

Research Alliance of Missouri
Minutes for February 14, 2006
Held by Teleconference
11:00 a.m. to 12:00 p.m.

The Research Alliance of Missouri (RAM) met in regular session on Tuesday, February 14, 2006, beginning at 11:00 a.m. The meeting was held via teleconference.

The following members and other participants were present:

Dr. Bill Alter	Missouri State University, Springfield
Dr. Nasser Arshadi	University of Missouri-St. Louis
Dr. John Baumann	University of Missouri-Kansas City
Dr. Ted Cicero	Washington University, St. Louis – Chair
Dr. L. Scott Ellis	Truman State University, Kirksville
Dr. Elsie Gaber	A.T. Still University of Health Sciences, Kirksville
Dr. John Gardner	University of Missouri, Columbia
Ms. Stacey Hirst	MO Department of Economic Development, Jefferson City
Dr. Wayne Huebner	University of Missouri-Rolla
Mr. Mike Mills	MO Department of Economic Development, Jefferson City
Dr. Karel Schubert	Donald Danforth Plant Science Center, St. Louis
Dr. Tom Sharpe	University of Missouri, Columbia
Dr. Margaret Stone	Central Missouri State University, Warrensburg
Dr. Frank Veeman	Northwest Missouri State University, Maryville
Dr. John R. Wittstruck	Missouri Department of Higher Education, Jefferson City

Chair Ted Cicero called the meeting to order at 11:06 p.m. He welcomed all of the members to the meeting and expressed his desire to hold the next meeting face-to-face in Jefferson City.

Chair Cicero asked for comments, questions and revisions to the minutes from the October 11, 2005 and November 8, 2005 meetings. As there were no comments voiced, Chair Cicero asked for a motion to approve the minutes as submitted. Dr. Schubert made the motion to approve and Dr. Alter seconded the motion. The motion passed unanimously.

Chair Cicero then called on Dr. Arshadi to give a brief financial report. Dr. Arshadi reported the statements being reviewed were for July 1, 2005 through February 14, 2006. Income coming in to the RAM account since July included contributions income of \$10,629.95 and restricted income totaling \$32,000, for a total income of \$42,629.95. Expenses for this time period totaled \$21,294.29 for a positive net operating income of \$21,335.66, so the RAM has spent about half of the money brought in over the past six months. Substantial expenses included conferences at \$5,445.41, accounting fees at \$2,930.91, payroll expenses at \$8,750 and other smaller expenses. Looking at the balance sheet the RAM has almost \$98,000 in their checking account as of February 14, 2006, plus \$21,000 net income for a value of almost \$120,000 as of today.

Chair Cicero stated that at some point there needs to be a discussion about the Executive Director position.

Dr. Alter asked of the \$98,000 in the checking account and what constitutes the \$21,000 in net income?

Dr. Arshadi responded that over \$10,000 is from contributions income and the other \$32,000 is listed as “restricted” that he assumes are funds from DED. He asked for clarification of the “restricted” amounts. Ms. Hirst stated that she would clarify these amounts and send out an email.

Dr. Alter then asked of the income, how much is made up of contributions from RAM members?

Dr. Arshadi thought RAM had received about \$40,000 from RAM memberships. These statements only include income from July 1, 2005. He will get a more precise statement to verify the numbers.

Dr. Wittstruck reported he was joined by Dr. Robert Stein, Associate Commissioner for Academic Affairs.

Chair Cicero then asked Mike Mills from DED to give his report.

Mr. Mills thanked the RAM stating it was good to get the RAM together to discuss the Discovery Alliance and how it will affect RAM and the contributions made by each member institution. As you well know, at least the University members know their Presidents and Chancellors are attending the Senate Education Committee hearing today to discuss the Lewis and Clark Discovery Initiative. Many of you have read about this. This plan is being supported by the Governor's Office working with the Commissioner of Higher Education and DED to create a well-balanced plan to provide scholarships, improve research and education facilities, as well as, improve and create economic development tools such as incubators and the Discovery Alliance. I encourage the RAM members to support this initiative.

The House has a counter plan, which does not support or include as much in the way of capital improvements or research/education facilities such as incubators. The Discovery Alliance and incubators, except for CORTEX and the Center for Emerging Technologies in St. Louis, are not in the House plan.

The Discovery Alliance was created out of many meetings to cause research collaborations across campuses and then to move that research and technology to a commercialized business. There is no bill yet, but we plan to ask Representative Ron Richard, Chair of the House Economic Development Committee and Senator John Greisheimer, Chair of the Economic Development Committee in the Senate, to champion a technology/economic development package, of which this will be a part. The Discovery Alliance, as was discussed during the joint conference call with the MTC a few weeks ago, will be a combination of the MTC/RAM. In the legislation drafted there is a twelve-member board made up of 1/3 research institution representatives, 1/3 innovative technology businesses leaders, and 1/3 public members. The Governor will appoint those as staggered terms. I assume many of you, or your Presidents/Chancellors would be on a short list to serve. The idea behind this change, is that while the MTC and RAM have had a great working relationship, we feel it would better to have the components of the MTC and RAM directly engaged, instead of involved as a sister-organization. It is being designed after the Georgia Research Alliance. If the plan moves through and the Governor's Lewis and Clark initiative is approved, it calls for a \$30 million endowment to the Discovery Alliance, which would spin-off about \$1.5 million for the Discovery Alliance to operate. Mr. Mills then asked if for comments or questions regarding the Discovery Alliance specifically.

Chair Cicero asked about the time frame of when the plan would take affect.

Mr. Mills responded that if approved it would take affect August 28 or 29, 2006.

Another question was asked about how decisions were made on which campuses received what amounts of capital improvement funding?

Mr. Mills responded the list of projects was primarily based on the Coordinating Board of Higher Education's project improvements list, concentrating on the ones that kept the math, science and technology research components. They wanted to distribute the wealth across the state as best they could. By far, the majority on the capital improvements list are math and science related, with about 85% being life science specific.

The incubators the Governor recommended were flushed out by the experience of our staff and looking at the needs of each community. Kansas City and Columbia do not have a single square foot of incubator

space, while St. Louis has two incubators and one accelerator. Springfield, you could argue, does not have the dedicated space needed. Much less, SEMO does not have the square footage, but has a great opportunity with Chlorogen.

The Governor heard from his own staff and DED, as well as his Plant Biotechnology Commission, which is populated with some great leaders from the state and elsewhere that told us Missouri desperately needs incubator space.

Dr. Arshadi commented the University of Missouri-System has a capital investment project plan in place. A couple of items on the list, put together about 10 years ago, include for example, an item for the renovation of a life science building. The Governor’s plan does not fund everything, and it does not fund everything in its entirety, because basically, the University’s plan picks up the tab on the rest. In regards to the incubators if you go across the United States these projects have been very successful and they serve everyone. CORTEX has brought Washington University, St. Louis University, University of Missouri-St. Louis and Barnes-Jewish Hospitals together as partners and these universities have put in a significant amount of equity money. What the Governor’s plan provides is very well founded. It is really innovative and out of the box thinking. The reality is that MOHELA is just a financial intermediary. There is no reason why it has to be a government-owned operation. Many others existed in the past and have since been privatized successfully, such as GinnyMae, FreddieMac and FannieMae. They were established by the federal government and later were privatized, as well as SallieMae, which was fully privatized in 2004. My point is that selling an asset of the state to private enterprise does not mean the quality or quantity of service is going to decline, or that pricing is going to be less favorable, unless you really believe that a government-run bank is better than a privately-run bank. We should support this project if the proceeds of the sales will be used for higher education. This is done with all of the right intentions and should be supported.

Mr. Mills praised Dr. Arshadi for his comments and further clarified the MOHELA board came back to the Governor with a plan after his initial concept. They said that instead of selling it or privatizing it fully, they will capitalize half of their current loan portfolio to generate about \$210 million, and then over the next 16 quarters would make quarterly payments until we get up to about \$400 million, which makes sense if you look at the construction schedule as the different institutions have to raise money to finish projects. Mr. Mills went on to compare and contrast the two plans:

Governor’s Plan	House Plan*
\$300 million in capital improvements, includes incubators and spread out over 4-year institutions.	\$168 million for capital improvements; drops out incubators and Northwest Missouri State University project; keeps CORTEX and CET in St. Louis; requires 50% match and maxes out dollars from state at \$50 million.
\$20 million for endowed professorships leveraged 2 to 1 (provides for 40).	\$18 million for community colleges; \$1 million grant for each college with no specific purpose.
\$100 million endowment for scholarships to spin-off about \$5 million/year.	\$194 million scholarship endowment to spin-off about \$9.7 million/year; \$1,000 one-time scholarship per student; must have 2.5 GPA to qualify.
\$30 million for Discovery Alliance endowment.	\$75 million for debt service.

**Demonstrates DED’s understanding of the plan.*

Mr. Mills agreed with Dr. Arshadi and asked that each RAM member support this plan. As for the remainder of the technology issues, we are looking at updating the innovation center authorizing statutes. Many of the Centers are very good, but some have not been performing. While the statute calls for the MTC to oversee and administer the Innovation Center program, there is no teeth in the statute to make sure the Innovation Centers are performing the services they are tasked with. We want to put teeth into the statute, by requiring the Centers to submit an annual operating plan with specific performance criteria to the Discovery Alliance. The Discovery Alliance would annually outline the goal of each Center, for example one area where we are really lacking is in the area of SBIR assistance. If a Center does not report or does not perform according to their plan, then the Discovery Alliance would recommend to the DED to withhold up to 75% of the funds until they conform to the plan. This came out of the reality that some of the Centers are working and some are not. We also want to make sure all of our entrepreneurial services are working together. We began observing that many of the Small Business Development Centers and Innovation Centers were duplicating services, along with the Manufacturing Extension Partnership program, and for that matter University Extension. We are trying to line these up to maximize the services.

Dr. Alter asked if the innovation center funding was separate from the incubator funding in the Lewis and Clark plan.

Mr. Mills stated that yes, it is separate funding. The incubator funding is capital improvement dollars for St. Louis and CORTEX to finish out their build-out and dollars to help start-up incubators in Kansas City, Columbia, Southeast Missouri and Springfield. In regards to the innovation center funding, the technology fund with the annual appropriations will be maintained. We are actually proposing a set-aside for new innovation centers. We are getting a strong push, to have what we are calling, although this is not a business term, but a “weaning” period. The existing centers were asked to develop a plan by which they would become self sufficient of state funds at some point. The innovation center funds are programmatic and the incubator Lewis and Clark funds are for buildings.

Dr. Alter further wanted to clarify Mr. Mills’ comment that the innovation centers are being asked to be self supporting at some future time.

Mr. Mills confirmed his comment that yes, DED is getting a strong push this way. The reality is that we have five active innovation centers and several more awaiting approval, but we are not seeing a substantial increase in the funding, but just a spreading out of the funds.

Dr. Arshadi stated that Mr. Mills makes a good point. He voiced his appreciation of DED’s support for the Center for Emerging Technologies, but stated these entities cannot be forever subsidized. If you truly have a successful incubator/innovation center, companies will come to them that will get support from venture capital, etc. What’s the point of subsidizing these little companies in the end if they are going to fail? CET has been in the black now for the last three years, and as much as we appreciate the state support, the reality is the actual budget is a much larger number.

Mr. Mills further stated the goal of the DED is to provide assistance to the startup and upcoming centers, as opposed to the ones that are mature and should be performing. Mr. Mills thanked Dr. Arshadi for his comments. Along the lines of that, we currently in the state do not have a single, active venture capital program. You could argue that since Prolog was created with state support it is an active state program, but from the point of dollars coming into the state, we do not have single active venture capital investment or angel investment incentive program. What the Governor has approved for us to move forward, is a \$10 million/year annual tax credit program. Technology companies approved by the Discovery Alliance would be able to participate. We really want to put teeth into the Discovery Alliance with this program. On the first \$500,000 invested in an approved company, the investor(s) would receive a 30% or 40% tax credit based on the investment – 40% if you are in a distressed or rural community. Over \$500,000 and up to \$5,000,000, the investor in that qualified technology company would receive a

30/40% tax credit guarantee in net losses over 5 years. If the investor made a \$1 million investment and they decide to get out in 4 years, and they can only sell the shares they had for \$800,000, they would get a 30/40% tax credit against the \$200,000 loss. The idea is to not over incentivize where you cause unworthy deals to be made, but to incentivize enough to make it worthwhile to do business in Missouri instead of the companies moving to the coasts. We don't know if that is the right mix or not, we look for recommendations, but we vetted it pretty heavily with the venture capital community.

Dr. Alter asked if Mr. Mills sees it happening in this legislative session.

Mr. Mills stated it was his hope that the venture capital program would be approved during this session. It will be a component in the same package as the Lewis and Clark Discovery Initiative. DED is backing up the tax credit, with our Incentives Review Committee recommendations. We found many programs that had excess cap being underutilized and we hope through legislation to shift the cap to this new venture capital tax credit.

Mr. Mills then asked for ideas on what to do with the contributions the Universities have made to the RAM over the past few years. He confirmed the DED would continue with the budget request for \$200,000 to operate the MTC and RAM next fiscal year, so if approved, there would be base budget. The Governor is also leading the charge to fully fund the Life Science Trust Fund which is 25% of the Tobacco Settlement, so about \$38.5 million. Most of this money by statute will go towards what is deemed "research capacity" building. The Life Science Research Board had their first meeting, and Mr. Mills has talked with the chair of the Board about involving the Discovery Alliance to help administer the program and the 20% of the money to be used for commercialization. They are looking at ideas in how these funds would be spent, but the Discovery Alliance would be heavily involved in these decisions.

Dr. Arshadi suggested that the contributions made by the Universities in to the RAM be transferred to the new Alliance because RAM from the beginning was a partnership between the universities, the Governor's Office and industry. It's not that much money, but symbolically it is important to support the new initiative if approved.

Dr. Alter stated that he agreed with Dr. Arshadi's suggestion, but he wanted to make sure the new Alliance had representation from not just public institutions, but private institutions as well.

Mr. Mills agreed that we would not leave out our partners at Danforth or Washington University, etc.

Dr. Ellis asked how Mr. Mills sees the mix of members from large institutions versus smaller ones such as Truman State.

Mr. Mills responded the board would be appointed by the Governor, so this would need to be worked out. There are twelve board members, and DED would like to see an even mix between industry and institutions. He hopes the Discovery Alliance would bring in a broader advisory group, not just an operating group.

Dr. Alter asked if the new Alliance would have a similar mission as RAM?

Mr. Mills said the Alliance board would need to set the policies on how they intend to handle these issues, but he foresees the new Alliance having separate subcommittees to handle issues such as Innovation Centers and research collaboration, etc. It will be key to encourage or incentivize in some way cross-institutional collaborations as a major focus of the new Alliance.

Dr. Cicero agreed with Dr. Arshadi and Dr. Alter's previous remarks to transfer the contributions from RAM-member institutions to the new Alliance.

Dr. Alter made a motion that funds invested by the RAM institutions be transferred to the Discovery Alliance.

Dr. Ellis suggested an amendment for the motion to include this transfer if and when the legislation is approved and the new organization, the Missouri Discovery Alliance, is formed and functional.

Dr. Alter amended his motion to request that the funds invested by the RAM institutions be transferred to the Discovery Alliance if and when the legislation is approved and the new organization, the Missouri Discovery Alliance, is formed and functional.

Dr. Ellis seconded the motion. The motion passed unanimously.

Mr. Mills stated that he appreciates the leadership from the RAM and we are already starting to reap the benefits of the efforts on many of things the RAM has been leading. Chancellor Wrighton called Director Greg Steinhoff personally and asked to host a technology commercialization summit and bring in experts from across the nation, so we are seeing a lot of excitement in this area.

Dr. Cicero stated it appears the consensus of the RAM members is to have the RAM continue to function until this new Alliance is functioning. He asked the members if they want to continue having monthly RAM meetings in Jefferson City.

Dr. Alter then asked who is maintaining the RAM web site.

Ms. Hirst reported that Mediacom is currently the host of the RAM website. The RAM pays about \$5/month but no support services are given. Ms. Hirst suggested to move the hosting of the RAM web site under the same host as the MTC web site, the National Biodiesel Board and Scott Tremain. Ms. Hirst talked with Mr. Tremain and they would reduce the monthly fee from \$60 to \$50 if they brought the RAM web site under their maintenance. They would then provide support services and we would have better opportunity to update and revise the site as needed. At this time, no one is altering the content because there is no support service and no one capable of making the updates. The MTC and RAM currently split the operating payments at a 75%/25% split, so the MTC would pay \$37.50 and the RAM \$12.50 under the suggested scenario.

There was discussion about the need to redesign and update the web site. It was decided to hold off on a redesign until the outcome of the new Alliance legislation is determined.

Dr. Alter made a motion to transfer the hosting of the web site to the host of the MTC web site in order to have better support service. Dr. Schubert seconded the motion, which passed unanimously.

Dr. Cicero then moved to the last agenda item and asked Dr. Arshadi to give a brief update on the Nanotechnology Conference.

Dr. Arshadi reported 70 people attended the Nanotechnology conference in Kansas City last November. They are working on the 3rd conference in Columbia this summer. Each conference costs a little over \$5,000. The purpose is to bring scientists together to submit joint proposals to the federal government, etc. About 10-15 proposals will be submitted as a result of November's conference. He stated he would email a status report of the conference to each RAM member. The idea is to move the conference each year and bring it to a different location in the state.

Dr. Cicero then asked Dr. Alter to report on the November 29-30 Environmental Science Workshop. Dr. Alter reported the workshop was led by Lincoln University and the Army Research Office and was held at Fort Leonard Wood. The Army is investing in Lincoln University to move forward the environmental science area. We have talked in the past about Lincoln University becoming a member of the RAM and

Dr. Mahoney is very interested in this. The purpose of the conference was to see what is going on at Missouri's universities around the state as far as their involvement in the environmental sciences in areas of interest to the U.S. Army. Three areas of interest were discussed: (1) water quality, (2) phytoremediation, and (3) GIS. Basically, three task forces were put together to address these areas and to identify what can be done in a collaborative way by the universities participating in those three areas. They will draft concept papers from each task force and submit them to the Army Research Office for approval. The hope is the Army would support one of the three areas for funding, around \$400,000 for the FY06 federal budget period. At least one of those areas has been submitted. The second topic of interest from the meeting was a camp headed up by Lincoln University for high school students to look at the environmental sciences to be held at Fort Wood. The third topic of interest from the conference was the development of a virtual laboratory at Fort Wood to enable university and US Army personnel to conduct research and field educational projects in all three of the areas that were discussed at this workshop. There is not a high probability that this will happen because of the concern about what would happen to the findings. There is still an interest, but just not a priority, at this time. Dr. Alter suggested to invite Steve Tupper to the next RAM meeting to update everyone on the possibility of a virtual lab at FLW. We should also invite Steve Meredith of Lincoln University to talk about their Environmental Center of Excellence and the collaborative initiatives with the Army Research Office. Dr. Alter stated it presents a unique opportunity for the Universities to participate in projects of interest to the Army.

Dr. Cicero asked Dr. Ellis to give an update on the Undergraduate Research Conference.

Dr. Ellis stated that he was convinced for this conference to occur, someone else from RAM will need to take the lead as he is unable to devote the necessary time.

Dr. Cicero suggested the RAM take the item up at the next meeting and identify members to help.

Dr. Alter asked Dr. Ellis to send ahead of the next meeting the original goals and objectives of the conference so the members could put their thoughts together.

Dr. Cicero called for new or old business. Seeing none, March 14, 2006 was set for the next meeting date.

Dr. Cicero then called for a motion to adjourn. Dr. Gardner made the motion to adjourn the meeting. Dr. Schubert seconded the motion. Motion passed.

Meeting was adjourned at 12:00 p.m.