams.

Industry Committee: Mr. Robert Hall, Chair; Mr. Paul Horney; Mr. Gordon Knetzer; and
Mr. Paul Mastro.

ADJOURNMENT

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

Respectfully submitted,



Paul Mastro
Secretary
Board of Directors

APPROVED by the Board of Directors
on this 19th day of January, 2007.



Paul Mastro
Secretary
Board of Directors