

**BOARD OF REGENTS, STATE OF IOWA
ECONOMIC DEVELOPMENT COMMITTEE**

December 14, 2004, 9:00-9:30 a.m., telephonic
December 15, 2004, Iowa State University

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

Call to Order and Introductory Comments

Regent Downer called the meeting to order.

Regent Downer said that with respect to the University of Iowa's economic development projects implemented under the auspices of the Grow Iowa Values Fund, there might be some significant opportunities to accomplish some of the same things that were set out to be accomplished by the University of Iowa when there was more money. And to be able to do these with the lesser resources that are now available.

ECO 1. The University of Iowa's Economic Development Projects

Comments from William Decker, Interim Vice President, University of Iowa

Mr. Decker said he didn't feel it was necessary to go all the way back to the beginning. He started with the point where the Iowa Supreme Court decision was heard, at which time there was a change of plan. Prior to that, university staff thought they might have as much as \$10 million eventually. With the Supreme Court decision and subsequent legislative special session, they learned they would have only \$4 million to do the two projects that were proposed.

One project is an upgrade of the Center for Biocatalysis and Bioprocessing, to give it a Certified Good Manufacturing Processes (cGMP) capability. The other project is to construct what is called BioTic, which is essentially a business incubator facility, that includes wet lab space. One of the comments in the Battelle Report and one of the University's concerns has been that the state does not have enough wet lab space available for business incubation involving that kind of work.

When the University of Iowa reached the point where they knew they only had \$4 million, they started considering how they were going to reach both of those goals. It turns out some things have occurred since the special legislative session that are now being brought to the Committee's attention and that they think give the University of Iowa an opportunity to accomplish many, if not most, of the original goals, with much less money available.

The plan being presented today consists of two parts, one for each of the two projects, the CBB upgrade and BioTic. There are two buildings that are adjacent to each other on their research park, one that relates to the CBB project, the other to Biotic.

The Center for Biocatalysis and BioProducts project proposes to take over the lease of one of the buildings currently held by a small company named Apovia. Apovia is a start-up company that has been working to create malaria vaccine and other products. Apovia is eager to work with the University to take over the space in the facility that they have.

Mr. Decker said the building where Apovia presently exists has a fully operational cGMP facility. The very kind of facility that the University was proposing to construct on its own is, in that sense, already in existence in the Apovia space. Apovia indicated that it would sell the University the equipment for \$200,000, and the University has already acted on that. That equipment can be used where it stands or can be moved. Now the University is proposing to take over the lease of Apovia's space and have a cGMP facility that can be utilized.

Regent Nieland asked the value of the lease. Mr. Decker said the value of the lease in the budget that has been prepared is \$80,000 a year. The University is proposing to start in the second half of this fiscal year, or \$40,000 this year and \$80,000 in subsequent years. Regent Nieland asked how that translated to a value per square foot. Mr. Decker said it was about \$10 per square foot. Regent Nieland asked if that was considered a good value for space of this nature and Mr. Decker responded it was an excellent value.

Mr. Decker said all of the detail wasn't put into the document submitted to the Committee but it turns out that not only will they get space, which is cGMP compliant, but they will have more total square feet than in the original CBB concept and a better configuration of such space, with warehouse space available and other amenities.

Mr. Decker said that this facility is better in terms of being larger, being immediately available, and having equipment that gets the University up to speed faster. They believe they can bring the entire project into production 12-18 months earlier than expected and still do it with the \$2.9 million that was originally proposed to be used for this project.

The second building has been leased for a while. It has about 10,000 square feet, half of what the University of Iowa originally had in mind for BioTic. It is available and is already fully outfitted as wet lab space. The University of Iowa is proposing to negotiate purchase of that building and to establish the BioTic facility in it.

Mr. Decker said the University was asking the Economic Development Committee to endorse the principles of the plan and to enable the University to move forward with the details, bringing the individual transactions to the Committee as appropriate. The University of Iowa would take all necessary steps and consult with the Committee along the way, but they need to know they can move ahead with the plan.

Regent Downer said the University was seeking just a preliminary authorization to proceed with negotiations and to attempt to fill out the details associated with this for presentation of final packages at a later time, and that the University would propose, in addition to what Mr. Decker said, that authorization would be granted to the Executive Director to enter into and approve the lease arrangements. The proposal is to modify a lease that's in place now, for the one building. They would propose to modify that only by including a clause that gives the Regents the option to purchase the facility. All the rest of the provisions of the lease would remain unchanged.

Regent Newlin asked if this was a lease with the Research Park Corporation. Regent Downer said this was a lease between Myriad Development and the Board of Regents. That is the space they currently have under lease. That would be the space they would dedicate to the BioTic portion of the plan. Regent Newlin asked if that was the lease that was already approved by the Board at the time it

was originally entered into. The response was that was correct, the University is proposing to modify that lease to provide a clause that provides for the option to acquire the facility, at a stated price.

Regent Newlin asked Greg Nichols if he thought that was a matter that needed to come back to the Board or, if the appropriate authorization is given, whether this could be done by the Executive Director. Mr. Nichols said it wasn't clear to him, but it was clear that the lease under discussion expires during the course of 2005, so they would need to do a little research to find out what the range of options are. If it is the desire of the Committee, nothing precludes them from calling the Board together telephonically, if that's what they determine is needed to get a lease approval. Mr. Nichols said they needed to research the question more thoroughly. In either case, he felt this was a procedural issue rather than a substantive concern.

Mr. Nichols proposed, given the lack of a quorum, that Regent Downer recess the meeting to reconvene in Ames, when the full membership is present. In the meantime, they can find out more about that question or some others that may be raised.

Regent Nieland asked that concerning Apovia, who stands to benefit besides the German company and the German investor who are the principles in Apovia. Mr. Decker said the principal of Apovia is Ben Thorton, who resides in San Diego, and that this was essentially a "fire sale." Regent Nieland said that's what made her suspicious. She felt that sometimes when something is too good to be true, it isn't. She wanted to know if these were fortuitous circumstances. The equipment has been reviewed by the professionals and the University's facilities group, and everyone says it's intact, documented and in working order.

Regent Downer asked for a motion for approval of the requested subject to reconsider tomorrow when a quorum is present, at a time to be designated by the Chair and the Executive Director. Regent Nieland asked if there were enough people present to do anything. Regent Downer said he thought they could get a sense of the opinions of the three Committee members present so Mr. Decker and his colleagues would have some feeling as to where the Committee stood.

Mr. Decker said he wanted to be on record by saying they have taken the responsibility associated with the availability of the \$4 million very seriously. The Legislature and the Board have asked them to try to use these funds effectively, as good stewards, to try to bring about the two objects that they have been discussing for some time. They have worked at it from the outset, with plans of their own. It just seemed to them to be a wonderful opportunity to get much more than they had ever dreamed toward the two goals. They are eager to move ahead, consistent with the Committee's own wishes.

Regent Nieland said that Regent Downer had more of a sense than she did, because he has been closer to it. She said if he felt they should move ahead, she would move that. Regent Downer said he was satisfied that this is as Mr. Decker has indicated to the group.

They are now in a different stage in this and the things Mr. Decker is talking about do require approval, but today's report demonstrates to his satisfaction that the proposed projects would enable the University to accomplish many of the things that it was felt would take \$10 million to accomplish with the \$4 million available.

MOTION	Regent Nieland made a motion for approval of the request subject to reconsider tomorrow when a quorum is present, at a time to be designated by the Chair and the Executive Director. Regent Newlin seconded the motion. Three members present expressed support.
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Anticipated Issues for Next Committee Meeting

Regent Downer said there will be some items regarding the Battelle Report, which is moving forward with some speed. There are recommendations with respect to an organizational structure that are in place. He said he was a co-chair of the Commercialization Subcommittee, which is having its first meeting by conference call on Friday. They will know what the Governor's budgetary recommendations are at that point, although the Governor has indicated to Regent Downer that he is supportive of this.

Greg Nichols said the Governor's budget recommendations are expected out some time in the later part of January. At the Department of Economic Development, there will be some activity with the committees working on the Battelle recommendations between now and January. The Committee will meet the first week in February, so he was hopeful there will be more information, both on an implementation level and on a budget level, by the time the Committee meets.

Regent Newlin asked about the status of the request for the risk assessment aspects. Regent Downer said he has had several conversations with respect to this, the latest within the last few days. The concern seems to be with how they would structure this organizationally. People are working on it. Regent Downer said he would try to get in touch with the IDED today and see if they have anything more definitive on this as to what their recommendations are going to be. Everyone is conscious of the importance of it and that it is something that cuts across several of the platforms. He said he did not know their thoughts with respect to how it's going to be organized.

Mr. Decker said he could respond to the question. He and Jim Bloedel have been discussing this topic. The two are in complete agreement that it's an important component to integrate into the plans. The component they have been discussing is for the biosafety platform, which will probably be co-led by an individual from the Microbiology Department at the University of Iowa and an individual from Iowa State University. That would bring the plant and animal risk assessment issues to the table. The risk assessment project fits very nicely into that platform and enables the issues to be dealt with between the two universities, because they both are participating in that project. They both have scientists working on that project and can apply the work to the other platforms, as necessary. He said it wasn't a question of "if" but rather of "how," and that seems to be the best approach in their opinion.

Regent Downer asked if that was approved, that the charge to that particular platform would be modified, so that it would incorporate this. Mr. Decker said it would.

Regent Downer asked for further business to come before the meeting. Having none, Regent Downer recessed the meeting at 9:30 a.m.

Economic Development Committee Meeting Reconvenes on December 15, 2004

Persons in attendance (not all-inclusive):

<p>Committee members: Robert Downer (Chair), Amir Arbisser, Mary Ellen Becker (absent), Owen Newlin, Sue Erickson Nieland, Jenny Rokes, President John Forsyth (ex officio)</p>
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Call to Order and Introductory Comments

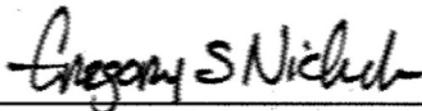
Regent Downer called the meeting to order and stated that the matter before the Committee was consideration of the University of Iowa's projects initiated under the auspices of the Grow Iowa Values Fund. Regent Downer referred to the date the Iowa Supreme Court decision was announced. He said Acting Vice President Decker of the University of Iowa will not be in attendance at this meeting. He said the Regents present at the telephonic meeting the previous day were in support of the proposal as set forth as Agenda Item 25.

Regents Rokes and Arbisser are present today, but were not present at the telephone meeting yesterday. Regent Nieland, who was present on the call, is also present, as is Regent Newlin.

MOTION	Regent Arbisser made the motion to receive the University of Iowa's revised plans to implement economic development projects with monies provided by the Grow Iowa Values Fund, and endorse the principles of the University's revised plans subject to consideration and approval by the Board of Regents at later stages as required by Iowa Code. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.
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Anthony Girardi



Gregory S. Nichols

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