

**BOARD OF REGENTS
ECONOMIC DEVELOPMENT COMMITTEE**

November 3, 2004

Persons in attendance (not all-inclusive):

Committee members: Robert Downer (Chair), Amir Arbisser, Mary Ellen Becker, Owen Newlin, Sue Nieland, Jenny Rokes, President Forsyth

Regent Downer called the meeting to order at 1:30 p.m. He said President Forsyth, Greg Nichols, Executive Director are in another meeting and he wasn't sure how soon they would be joining the Committee.

Regent Downer said the minutes of the August 3, 2004 were in front of the members. He asked if there were any additions or corrections to those minutes. There was no response and Regent Downer said the minutes would stand approved.

ECO 1. Battelle Project Update

A. Biosciences Alliance Status Report

Bill Decker reported that the IDED "Battelle" Committee which includes himself and other Regents representation, was asked to work on the issue of how to transform itself into an alliance. He said the alliance is imagined to be a governance structure for moving the initiative forward and as recommended by Battelle, a group that would include private sector business leaders, state officials, higher education officials, who will then work together to move the initiative further. He said it was unclear at this time as to how the alliance would finally be formalized; presumably that is an issue that the Governor would have a hand in, the Legislature may also have a hand in.

He said that early on, the IDED Committee made a decision to divide the work of creating the alliance; into several subcommittees.

- a subcommittee on governance which Randy Pilkington agreed to assist in moving forward;
- a subcommittee on communications, which he (Bill Decker) agreed to chair;
- a subcommittee on science and the platforms that were recommended in the Battelle initiative that Jim Bloedel of Iowa State University agreed to chair;
- a finance subcommittee;
- a commercialization subcommittee, that Regent Downer is involved with.

Mr. Decker noted the special efforts of Randy Pilkington in meeting the difficult challenges in creating a workable governance structure. Mr. Pilkington made better progress than was

initially expected, working through differing opinions and producing a good result, Decker reported.

Mr. Decker also commended Jim Bloedel for bringing the three universities together, specifically deans and others on campuses who are working on questions of governance and structure for the science issues.

Mr. Decker said there were several issues under discussion that are being put into a document that the IDED group will try to reach closure on.

- What should the composition of this new alliance be;
- Who should be at the table ultimately;
- What should the balance be between Regent University representatives and business representatives, government representatives and others;
- Would the structure in a way become too large so that it might include an “Executive Committee” that would deal with some of the pre-decision issues and bring questions to the table for the larger alliance to answer;
- Should there be a clear statement about the objectives for the alliance.

Mr. Decker thought the document would ultimately be delivered to Mike Blouin, Executive Director, Department of Economic Development, and the Governor for consideration.

Mr. Decker said another issue the Committee is dealing with and is wrapped up in the questions about representation is: what are businesses expectations for the University, what are the University’s expectations for business, and what are the government’s expectations for the University and for business.

He said an additional issue that will eventually be of some concern and which gets wrapped up in some of the questions of expectation is the notion of commercialization; what is the commercialization model for technologies that may be produced and transferred out. He said Battelle recommendations include the suggestion of the formation of a new commercialization entity. He said the Universities are also concerned with the protection of their own respective intellectual property policies and practices as it relates to a commercialization model, and about that portion of their academic freedoms that protect the fundamental value of the research enterprise.

Regent Downer asked for any questions from Dr. Bloedel, Mr. Pilkington, the Committee, or Board members.

Regent Newlin said he had a question on the Biotechnology Risk Assessment Project. He wanted to know if there was an appropriate place on the Agenda where it could be discussed.

Regent Downer said he and Regent Newlin did have some discussions about this issue. Regent Downer asked if there was any specific action that Regent Newlin would like to propose.

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| MOTION | <p>Regent Newlin moved that the Board ask that the Biotechnology Risk Assessment Project at Iowa State be included in the discussions related to the Battelle Report.</p> <p>Regent Arbisser seconded.</p> <p>MOTION CARRIED UNANIMOUSLY.</p> |
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Regent Newlin said the project was very important. In quoting Board minutes, he noted:

- the initiative has become one of the national, if not international, leaders in the area of risk assessment;
- established critical relationships for the state and for the university in the decision-making process pertaining to risk assessment,
- the Impact relates to evolving a set of criteria for implementing everything from plant bio-pharma to other types of drug and food biotechnologies;
- “The initiative will be implemented in the context of risk instead of a zero tolerance to risk basis which is currently the criteria.”

Dr. Bloedel asked Regent Newlin if he was suggesting that this project become a platform or a component of one of the existing platforms as he thought there were two possibilities. He thought it was a strong enough program and unique enough program to be designated a platform.

Dr. Bloedel said it could also be included in the existing drug development and drug discovery platform, which will be hosted at the University of Iowa. He said it would be unique among the platforms since its focus is not on the development of intellectual property, it's on the development of risk assessment and methodology. Dr. Bloedel continued by saying it was incredibly important in a lot of economic development areas, particularly in bio-pharma. He said that on the one hand, it is uniquely distinct from the other platforms and could stand alone. One of the advantages of doing that is that it would permit it to be hosted in the University in which most of the faculty involved in the project reside, so there is a proximity and efficiency issue.

Regent Newlin moved to add the words “biotechnology platforms” in his earlier motion.

Regent Downer asked if there was further discussion on the motion. Having no further discussion, Regent Downer asked for a vote.

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| MOTION | <p>Regent Newlin moved to add the words “biotechnology platforms” to the original motion.</p> <p>AYE: Arbisser, Becker, Forsyth, Newlin, Rokes, Nieland. NAY: None.</p> <p>MOTION CARRIED UNANIMOUSLY.</p> |
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ECO 3. Advance Discussion Regarding the Annual Economic Development Report

Regent Downer gave Anthony Girardi the floor for discussion.

Mr. Girardi said the University’s Annual Economic Development Report is going to be on the Board’s December docket. He said that the annual report has been undergoing an evolution in terms of the kind of information it covers and details. Part of the problem from a reporting standpoint is that the institutions are engaged in such a wide range of activities that it is hard to convey all of that information in a single report.

For this year, the goal is to get summary information that will be useful in presenting an aggregate picture of the institutions. Institutions are to provide details about specific Economic Development projects, so they could point to the relevance of the projects for the communities of Iowa. He said the agenda item summary describes the kind of information that the institutions are being asked to provide.

Regent Downer asked for any questions or comments. Regent Downer said they ran into some issues about this in January, 2004, because there was a very short time line that is required in the statute, and they wanted to do the best job possible in complying with this and providing the data to the Legislature and at the same time having a problem with being too comprehensive about it.

Regent Arbisser asked if the class of indicators be against the backdrop of previous activity, so that people will be benchmarking or will this year provide the benchmark. Regent Downer said that to the extent that they can, he wasn’t sure that was known at this point just exactly what shape it was going to take.

Regent Downer acknowledged Mr. Girardi. Mr. Girardi said that the indicators that they are asking for, indicators like a number of transfers and numbers of patents and those kinds of things have been asked for in previous years.

Regent Newlin asked if there were any new quantitative indicators in the list this year. Mr. Girardi said that there aren’t any big ones this year that weren’t on there last year. Regent Newlin said that there may be some new ones started last year then and Mr. Girardi said that was correct.

ECO 4. Grow Iowa Values Fund Projects Status Reports

University of Iowa

Regent Downer introduced the reports from the three Universities with respect to their projects implemented under what had been known as the Grow Iowa Values Fund. Regent Downer asked Bill Decker to make the report on the University of Iowa's component of this issue. Regent Downer said that at the Okoboji meeting this past summer, the Committee was ready to take action and receive word of the Supreme Court's decision moments before that action was scheduled. He said a good deal has happened since that time and asked Mr. Decker to report.

Mr. Decker said at that time the Values Fund still existed and the University of Iowa's agreement regarding the Values Fund was for a total of \$10 million; \$4 million of which was available to them at that time. He said there was some expectation at that time that the remaining \$6 million might eventually flow. He said there were two projects on the table then and the University of Iowa still has two projects in mind; one is a \$3 million project for the upgrading of the Center for biocatalysis and Bioprocessing, to include certified good manufacturing processes capabilities.

He said they also had a \$7 million project planned for essentially a wet lab space for new business incubation. He said it was the second project that they brought to the Committee and is the one that Regent Downer referred to. He said what they had expected to do at that time was put together a debt package that would let them use the million dollars available coupled to expectations with regard to the remaining cash flow from the state to get that project off the ground. He continued by saying with the Supreme Court decision, the prospect now of additional funding is not there anymore and they now only have \$4 million in total to work with. Mr. Decker said they have gone back to the table to figure out how to use the \$4 million as effectively as possible to fulfill both of the purposes they originally had in mind. He said there was clearly enough money available to be able to finish the processing upgrade and they intend to do that. Currently, the University of Iowa is looking at a number of options, to use the remaining million dollars in creative ways to still get additional wet lab incubation space to really step up the commercialization activities. He noted the Battelle Report states there is far too little of that type of space affordable space available.

Iowa State University

Regent Downer asked James Bloedel to report for Iowa State University.

Dr. Bloedel said that from the very outset, their efforts had been focused on obtaining funds to support a biologics facility for the extraction of valuable proteins, particularly from plants. He said the original plan at the time it was taken forward to the Values Fund was for the biologics facility and an associated incubator that a total of \$15.4 million, and assumed a Values Fund award of \$10 million. He said their current Values Fund award stands at \$3.5 million and they have been able to attract \$5.4 million in grants from the Federal government. He said given the changes that have occurred in the Values Fund, that permits them to work with a total \$6.6 million. He said what they have envisioned is a biologics facility coupled with a \$500,000 incubator for a project totaling \$6.6 million.

Regent Arbisser asked if Dr. Bloedel could explain what might be in a biologics facility. Dr. Bloedel said that this would be a facility that would be used for extracting production level amounts of protein from plants; most notably corn, but possibly other plants. He said the current projection is with corn. He said these would be proteins that would be used either with pharmaceutical or nutraceutical applications. He said there were also some industrial level chemicals that would utilize proteins generated in this fashion.

Dr. Bloedel said they had one challenge resulting from the rules and regulations pertaining to the federal grants they have received, which is that the grants were awarded to the University consistent with their policy but could best be utilized by the Research Park. He said they have made efforts to persuade Federal officials that it would be appropriate to transfer the award to the research park. To date, this has not been successful and they are now working on a strategy where they would use the funds for equipment and the University would retain ownership of the equipment in the biologics facility. Efforts are continuing.

He continued by saying that given the reduction in project scope, they had to have the facility redrawn and re-engineered; work would begin as soon as they get the consent of Federal officials to some compromise. He said they were also working with consultants who obtain potential clients for this facility and said they were also looking at management strategies, whether or not hire their own manager and staff to run the facility, or whether to contract the facility with a contract manufacturer or a hybrid of those two models.

Regent Downer asked for any questions.

Regent Newlin asked how much time it would take to build a protein extraction facility. Mr. Bloedel said approximately nine months.

University of Northern Iowa

Regent Downer told Randy Pilkington that since a portion of his presentation was on the agenda for the next day, he didn't need to be repetitious, but to just give a general summary of where the University of Northern Iowa is.

Randy Pilkington said that the University of Northern Iowa project was for an animation accelerator and for some technical assistance for entrepreneurs and strategic marketing, which received \$1.862 million in state support. He said they were blending that with federal money that the project that will be before the Board the next day, the Business and Community Services Center, which does include the innovation accelerator will be presented tomorrow. They look for a bid opening for late winter, early spring with construction starting shortly thereafter, with occupancy in early mid-summer, possibly early fall, 2006. He said in the meantime, they have launched two other projects with the Iowa Values Fund. One of the projects is MyEntreNet, which is a rural incubator, virtual incubator program in three counties in northeast Iowa, Howard, Winneshiek and Allamakee. He said they are also within two months of launching that program in Fayette, Clayton and Delaware counties. He said they have already had results from some of the MyEntreNet program, and because of a little bit of delay in the Iowa Values Fund, they are putting on hold strategic marketing and market research for Iowa companies, to make sure they had the Iowa Values Fund money. They will

now be launching that program also. He said the timing is working out quite well to blend this with federal money and will house all of the entities mentioned together in the Business and Community Services Center.

Regent Downer asked for questions. Regent Becker asked if the project was still on hold and if they had a time frame for the delay related to the Iowa Values Fund. Mr. Pilkington said they were no longer delayed and are full steam ahead. He said it may have caused a short delay this summer, but because the Iowa Values Fund was back into place, they are working on schematic design which will be presented at the meeting tomorrow.

ECO 2B. Update on the Department of Economic Development's Budget Bid for Battelle Recommendations.

Regent Downer recognized Gary Steinke, Deputy Executive Director, who also is working with the Economic Development Committee, would report in Mr. Nichols place on agenda item 2B.

Mr. Steinke said he was pleased to say that the Department of Economic Development is a part of the Governor's new budgeting (bid) process and has submitted the first year recommendations that were outlined in the Battelle Report for the Board of Regents, the Department of Economic Development and the Regent Institutions themselves. He pointed out the total bid was for \$21.9 million, \$5.3 million for the General Fund investments, \$16.5 million to develop the Infrastructure Fund, for a total of \$21.9 million. He said while this particular item from the Department of Economic Development is not a part of the Regent's formal operating budget request, at the meeting tomorrow the Legislative program that will be presented for approval will include a recommendation that the Regents strongly support the Economic Development bid for the Battelle Report recommendations.

Regent Downer asked if there was other business to come before the Committee.

Other Business

Dr. Bloedel asked for the floor and said he had a correction to add to the minutes, related to State grants that were discussed earlier. Dr. Bloedel said that one of the grants through the Iowa Department of Economic Development results from the sale of University property. He said there was a restriction on that grant, which was \$3.2 million, that it cannot exceed 15% of the overall value of the project. He said the value of the biologics facility project, out of that \$6.6 million is \$6.1 million, so a calculation of 15% of the \$6.1 million, reduces that grant by the appropriate amount and the total amount for Iowa State University comes to \$6.6 million.

Regent Downer asked for any other business and acknowledged Regent Newlin.

Regent Newlin said he had a question for Regent Downer. He asked what was the quantification, how many Regent Institution graduates are lost to out of state, per year. Regent Downer said he didn't have that data, but the most recent data that he had seen that was part of this report that the Iowa Coordinating Council on Post-High School Education received in May, indicated that in terms of absolute numbers, from the bachelor's degree

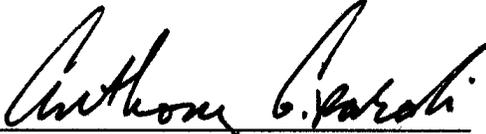
level upward, of all educational institutions in the State of Iowa, Iowa was the third largest exporter of graduates in the country. He said to keep in mind that Iowa was the 30th state, population-wise, and was the third largest exporter, after Indiana, which was second and Pennsylvania, which was first. He continued by saying if you took community college graduates into account, Iowa goes up to second, with Pennsylvania being the only state in terms of absolute numbers that exports more graduates from the AA level up, than the State of Iowa. He said how that breaks down among Regent private colleges and universities, community colleges, etc., he said he didn't know. He said in terms of a statewide problem, there is a major out-migration.

Regent Nieland said that one of the things that it says about both Iowa and Pennsylvania is that they have an amazing number of educational institutions per capita. Regent Downer said that was true and also true of Indiana. He said that at the same time, in terms of numbers that we import were not that high. He said the latest data he has seen a couple of days ago, which was prepared by Tom Mortenson, indicates that in terms of absolute numbers, Iowa is number eight in student 'imports' for the same time period and as an 'exporter' Iowa is either two or three, depending on whether you take AAs into account.

Regent Neil said if we look at just Iowa State, could that be tracked and Mr. Downer said he was told that data was available, but he hadn't seen it.

Regent Nieland said that part of the challenge is to keep more of those individuals that came in. She said she and Regent Arbisser were having a conversation about both of them meeting 'imports' that came for the school year and then stayed. She said she felt that was the challenge to take a look at the great job we do in importing and we're an economic engine in terms of bringing students in to educate them, that's a business in its own sense. She said if we could keep more of those students, then our population grows and we could really build on that. She said you had to look at that, being third in relationship to export vs. being eighth in the students coming in. Regent Newlin said they knew that the mix was roughly about 20% for out-of-state students.

Regent Downer adjourned the meeting at 2:30 p.m.


Anthony Girardi


Gregory S. Nichols

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