


Summary of Rules

TO: Arkansas Legislative Council
Attn: Donna K. Davis

FROM: Kurt Naumann 
Arkansas Economic Development Commission (AEDC)

RE: Summary of Funding Programs of the Division of Science and Technology of the
Arkansas Economic Development Commission at § 15-3-101 et seq. Rules

DATE: March 29, 2018

The attached rule (*choose one*):

- establishes new
- amends existing
- repeals

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rules for administering Funding Programs of the Division of Science and Technology of the Arkansas Economic Development Commission at § 15-3-101 et seq., administered by the Arkansas Economic Development Commission, as authorized by authority granted under § 15-4-209(b)(5) and 15-3-108(d)(1). The purpose of rule consolidation is to:

1. Revise the names of programs, divisions, and agencies to reflect the Type II transfer of the Arkansas Science and Technology Authority to the Division of Science and Technology of the Arkansas Economic Development Commission;
2. Provide standardized definitions of common terms;
3. Create standardized application submittal and review processes for funding programs;
4. Reflect current Board of Directors' review processes;
5. Correct technical and grammatical errors in existing rules; and
6. Reduce redundancy and simplify the process by which prospective applicants for Division of Science and Technology funds may apply. Existing rules would be repealed after approval of this new rule.

Attached are:

- Summary of Rules
- Funding Programs of the Division of Science and Technology of the Arkansas Economic Development Commission at § 15-3-101 et seq. proposed new rules
- Questionnaire and Financial Impact Statement for Filing Proposed Rules
- Notice of Public Hearing
- Arkansas State Library Agency Certification Form
- Proof of filing with Secretary of State
- Governor's Approval of Proposed Rule e-mail

A copy of the rules, questionnaire and financial impact statement, summary of rules, and Notice of Public Hearing have been provided to the Secretary of State's Office today.

attachments

Funding Programs of the Division of Science and Technology of the Arkansas Economic Development Commission at § 15-3-101 et seq. Rules

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I. Introduction

Overview

Act 859 of 1983 created the Arkansas Science and Technology Authority (ASTA) as a state agency to provide leadership, direction, incentives, and technical assistance to enable Arkansas to gain the advantages and benefits of advanced science and technology. This enabling legislation gave ASTA broad authority to develop programs and rules; receive money, property, services, or other things of value; acquire, own, and transfer real and personal property of all types; execute contracts and agreements; invest funds in lawful purposes; and finance scientific and technical endeavors through the provision of grants, loans, and other forms of assistance.

Act 409 of 1985 strengthened ASTA's powers by amending Act 859 of 1983 to enable ASTA to foster the development of high-technology industries within the State of Arkansas, assist minority businesses in obtaining financial assistance under programs of the act, and support basic and applied research in Arkansas-based colleges and universities. Subsequent amendments added emphasis on ASTA's role in small business research and development, development and promotion of product and process technologies, and providing assistance to qualified medical companies.

Act 803 of 1989 authorized creation of the Centers for Applied Technology (CAT) Program to encourage greater collaboration between private enterprises and Arkansas-based colleges and universities in the development and application of new technologies.

Finally, Acts 7 and 8 of the First Extraordinary Session, 2015, provided for a Type 2 transfer of ASTA to the Arkansas Economic Development Commission (AEDC), and renamed ASTA as the Division of Science and Technology of the Arkansas Economic Development Commission (Division).

Pursuant to authority granted at § 15-3-101, et seq., AEDC is granted the powers necessary to carry out programs delineated at § 15-3-109, which include:

1. Funding basic research at Arkansas-based colleges and universities as specified in § 15-3-110;
2. Stimulating applied research partnerships between private industry and Arkansas-based colleges and universities and matching funds from private sources for proposed applied research projects as specified in § 15-3-110;

3. Assisting small businesses in identifying and applying for funds to conduct research and development on innovative technical ideas;
4. Transferring knowledge and technology from college, university, and government laboratories to private industry;
5. Creating, in cooperation with Arkansas-based colleges and universities, facilities to foster the growth of technology-based enterprises;
6. Developing emerging product and process technologies which contribute to business and economic growth;
7. Engaging in innovative demonstration and pilot projects involving improved education and preparation of the future workforce in the areas of science, technology, and mathematics; and
8. Transferring knowledge and technology from colleges, universities, government entities and laboratories, and other sources of innovation to public schools.

II. Funding Programs of the Division of Science and Technology of the Arkansas Economic Development Commission

The following programs, established in accordance with the authority granted above, are governed by these rules.

A. Seed Capital Investment Program (SCIP)

(i) Purpose

The purpose of the Seed Capital Investment Program (SCIP) is to foster the formation and development of innovative, technology-based enterprises that will stimulate the economy of Arkansas by creating high-wage employment, leverage private investment, increase tax revenues, and advance the benefits and opportunities realized through advanced science and technology.

SCIP funds may be used by AEDC to purchase qualified securities issued by Arkansas-based enterprises seeking initial capitalization of scientific and technological projects.

SCIP investments shall be in the form of the following qualified securities including, without limitation:

- debt financing;
- equity financing;
- royalty participation;
- stock appreciation; or
- a combination of such financing arrangements.

(ii) Eligibility Requirements

Enterprise eligibility requirements include the following:

- (a) The enterprise's principal place of business is in Arkansas;
- (b) The project of the enterprise shall be scientific or technological, or both, in nature and promote the purpose of AEDC by providing scientific and technological benefits to Arkansas;
- (c) The enterprise shall complete the application submittal process delineated in Section II.A.(iii) of these rules; and
- (d) Not more than five hundred thousand dollars (\$500,000) shall be invested by AEDC in the qualified securities of any one (1) enterprise.

(iii) Application Submittal Process

Applicants for SCIP funds shall submit one (1) completed signed application, utilizing forms provided by AEDC, and may be subject to an interview or site visit, or both.

- (a) Applications shall include:
 - A. The legal name, address, North American Industry Classification System classification, and business filing status of the enterprise;
 - B. The names and contact information of professional staff affiliated with the enterprise;
 - C. A list of key officers, owners, and personnel, including senior technical staff (attach resumes);
 - D. Sources(s), amount(s), and anticipated uses(s) of AEDC and non-AEDC funds;
 - E. A brief description of the business enterprise;
 - F. A brief description of the project, including the technology involved, for which funds are requested;
 - G. An explanation of the enterprise's stage of development in relation to the project;
 - H. A statement of anticipated economic impact including the number, location, occupational classification, and compensation of jobs to be created;
 - I. A business plan, including a description of the enterprise and its background, management, product(s), and market(s); and
 - J. Other information as requested by AEDC.

(iv) Application Review and Approval Process

No financial commitment or approval shall be made by the Executive Director of the Arkansas Economic Development Commission (Executive Director) to an applicant until the applicant has completed the following review and approval process.

- (a) All applications will be evaluated by Division staff for completeness and for the potential to effectuate the formation and development of innovative, science- or

technology-based enterprises that will stimulate the economy of Arkansas through increased high-wage employment and leveraging of private investment. Review criteria include, without limitation:

- A. The application is signed and complete in accordance with Section II.A.(iii) of these rules;
 - B. Investment proceeds will be used to cover the initial capitalization needs of the enterprise;
 - C. Evidence has been provided showing that the enterprise has a reasonable chance of success;
 - D. The enterprise shall be able to demonstrate that it has been unable to secure sufficient capital from traditional sources on terms that would enhance the success of the enterprise;
 - E. The enterprise has the reasonable potential to create a substantial amount of primary employment within the state;
 - F. The entrepreneur and other founders of the enterprise have already made or are contractually committed to make substantial financial and time commitments to the enterprise;
 - G. The securities offered by the enterprise to AEDC for purchase are qualified securities;
 - H. There shall be evidence showing a reasonable possibility that AEDC will recoup at least its initial investment;
 - I. A binding commitment has been made by the enterprise to report financial data to AEDC. Commitments shall include a requirement for an annual or other periodic audit of the books of the enterprise, and for such control on the part of AEDC as the Executive Director shall consider prudent over the management of the enterprise, including, at the discretion of the Executive Director and without limitation, the right of access to financial and other records of the enterprise; and
 - J. Other criteria as determined by the Executive Director.
- (b) Applicants may be subject to an interview or site visit, or both, during the application review process;
 - (c) Division staff shall prepare a project summary of each project reviewed in accordance with criteria listed in step II.A.(iv)(a);
 - (d) Optional Step: The Executive Director may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;
 - (e) Optional Step: The Executive Director may request Division staff to submit project summaries to the Commercialization Committee of the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission (Commercialization Committee) for review. If so requested:
 - A. The Commercialization Committee will review projects in accordance with program rules;

- B. Applicants may be invited to present their projects before the Commercialization Committee;
 - C. The Commercialization Committee may ask applicants for additional information before recommending projects for funding;
 - D. Projects receiving Commercialization Committee support will be forwarded to the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission (Board) for review; and
 - E. The Board will vote, by simple majority, to determine whether or not to recommend project funding.
- (f) Division staff will prepare a Resolution for Funding for each project recommended for funding and distribute for signature(s);
 - (g) For projects recommended by the Commercialization Committee, the Secretary of the Board will sign the Resolution for Funding and forward to the Executive Director;
 - (h) The Executive Director, or his or her designee, after reviewing all recommendations, will sign Resolutions for Funding for approved projects;
 - A. Unsuccessful applicants will be notified in writing by Division staff.
 - B. Approved applicants will be required to execute a written Investment Agreement outlining the amount, terms, and conditions of the qualified security purchase prior to receiving funds; and
 - (i) Funds shall be disbursed to enterprises in accordance with terms and conditions of the Investment Agreement.

B. Technology Development Program (TDP)

(i) Purpose

The purpose of the Technology Development Program (TDP) is to assist in commercializing new, technology-based products and processes created or developed by inventors, businesses, Arkansas-based colleges or universities, and federal laboratories located in Arkansas. The program is intended to provide flexible “bridge” financing in the form of grants of up to \$100,000, for projects to develop qualified technologies.

(ii) Eligibility Requirements

Applicant eligibility requirements include the following:

- (a) The qualified applicant’s principal place of business is in Arkansas;
- (b) The proposed TDP project shall promote the benefits of science and advanced technology to the State of Arkansas and its citizens by commercializing new products and processes;
- (c) The application is complete and has been submitted by a qualified applicant;

- (d) The applicant shall submit a well-developed and defined project plan in accordance with requirements of Section II.B.(iii) of these rules; and
- (e) A nonpublic applicant shall submit a nonrefundable fee, via check, of one dollar (\$1) with the preliminary application.

(iii) Application Submittal Process

Applicants for TDP funds shall submit one (1) completed signed application, and, if a non-public applicant, a nonrefundable fee of one dollar (\$1), under forms provided by the Division, and may be subject to an interview or site visit, or both.

- (a) Applications shall include the following information:
 - A. The legal name, address, North American Industry Classification System classification, and business filing status of the qualified applicant;
 - B. The names and contact information of professional staff affiliated with the enterprise;
 - C. A list of key officers, owners, and personnel, including senior technical staff (attach resumes);
 - D. Sources(s), amount(s), and anticipated uses(s) of AEDC and non-AEDC funds;
 - E. A brief description of the project, including the technology involved, for which funds are requested;
 - F. An explanation of the business's stage of development in relation to the project;
 - G. A statement of anticipated economic impact including the number, location, occupational classification, and compensation of jobs to be created;
 - H. A business plan, including a description of the business and its background, management, product(s), and service(s); and
 - I. Other information as requested by AEDC.
- (b) Applications shall also include a well-developed and defined project plan, showing progression from idea to prototype to production, which includes the following:
 - A. A description of the proposed product, process, or technical innovation;
 - B. An assessment (if applicable) of previous research and development efforts that strengthens technical claims;
 - C. Potential sources of prototype development;
 - D. A description of any known barriers to production of the product (e.g., process, materials, safety, or environment);
 - E. A description of the product to be commercialized, including potential manufacturers, distributors, niche markets, etc.;
 - F. A description of the implementation plan for the accomplishment of the project, including a:
 - i. Timetable;
 - ii. Narrative description of the use of funds; and
 - iii. Listing of any required supporting facilities, equipment, and personnel.
 - G. The budget for the proposed project period;

- H. A description of the qualifications of key personnel including resumes;
- I. A statement of economic impact, including without limitation:
 - i. Potential job creation;
 - ii. Export potential; or
 - iii. Value added to existing products.
- J. A description of all methods used to protect intellectual properties including disclosure documents, patents, trademarks, copyrights, etc.

(iv) Application Review and Approval Process

No financial commitment or approval shall be made by the Executive Director until a qualified applicant has completed the following review and approval process.

- (a) Division staff will evaluate applications for completeness based on the following five factors:
 - A. Technical Feasibility
 - i. Is there a sufficient description of the proposed product, process, or innovation to derive a sound technical evaluation;
 - ii. Is the invention based upon scientific principles;
 - iii. Is there previous research or development that substantiates the technical feasibility;
 - iv. Does it require redesign, rebuilding, or further testing; and
 - v. How is the project technically innovative?
 - B. Production Feasibility
 - i. Can it be produced economically and in sufficient quantities using existing production technology;
 - ii. Can it be produced safely meeting legal, liability, product infringement, and pollution guidelines; and
 - iii. How many sources are willing to produce it?
 - C. Commercial Feasibility
 - i. What specific customer needs does the product or process satisfy;
 - ii. Will the market support the project;
 - iii. Who is the competition;
 - iv. Does the product, process, or innovation provide a competitive edge;
 - v. Is there adequate financial support;
 - vi. Does the budget support the implementation plan;
 - vii. Is the commercialization plan valid; and
 - viii. Can key personnel support the project?
 - D. Economic Potential
 - i. Will the project impact Arkansas's economy;
 - ii. Does the project have job creation potential;
 - iii. Does the technology add value to existing products; and
 - iv. Can the technology be exported?
 - E. Patentability

- i. Has a patent been applied for;
 - ii. Have similar patents been granted; and
 - iii. Can the concept be protected with a patent?
- (b) Applicants may be subject to an interview or site visit, or both, during the application review process;
- (c) Division staff shall prepare a project summary of each project reviewed in accordance with criteria listed in step II.B.(iv)(a);
- (d) Optional Step: The Executive Director may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;
- (e) Optional Step: The Executive Director may request Division staff to submit project summaries to the Commercialization Committee for review. If so requested:
 - A. The Commercialization Committee will review projects in accordance with program rules;
 - B. Applicants may be invited to present their projects before the Commercialization Committee;
 - C. The Commercialization Committee may ask applicants for additional information before recommending projects for funding;
 - D. Projects receiving Commercialization Committee support will be forwarded to the Board for review; and
 - E. The Board will vote, by simple majority, to determine whether or not to recommend project funding.
- (f) Division staff will prepare a Resolution for Funding for each project recommended for funding and distribute for signature(s);
- (g) For projects recommended by the Commercialization Committee, the Secretary of the Board will sign the Resolution for Funding and forward to the Executive Director;
- (h) The Executive Director, or his or her designee, after reviewing all recommendations, will sign Resolutions for Funding for approved projects:
 - A. Unsuccessful applicants will be notified in writing by Division staff.
 - B. Approved applicants will be required to execute a written agreement outlining the amount, terms, and conditions of the funding, in the form of a Royalty Agreement, prior to receiving funds.
- (i) Funds shall be disbursed to approved applicants in accordance with terms and conditions of the Royalty Agreement.

C. Technology Transfer Assistance Grant Program (TTAG)

(i) Purpose

The purpose of the Technology Transfer Assistance Grant (TTAG) Program is to increase Arkansas industry's competitiveness through technical and operational advancements by providing funds for the transfer or deployment, or both, of innovative technology to

Arkansas-based enterprises to resolve identified technology-based, industry-driven problems, issues, or concerns.

TTAG is intended to provide financing that allows a business's specific technology to better compete for funding from other Division programs.

TTAG funds may be used to fund costs associated with engineering or technical support fees; database searches; travel; responses/cash matches to the Small Business Innovation Research Program or the Small Business Technology Transfer Program; and other costs decided on a case-by-case basis. TTAG funds are generally not approved to purchase fixed assets or training.

Maximum AEDC funding per project shall not exceed \$3,750 based on the following:

- First \$2,500 of project costs; and
- Additional amount up to \$1,250 based upon a 50:50 match with the enterprise assisted with TTAG funds for the next \$2,500 of project costs.

All costs in excess of \$5,000 shall be assumed by the assisted enterprise, however, additional TTAG funds may be awarded at the discretion of the Executive Director.

Unlike most Division programs, qualified applicants are technology transfer resource providers approved by the Division.

(ii) Eligibility Requirements

Applicant eligibility requirements include the following:

- (a) Applications will be evaluated based upon the following criteria:
 - A. The application is complete and has been submitted by one (1) or more qualified applicant(s) (technology transfer resource providers);
 - B. The enterprise being assisted by the applicant(s) is a business with its principal place of business in Arkansas;
 - C. The purpose of the project is to promote the benefits of science and advanced technology to Arkansans by identifying and transferring innovative technology to resolve a specific problem, issue, or concern of an Arkansas-based enterprise; and
 - D. Not more than \$3,750 (with appropriate enterprise matching funds) is being requested from AEDC. An enterprise may receive only two (2) TTAG awards in any one (1) state fiscal year.

(iii) Application Submittal Process

Applicants for TTAG funds shall submit one (1) completed signed application, utilizing forms provided by the Division, and may be subject to an interview or site visit, or both.

- (a) Applications shall include:
- A. The legal name, address, phone number, and North American Industry Classification System classification of the enterprise being assisted by the technology transfer resource provider;
 - B. The name(s), title(s), and contact information of professional staff affiliated with the enterprise;
 - C. The legal name of the technology transfer resource provider;
 - D. The name(s), title(s), and contact information of professional staff affiliated with the technology transfer resource provider;
 - E. The area of technology covered in the application;
 - F. A brief description of the business and competitive challenges facing the business enterprise;
 - G. A brief description of the specific problem and anticipated solution to the project to be addressed;
 - H. A description of how the technology transfer resource provider will implement the solution to the problem;
 - I. A description of how the business enterprise will maintain the solution after implementation;
 - J. A listing of specific tasks to be performed by the project participants;
 - K. The anticipated financial impact of the project; and
 - L. Any other information as requested by AEDC.

(iv) Application Review and Approval Process

No financial commitment or approval shall be made by the Executive Director until the qualified applicant has completed the following review and approval process.

- (a) All applications will be evaluated by the AEDC's TTAG Review Committee for completeness and for the potential to identify and transfer innovative technology to solve a specific technology-based problem, issue, or concern of an Arkansas-based enterprise. Review criteria include, without limitation:
- A. The application is complete;
 - B. The qualified applicant and the associated enterprise shall have the support and resources available to ensure a reasonable probability of project success given that a transfer of appropriate technology occurs;
 - C. The qualified applicant or the Division shall be able to locate appropriate technology transfer resources willing to assist with the project;
 - D. The proposed technology transfer project shall be technically feasible. The transfer of technology shall improve the enterprise's technical competitiveness, operational competitiveness, or both, and add value to new or existing products, processes, or services;

- E. The proposed technology transfer project shall have commercial feasibility potential. The transfer of technology should provide the enterprise with the ability to compete more effectively in the marketplace; and
- F. The project shall have a time frame of no longer than ninety (90) days.
- (b) Applicants may be subject to an interview or site visit, or both, during the application review process;
- (c) AEDC may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;
- (d) The Executive Director, or his or her designee, after reviewing the TTAG Review Committee's recommendations, will specify which applicants may receive funding.
 - A. Unsuccessful applicants will be notified in writing by Division staff.
 - B. Approved applicants will be required to execute a written agreement outlining the amount, terms, and conditions of the funding.
- (e) Division staff shall provide a list of projects funded with TTAG funds to the Board.

D. Basic Research and Applied Research Grant Programs

(i) Purpose

Basic Research Grant Program

The Basic Research Grant Program provides matching grant funds to help promote and support the growth and development of scientists working in Arkansas and to enhance the status of science and technology in Arkansas-based colleges and universities by funding basic research.

AEDC may fund up to sixty percent (60%) of the total cost of the basic research project being funded. Remaining project costs shall be funded with cash or in-kind services provided by the college or university proposing the research project.

Applied Research Grant Program

The Applied Research Grant Program provides matching grant funds to help create applied research partnerships between private industry and Arkansas-based colleges and universities to stimulate the transfer of science and technology. Private industry match may be in the form of cash or new machinery and equipment.

AEDC may fund up to fifty percent (50%) of the total cost of the applied research project being funded. Remaining project costs shall be funded with cash or new machinery and equipment provided by a business or industry cosponsoring the project; however, AEDC may fund up to sixty-six and two-thirds percent (66 and 2/3%) of the applied research project if the participating private industry is principally located in Arkansas and employs up to fifty (50) persons.

AEDC will approve for funding only those applied research projects which are likely to enhance employment opportunity within Arkansas.

(ii) Eligibility Requirements

Applicant eligibility requirements include the following:

- (a) Applications will be evaluated based upon the following criteria:
 - A. The application is complete and has been submitted by a qualified applicant in accordance with established deadlines;
 - B. The purpose of the project is to promote the benefits of science and advanced technology to Arkansans by addressing an area of either basic or advanced research. Basic research projects shall establish or build upon an established institutional base of research capability and result in permanent and significant enhancement of the institution's research capabilities; and
 - C. The Arkansas-based college or university has committed to provide the requisite match for the research program for which the applicant is applying.

(iii) Application Submittal Process

Potential applicants for Basic Research Program and Applied Research Program grant funds shall submit one (1) completed, signed, and dated application, utilizing forms provided by the Division, and may be subject to an interview or site visit, or both, during the application review process.

(iv) Application Review and Approval Process

- (a) All applications will be evaluated by Division staff for completeness and for the potential to enhance research at Arkansas-based colleges and universities. No financial commitment shall be made by the Executive Director to an applicant until the applicant has completed the following review and approval process.
 - A. Applications shall consist of the following documents:
 - i. A project summary and cover sheet;
 - ii. The name of the college or university applying for research funds;
 - iii. The names, titles, addresses, and telephone numbers of the principal investigator and the institutional contract officer;
 - iv. The title and technical abstract of the project proposal;
 - v. The amount of funds requested from AEDC;
 - vi. A statement of how the specific objectives of the project relate to AEDC research program objectives;
 - vii. A review of the literature pertinent to the proposed research, including an assessment of previous research efforts;
 - viii. A clearly-described implementation plan for the accomplishment of the project including:

1. A description of the proposed activities, including experimental design and methods;
 2. A timetable; and
 3. Information detailing the availability of support facilities, equipment, and personnel necessary for the attainment of the project's objectives.
- ix. A detailed budget for the current and upcoming fiscal years including personnel, fringe benefits, equipment, supplies, travel, indirect costs, and support;
 - x. A statement and letters of commitment detailing the source and amount of the required matching funds;
 - xi. A statement of plans for future support of the research from sources other than AEDC including identification of anticipated funding sources and likely titles of the proposals to be submitted;
 - xii. A description of the qualifications of the personnel to be involved in the proposed project. Information shall include:
 1. Academic credentials of key professionals;
 2. A list of recent publications in accepted professional journals; and
 3. A record of past and current grant support received.
 - xiii. Acknowledgment that a final summary report will be submitted to the Division within sixty (60) days after project completion. The report shall include:
 1. A topic sentence restating the project's major thesis;
 2. The primary objectives and scope of the project;
 3. The techniques or approaches used;
 4. A concise statement of findings and implications; and
 5. Other information as requested by the Division.
- B. Projects shall meet the following administrative, technical, and scientific criteria:
- i. The scientific merit of the proposal, including the quality and importance of the proposed research and the suggested research procedures;
 - ii. The competence of the professional personnel involved in the project as evidenced by relevant academic training, research, and publications;
 - iii. The availability of administrative support and resources necessary to ensure a reasonable probability of project success;
 - iv. The soundness of the implementation plan and the likelihood that the project objectives will be achieved;
 - v. The potential of the project to attract support from third-party sources; and
 - vi. The overall probability of success of the proposed project.
- C. Applications for Applied Research Grant funds shall meet the following additional fiscal criteria:
- i. The commercial feasibility of the proposed research;

- ii. The capacity of the proposed project to enhance employment opportunities in Arkansas; and
 - iii. The capacity of the project to attract private investment.
- D. Applicants may be subject to an interview or site visit, or both, during the application review process;
- E. Division staff shall prepare a project summary of each project reviewed in accordance with criteria listed in step II.D.(iv)(a);
- F. Optional Step: The Executive Director may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;
- G. Optional Step: The Executive Director may request Division staff to submit project summaries to the Research Committee of the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission (Research Committee) for review. If so requested:
 - i. The Research Committee will review projects in accordance with program rules;
 - ii. Applicants may be invited to present their projects before the Research Committee;
 - iii. The Research Committee may ask applicants for additional information before recommending projects for funding;
 - iv. Projects receiving Research Committee support will be reviewed by the Board;
 - v. The Board will vote, by simple majority, to determine whether or not to recommend project funding.
- H. Division staff will prepare a Resolution for Funding for each project recommended for funding and distribute for signature(s);
- I. For projects recommended by the Research Committee, the Secretary of the Board will sign the Resolution for Funding and forward to the Executive Director; and
- J. The Executive Director, or his or her designee, after reviewing all recommendations, will sign Resolutions for Funding for approved projects;
 - i. Unsuccessful applicants will be notified in writing by Division staff.
 - ii. Approved applicants will be required to execute a written agreement outlining the amount, terms, and conditions of the funding.

E. Business Incubator Program

(i) Purpose

The purpose of the Business Incubator Program is to enhance economic development by stimulating technological innovation and fostering the growth of technology-based enterprises to create new employment opportunities for Arkansans through the establishment of Arkansas-based college and university incubators. The intent of the

program is to create an entrepreneurial and technological environment drawing upon a diversity of business enterprises which will stimulate the innovation process and result in economic benefits to Arkansans.

Applications for funding should emphasize innovation, entrepreneurial engagement, leveraging of private capital to the greatest extent possible, and local business support.

(ii) Eligibility Requirements

Applicant eligibility requirements include the following:

- (a) Applications will be evaluated based upon the following criteria:
 - A. The application is complete and has been submitted by an Arkansas-based state college or university that is supported by general revenue appropriations from the Arkansas General Assembly;
 - B. The project shall propose the creation of a facility to locate a business incubator; and
 - C. The proposed project shall create an environment that fosters the success and growth of technology-based enterprises which contribute to the state's economic development. Such an environment might involve the presence of well-established technology businesses and non-technology supportive businesses.

(iii) Application Submittal Process

- (a) Potential applicants for Business Incubator Program funds shall submit one (1) completed signed application, utilizing forms provided by the Division, and may be subject to an interview or site visit, or both, during the application review process.
 - A. Applications shall consist of the following documents:
 - i. The name and address of the college or university applying for funds;
 - ii. The name, title, address, and telephone number of the contract official;
 - iii. The title and description of the proposed project, including
 - 1. An explanation of how the incubator addresses local economic development needs;
 - 2. The incubator's concept;
 - 3. The objectives of the proposed project; and
 - 4. The anticipated public benefits of the incubator project.
 - iv. A discussion of the proposed business incubator facility operations, including without limitation:
 - 1. Any entrance and graduation requirements of incubator tenants;
 - 2. A discussion of how the project proposes to establish an environment which stimulates innovation and economic development;

3. A list of the basic services to be provided to incubator tenants, including technological and managerial assistance;
4. A discussion of how the local business community will support the incubator efforts; and
5. An explanation of the incubator facility's governance.
- v. A list of any cooperating institutions;
- vi. A statement of any other financial resources, including private funds that will be used during the project and afterwards for continuous operation;
- vii. A list of key project personnel including their education, related experience, and biographic information;
- viii. A list of proposed agreements with consultants who may develop or manage the incubator facilities;
- ix. Sources(s), amount(s), and anticipated uses(s) of AEDC and non-AEDC funds;
- x. A timetable showing major milestones for completing the project and the overall project duration; and
- xi. Any other information required by AEDC.

(iv) Application Review and Approval Process

No financial commitment shall be made by the Executive Director to an applicant until the applicant has completed the following review and approval process.

- (a) All applications will be evaluated by Division staff for completeness and adherence to eligibility criteria. Review criteria include, but are not limited to:
 - A. Completeness of the application;
 - B. The comprehensiveness of the proposed project;
 - C. The cost-effectiveness of the proposed project;
 - D. The qualifications of the key project personnel;
 - E. The anticipated public benefits of the proposed project;
 - F. The overall merit of the proposal; and
 - G. The potential of the project to assist the Division in carrying out its mission to bring the benefits of science and technology to Arkansans.
- (b) Applicants may be subject to an interview or site visit, or both, during the application review process;
- (c) AEDC may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;
- (d) Division staff will provide a project summary to the Commercialization Committee for each project reviewed;
- (e) All applications will be reviewed by the Commercialization Committee in accordance with program rules. Prior to final approval:
 - A. Applicants may be asked to present their projects before the Commercialization Committee.

- B. The Committee may ask applicants for additional information before recommending projects for funding;
- (f) Projects receiving Commercialization Committee support will be reviewed by the Board;
- (g) If the Board votes, by simple majority, to approve the application for funding, Division staff will prepare a Resolution for Funding for signature by the Secretary of the Board and the Executive Director;
- (h) The Executive Director, after reviewing Board recommendations, will specify which applicants may receive funding.
 - A. Unsuccessful applicants will be notified in writing by Division staff.
 - B. Approved applicants will be required to execute a written agreement outlining the amount, terms, and conditions of the funding.

F. Centers for Applied Technology Program

(i) Purpose

The purpose of the Centers for Applied Technology (CAT) Program is to encourage greater collaboration between private enterprises and Arkansas-based colleges and universities in the development and application of new technologies. This is effectuated through identifying, designating, and funding centers in technological areas with significant potential for economic growth and development in Arkansas, or in or within which the application of new technologies could significantly enhance the productivity and stability of Arkansas enterprises.

(ii) Eligibility Requirements

Applicant eligibility requirements include the following:

- (a) Applications will be evaluated based upon the following criteria:
 - A. The application is complete and has been submitted by a state-supported or independent, not for profit, Arkansas-based state college or university that offers degrees at the baccalaureate level or higher; and
 - B. The project proposes the creation of a center concentrating its effort on specific scientific and technological areas.

(iii) Application Submittal Process

- (a) Potential applicants for CAT funds shall submit one (1) completed signed application, utilizing forms provided by the Division, and may be subject to an interview or site visit, or both, during the application review process.

- A. Applications shall consist of the following documents:
 - i. The name and address of the college or university applying for funds;
 - ii. The name, title, address, and telephone number of the institutional contract officer;
 - iii. A description of the scientific and technological focus, the research and development plans of the proposed CAT, and its relevance to the Arkansas economy;
 - iv. A discussion of the proposed CAT technology transfer and technology development efforts geared to benefit specific industries within Arkansas;
 - v. A description of the organizational structure and management plan for the proposed CAT;
 - vi. A detailed budget for an initial two-year period, and a projected budget for the subsequent three (3) years; and
 - vii. A description of institutional and other government and private funds to be used by the proposed CAT.

(iv) Application Review and Approval Process

No financial commitment shall be made by the Executive Director to an applicant until the applicant has completed the following review and approval process.

- (a) All applications will be evaluated by Division staff for completeness and adherence to eligibility criteria. Review criteria include, without limitation:
 - A. An established record of research, development, and instruction in the area of technology;
 - B. The capacity to conduct research and development activities in collaboration with private enterprises;
 - C. The capacity to secure substantial private and other government funding for the proposed CAT;
 - D. A willingness to work cooperatively with other colleges and universities in conducting research and development activities, disseminating research results, and working with institutions of higher learning to enhance the quality of technological education in the area or areas of technology involved; and
 - E. The ability to cooperate with the Division and other economic development agencies in promoting the growth and development in Arkansas of enterprises based upon or benefiting from the areas of technology involved.
- (b) Applicants may be subject to an interview or site visit, or both, during the application review process;
- (c) AEDC may request an independent review of the application, including the technology employed by the applicant, by an external expert or external experts in accordance with Section V of these rules;

- (d) Division staff will provide a project summary to the Research Committee for each project reviewed;
- (e) All applications will be reviewed by the Research Committee in accordance with program rules. Prior to final approval:
 - A. Applicants may be asked to present their projects before the Research Committee.
 - B. The Research Committee may ask applicants for additional information before recommending projects for funding;
- (f) Projects receiving Research Committee support will be reviewed by the Board;
- (g) If the Board votes, by simple majority, to approve the application for funding, Division staff will prepare a Resolution for Funding for signature by the Secretary of the Board and the Executive Director;
- (h) The Executive Director, after reviewing Board recommendations, will specify which applicants may receive funding.
 - A. Unsuccessful applicants will be notified in writing by Division staff.
 - B. Approved applicants will be required to execute a written agreement outlining the amount, terms, and conditions of the funding.

Contact Information

For more information regarding funding programs of the Division of Science and Technology of the Arkansas Economic Development Commission, please contact:

Arkansas Economic Development Commission
 Division of Science and Technology
 900 West Capitol, Suite 400
 Little Rock, AR 72201
 (501) 682-1121

III. Rulemaking Authority

The AEDC has authority, at § 15-3-108(d)(1) to promulgate rules necessary to administer programs of the Division of Science and Technology of the Arkansas Economic Development Commission.

IV. Definitions

- 1. "AEDC" means the Arkansas Economic Development Commission;
- (i) "Applied research" means any activity which seeks to utilize, synthesize, or apply existing knowledge, information, or resources to the resolution of a specific problem, question, or issue;

- (j) "Basic research" means any original investigation for the advancement of scientific or technical knowledge;
- 4. "Board" means the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission;
- 5. "Business incubator" means a facility in which the success and growth of technology-based enterprises are fostered;
- 6. "Center for Applied Technology" means a college or university or university-affiliated unit, or a consortium of such units, which conducts a continuing program of basic research and applied research, development, and technology transfer in one (1) or more technological areas in collaboration with and through the support of private enterprises;
- 7. "Commercialization Committee" means a standing committee selected by the Chairman of the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission who shall review funding program applications and make funding recommendations to the Executive Director of the Arkansas Economic Development Commission in accordance with program-specific review criteria;
- 8. "Deployment" means the effective transfer of knowledge, information, or resources from qualified applicants for the resolution of technology-based problems;
- 9. "Director" means the Director of the Division of Science and Technology of the Arkansas Economic Development Commission;
- 10. "Division of Science and Technology of the Arkansas Economic Development Commission" means the AEDC division designated by the Executive Director of the Arkansas Economic Development Commission to administer funding programs of the Division of Science and Technology of the Arkansas Economic Development Commission authorized under § 15-3-101 et seq.;
- 11. "Enterprise" means a business with its principal place of business in Arkansas and which is or proposes to be engaged in this state in manufacturing, research and development, or the provision of services involving a significant amount of technology;
- 12. "Executive Director" means the Executive Director of the Arkansas Economic Development Commission;
- 13. "External expert" means a representative, selected at the discretion of the Executive Director of the Arkansas Economic Development Commission, from state or federal government, academia, private industry and/or the private sector who provides knowledge or experience useful in analysis and review of funding program applications of the Division of Science and Technology of the Arkansas Economic Development Commission in accordance with criteria defined under program-specific review criteria;
- 14. "Facility" means any real property, personal property, or mixed property of any and every kind that can be used or that will be useful in securing or developing

- industry, including science and technology, including without limitation, rights-of-way, roads, streets, pipes, pipelines, reservoirs, utilities, materials, equipment, fixtures, machinery, furniture, furnishings, and instrumentalities;
15. "Industry" means manufacturing facilities, warehouses, distribution facilities, repair and maintenance facilities, agricultural facilities, and corporate management offices for industry;
 16. "Initial capitalization" means financing that is provided for the development, refinement, or commercialization of a product or process and other working capital needs;
 17. "In-kind services" means scientific or technological equipment or suppliers, or both, release time, and indirect costs approved by the Arkansas Economic Development Commission;
 18. "Investment Agreement" means a written agreement between the Arkansas Economic Development Commission and an enterprise or qualified applicant which stipulates the terms and conditions of a qualified security purchase by the Arkansas Economic Development Commission;
 19. "Machinery and equipment" means tangible personal property used in connection with a Qualified Education Program or a Qualified Research Program which has been approved for a tax credit under rules and regulations prescribed by the Arkansas Department of Finance and Administration;
 20. "New" means machinery and equipment that is state-of-the-art machinery and equipment which:
 - A. Has never been used except for normal testing by the manufacturer to insure that the machinery or equipment is of a proper quality and in good working order, or;
 - B. Has been used by the retailer or wholesaler solely for the purpose of demonstrating the product to customers for sale.
 21. "Principal place of business" means the physical location in this state where the eligible business maintains its principal business office;
 22. "Qualified applicant" means
 - A. Under the Technology Development Program, one (1) or more Arkansas-based inventors, representing small businesses, colleges or universities, and federal laboratories engaged in innovation;
 - B. Under the Technology Transfer Assistance Grant Program, one (1) or more technology transfer resource providers who possess or have the capability to identify and transfer innovative technology to provide a technical solution to a specific problem identified by an Arkansas-based enterprise; and
 - C. Under the Basic Research and Applied Research Grant programs, a designated individual associated with an Arkansas-based college or university who enters into a contractual partnership with an industry to provide basic or applied research to stimulate the transfer of science and technology through the provision of matching services, equipment, or both.

23. "Qualified security" means any note, stock, treasury stock bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, preorganization certificate or subscription, transferable share, investment contract, certificate of deposit for a security, certificate of interest or participation in a patent or application therefore, or in royalty or other payments under such a patent or application, or, in general, any interest or instrument commonly known as a security or any certificate for, receipt for, guarantee of, or option, warrant, or right to subscribe to or purchase any of the foregoing, provided that in the valuation of qualified security, no value shall be placed on in-kind services;
24. "Qualified technology" means a technical or science-based product or process;
25. "Research Committee" means a standing committee selected by the Chairman of the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission who shall review Basic Research Grant Program and Applied Research Grant Program applications and make funding recommendations to the Executive Director of the Arkansas Economic Development Commission in accordance with program-specific review criteria;
26. "Royalty agreement" means a written agreement between the Arkansas Economic Development Commission (licensor) and an enterprise or qualified applicant, or both (licensee) specifying the conditions by which payments shall be made by the licensee to the licensor as a percentage of the revenues obtained using the investments made by the licensor to the licensee to commercialize a product, process, or both;
27. "Scientific and technological project" means a project undertaken in Arkansas by an enterprise, which project the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission shall have determined promotes the purposes of science and technology as defined under § 15-3-101 et seq.;
28. "Technology development" means the evolution of innovative products and processes through the following stages:
 - A. The laboratory/workshop stage of development, usually before a working prototype is developed, during which evaluation and protection of the idea are paramount and a market application is identified;
 - B. The workshop/early startup stage of development during which the production and testing of a working prototype are paramount; and
 - C. The late startup/setup stage of development during which limited production and market testing of products are paramount.
29. "Technology transfer" means the match, deployment, or implementation of innovative knowledge, information, or resources from a technology transfer resource provider to an enterprise for the resolution of technology-based problems, issues, or concerns; and
30. "Technology transfer resource provider" means any public or private Arkansas-based enterprise, college or university, or laboratory that has the capability to identify and transfer innovative technology.

V. External Expert(s)

The Executive Director may request that an external expert or external experts, bound by a nondisclosure agreement to protect the applicant from unfair competition, review applications to aid AEDC in evaluation of the potential investment. External experts are representatives, selected at the discretion of the Executive Director, from state or federal government, academia, private sector who provide knowledge or experience useful in analysis and review of funding program applications of the Division of Science and Technology of the Arkansas Economic Development Commission. If so requested, the external expert(s) may evaluate applications based upon, without limitation, the following:

1. Management's qualifications and ability to control growth and operate successfully;
2. The technology's viability and commercial applicability;
3. The financial condition of the enterprise;
4. The legal aspects of the enterprise;
5. The feasibility of the enterprise's marketing plan;
6. The feasibility of the enterprise's operating plan;
7. The overall soundness of the business plan of the enterprise; and
8. Other information as requested.

VI. Confidential Information

Applications and attachments submitted to the Division are subject to the Freedom of Information Act of 1967, § 25-19-101 et seq. To the extent an applicant believes that information in an application is confidential or otherwise exempt under the Freedom of Information Act of 1967, § 25-19-101 et seq., the applicant shall specifically designate in writing the information the applicant believes to be confidential or exempt and the basis for the confidentiality or exemption on that portion of the application in which the information appears.

VII. Program Funding

In establishing and maintaining the programs governed by these rules, the Executive Director may utilize such moneys as are lawfully available to the Executive Director for supporting the purposes of the Division of Science and Technology of the Arkansas Economic Development Commission.

Funding for all programs of the Division of Science and Technology of the Arkansas Economic Development Commission is at the discretion of the Executive Director, subject to the availability of funds.

VIII. Conflict of Interest

No director, officer, or employee of AEDC, for purpose of personal gain, shall have or attempt to have, directly or indirectly, any interest in any contract or agreement of the AEDC in connection with funding programs of the Division of Science and Technology of the Arkansas Economic Development Commission.

It shall not be a conflict of interest for AEDC to permit any college or university with which a director, officer, or employee of AEDC is affiliated to participate in any program of AEDC provided that such director shall promptly disclose the nature of the affiliation to the Executive Director.