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**MINUTES OF THE 148TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
JANUARY 21, 2011
LITTLE ROCK, ARKANSAS**

CALL TO ORDER

The meeting was called to order by Mr. Heartsill Ragon, III, Chairman of the Board, in the Bessie Moore Board Room, located in the 900 West Capitol Building in Little Rock.

A quorum of Board members was present and included: Mr. Bradford Caldwell, Mr. Gary Campbell, Dr. Cesar Compadre, Dr. Carl Frederickson, Mr. Joel Harrison, Dr. Beverly Lyn-Cook, Mr. Paul Mastro, Mr. Lawrence Graves and Mr. Dennis Teague.

Staff members present: Ms. Melissa Adams, Dr. John Ahlen, Ms. Cathleen Bailey, Mr. Brandon Brown, Mr. Dan Curtis, Ms. Beren Camp, Ms. Julianne Gonzalez, Ms. Stephanie Johnson, Ms. Cathy Ma, Ms. Annetta Massanelli, Mr. Chuck Myers, Dr. Blake Perry, Mr. Chris Snider and Dr. Steve Stanley.

APPROVAL OF MINUTES

Mr. Ragon presented for approval the minutes from the November 19, 2010 Board meeting. Dr. Frederickson made a motion for the approval of the minutes. Mr. Mastro seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen introduced two new staff members: Ms. Julianne Gonzalez and Mr. Brandon Brown.

FY11 Operating Report

Dr. Perry presented the FY11 Operating Report for the period ending January 3, 2011. Mr. Caldwell moved acceptance of the Operating Report as presented. Dr. Lyn-Cook seconded the motion; the Board gave its unanimous approval.

FY11 Investment Update

Dr. Perry presented the FY11 Investment Update. Mr. Mastro moved acceptance of the Investment Update as presented. Dr. Frederickson seconded the motion; the Board gave its unanimous approval.

EXECUTIVE COMMITTEE REPORT

Dr. Perry briefed the Board members on actions taken by the Executive Committee in December.

At the Authority's November Board meeting, the campus sub-agreements were approved for the ASSET II project. The Executive Committee voted via email to approve the year-one central office budget that goes along with these sub-agreements. The state match requirement of \$800,000 was released on December 9, 2010. The Executive Committee voted unanimously to approve the central office budget in the amount of \$800,000.

In addition, members unanimously approved two other items: a facilitator contract for ASSET II strategic planning (\$12,750) and a sole source contract for ASSET II SharePoint work (\$6,000). Because these contracts are greater than \$5,000 but less than \$25,000, they can be signed by Dr. Ahlen upon approval by the Executive Committee without a resolution to the full Board. The original budget of ASSET II provided funds for strategic planning activities and development of the SharePoint site.

INDUSTRY COMMITTEE REPORT

Mr. Mastro presented the Industry Committee Report.

AMS currently has two projects from NIST CAR. AMS is partnering with National Growth through Innovation Foundation to develop and deploy Innovation Black Belt Project. Through the Innovation Tools Project, AMS is developing technology to match innovation with manufacturer needs utilizing NAICS codes.

AMS sponsored the Innovation Engineering Institute November 15-17. The event had 102 attendees. The Eureka Ranch provided 2 day jump start training for 6 AMS members. The Ranch also provided free Jump Start sessions for the Alliance Rubber in Hot Springs.

RESEARCH & COMMERCIALIZATION COMMITTEE REPORT

Mr. Gary Campbell presented the Research & Commercialization Committee Report.

Draft Resolution 11-16

Draft Resolution 11-16 would provide funds under the Technology Development Program for the following application:

Application No. 11-TDP-02, “Cadmium-free nanocrystals based light emitting diodes for full color flat panel displays” by Mesolight, LLC, in an amount not to exceed \$50,000.

Mesolight, LLC is attempting to develop cadmium-free nanocrystals capable of emitting Blue, Red and Green light. These three colors will open the potential of using nanocrystals in flat panel displays.

Draft Resolution 11-16 was moved and seconded by the committee. The Board gave its unanimous approval.

Draft Resolution 11-17

Draft Resolution 11-17 would provide Seed Capital Investment funds in an amount not to exceed \$100,000 to ABFIT, LLC.

If approved, ABFIT, LLC will use the funding to finish final development of their product, ABTEST (Abdominal Testing and Evaluation Systems Tool). ABTEST will be used to correlate abdominal strength with the susceptibility for lower back pain and injury.

Innovate Arkansas has requested that the Authority use \$100,000 of the General Improvement seed capital funds designated for Innovate Arkansas clients (Act 267 of 2009 Section 1 Item (A)) to fund this project.

Draft Resolution 11-17 was moved and seconded by the committee. The Board gave its unanimous approval.

KonaWare Abatement

A request was brought before the Board to abate the Authority’s loan with KonaWare Transportation & Logistics (Project 06-SCIP-03).

The Authority entered into an investment agreement with KonaWare on May 22, 2006 in which the Authority provided \$500,000.00 in funding for the company to hire additional transportation and logistics expertise to their staff. KonaWare agreed to make 84 monthly payments to the Authority. The first twelve months of interest only payments of \$1,458.33 and the following 72 months of principal payments of \$8,550.00 until paid in full.

To date, KonaWare has made interest payments totaling \$34,983.57 and principal payments totaling \$8,499.00. This left a balance of \$491,500.61 in unpaid principal for the investment.

KonaWare was dependant on its primary creditor, Venture Lending & Leasing IV (VLL), Inc. for day to day operating capital. VLL decided to stop the funding and liquidate the KonaWare assets. Authority staff decided to turn this matter over to the Attorney General’s office when some of the VLL actions appeared to violate portions of the investment agreement.

The company's assets were sold in two transactions. In the first transaction most of the valuable KonaWare assets were sold for \$155,000. All of these proceeds were used to pay bank fees, legal fees and to repay a portion of the VLL debt. In the second transaction, the remaining KonaWare assets, which consisted primarily of intangible IP assets, were sold to Digisec Corporation in exchange for 9,092 Common Shares, plus an additional 908 Common Shares if certain milestones are met. When and if the shares are sold, they will first go to pay the remaining VLL debt of \$139,042.39. If there are any funds remaining after the VLL debt is paid, they will go to the Authority.

The Authority, along with the Department of Finance and Administration and the Legislative Auditors, believe that the value of the investment is difficult or impossible to estimate. The overall value of the investment is assuredly less than the book value. For this reason, the Authority staff felt it would be appropriate to abate the entire investment and enter any possible future repayment as miscellaneous income.

The Research & Commercialization committee moved and seconded the request for the abatement of the remaining \$491,500.61 in unpaid principal from the investment in Konaware. The Board gave its unanimous approval.

SPONSORED PROJECTS REPORT

Dr. Beverly Lyn-Cook presented the Sponsored Projects Report.

Draft Resolution 11-18

Draft Resolution 11-18 would provide funding for the following proposal:

11-EPS2-0008 Communication Intern, "NSF EPSCoR Communication Internship Award," submitted by University of Central Arkansas, in the amount not to exceed \$15,126. This award is effective January 21, 2011 through January 31, 2012.

Draft Resolution 11-18 was moved and seconded by the committee. The Board gave its unanimous approval.

Draft Resolution 11-19

Draft Resolution 11-19 would provide funding for the following proposal:

11-EPS2-0007, "Louis Stokes Alliances for Minority Participation" submitted by Mary Benjamin, University of Arkansas at Pine Bluff, in an amount not to exceed \$96,000 for the period of January 21, 2011 through January 31, 2012.

Draft Resolution 11-19 was moved and seconded by the committee. The Board gave its unanimous approval.

Draft Resolution 11-20

Draft Resolution 11-20 would provide approval and funding for a contract between the Authority and Minnick & Associates in support of evaluating the impact of EPSCoR and STEM educational outreach, in an amount not to exceed \$71,870. The contract is for a period of one year (January 31, 2011 through January 31, 2012).

Draft Resolution 11-20 was moved and seconded by the committee. The Board gave its unanimous approval.

Draft Resolution 11-21

Draft Resolution 11-21 would providing funding for 1 STEM Professional Development and Summer Academy proposals:

11-WRF-STEM01, "Sparkling a Child's Interest Using Data Collection Technology," submitted by Mr. Tim Brister of Harding University, Searcy, in an amount not to exceed \$12,000.

11-WRF-STEM02, "Driving space Education through Challenging Teachers in Physical Science," submitted by Mrs. Lisa Anderson of the DeQueen-Mena Educational Cooperative, in an amount not to exceed \$12,000.

11-WRF-STEM03, "Integration of Basic Concepts in Biochemistry, Embryology, and Evolution Through Technology," submitted by Dr. Patrycja Krakowiak of the Arkansas School for Math, Sciences, and the Arts, Hot Springs, in an amount not to exceed \$11,982.

11-WRF-STEM04, "Renewable Energy: Arkansas' Future," submitted by Mrs. Jannie Trautwein of Arkansas State University, Jonesboro, in an amount not to exceed \$12,000.

11-WRF-STEM05, "Plant Powered Production (P3) Biotech-in-a-Box Science Instruction (Plant Biotech)," submitted by Mrs. Maureen Dolan of Arkansas State University, Jonesboro, in an amount not to exceed \$12,000.

11-WRF-STEM06, "Biotechnology in Grades 10-12 Science Instruction (Biotech)," submitted by Dr. Cynthia Miller of Arkansas State University, Jonesboro, in an amount not to exceed \$12,000.

11-WRF-STEM07, "STEM Leadership Academy," submitted by Mrs. Mary Smith of Audubon Arkansas, in an amount not to exceed \$11,500.

11-WRF-STEM08, "Becoming the Scientist: Utilizing Technology to Uncover Mysteries in Science," submitted by Mrs. Gina Richard of the University of Arkansas Monticello, in an amount not to exceed \$11,760.

11-WRF-STEM09, "The Mathematics, Science and Information Technology Academy at the University of Central Arkansas: The MSIT Academy @ UCA," submitted by Dr.

Ramesh Garimella of the University of Central Arkansas, in an amount not to exceed \$10,000.

11-WRF-STEM10, "2011 Design, Build & Race Solar Boat Summer Academy -- With Targeted High School Participants," submitted by Mr. Bryan Hill of the University of Arkansas, Fayetteville, in an amount not to exceed \$10,000.

11-WRF-STEM11, "HSU "JAMS" (Junior Academy of Math and Science)," submitted by Mrs. Betty Ramsey of Henderson State University, in an amount not to exceed \$10,000.

Draft Resolution 11-21 was moved and seconded by the committee. The Board gave its unanimous approval.

NEW BUSINESS

Transition Update

Dr. Ahlen updated the Board on the Authority's transition activities.

Risk Capital White Paper

Dr. Stanley made a presentation to the Board : *The Seed Capital Investment Program - Navigating the Arkansas Risk Capital Landscape.*

Conflict of Interest

Dr. Ahlen reviewed the Authority's conflict of interest policy.

Board Attendance Policy

Dr. Ahlen reviewed the attendance policy for Board members.

Expense Reimbursement

Dr. Ahlen reviewed the Expense Reimbursement Authorization for Board members. The Board must at the beginning of each calendar year authorize expense reimbursement for Board members.

Mr. Mastro made a motion to approve the expense reimbursement for Board members. Mr. Campbell seconded the motion; the Board gave its unanimous approval.

Statement of Financial Interest

Board members were reminded that their Statement of Financial Interest forms were due to the Secretary of State's office by January 31.

Next Meeting Date

The next Board meeting is scheduled for March 18, 2011. It was suggested that the next meeting start at around lunch time so that staff could make a presentation and then the regular business meeting would begin.

ADJOURNMENT

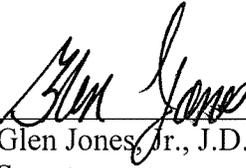
There being no further business to conduct, the meeting was adjourned.

Respectfully submitted,



Glen Jones Jr., J.D.
Secretary
Board of Directors

Approved by the Board of Directors
on this 18th day of March, 2011.



Glen Jones Jr., J.D.
Secretary
Board of Directors