



ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY

100 Main Street, Suite 450, Little Rock, Arkansas 72201 (501) 324-9006

**MINUTES OF THE 96TH MEETING OF THE
ARKANSAS SCIENCE & TECHNOLOGY AUTHORITY
BOARD OF DIRECTORS
LITTLE ROCK, ARKANSAS
MARCH 16, 2001**

CALL TO ORDER

The meeting was called to order at 1:28 p.m. by Dr. Joel Anderson, Chairman of the Board, in the fourth floor conference room of the 100 Main Building in Little Rock.

A quorum of Board members was present and included: Dr. Merlin Augustine, Mr. Jonathan Davis, Dr. Mary Good, Mr. J. Wylie Harris, Dr. Charles Hathaway, Mr. D.W. May, Ms. Sue McGowan, Dr. Neil Rutger, Ms. Melinda Saunders, Dr. Harry Ward and Mr. Rickey Williams.

Staff members present included: Ms. Melissa Adams, Dr. John Ahlen, Mr. Bob Alvey, Ms. Michelle Bell, Mr. Kevin Carr, Ms. Lydia Carson, Ms. Namratha Hegde, Mr. Les Lane, Dr. Herb Monoson, Mr. Chuck Myers, Mr. Tony Robinson.

Dr. Anderson introduced new Board member, Mr. Rickey Williams. Mr. Williams is owner of Rickey Williams Associates, Inc. He also is a partner in Aaro Wireless Delta, LLC, which is currently working on a project to bring wireless technology to the Delta.

Dr. Anderson appointed Mr. Williams to the Investment Committee.

APPROVAL OF MINUTES

Dr. Anderson presented the minutes from the January 19, 2001 Board meeting. Dr. Hathaway made a motion for the approval of the minutes. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

PRESIDENT'S REPORT

Dr. Ahlen presented the President's Report.

Dr. Ahlen reviewed the legislative summary for the agency. Four acts have been signed by the Governor. All funding appropriations for the Authority.

The special language committee met to discuss the Arkansas Research Matching Fund. It was considered and adopted by the committee. The special language concerned how ARMF projects are placed in the queue.

Senator David Malone introduced a bill increasing the ARMF to \$20 million. If passed, it would replace Act 403, which appropriated \$10 million.

RESEARCH COMMITTEE REPORT

Dr. Ward presented the Research Committee report.

Draft Resolution 01-17 would provide funds for one applied research project.

Proposal No. 01-A-09, "Structured and Semi-Structured Data Extraction from HTML Documents," submitted by Dr. Coskun Bayrak of the University of Arkansas at Little Rock in the amount not to exceed \$7,400. This project is cosponsored by Acxiom Corporation in the amount of \$7,400.

Dr. Ward made a motion for the approval of Draft Resolution 01-17. Dr. Hathaway seconded the motion. Dr. Good abstained because of a direct interest in the project. Dr. Anderson and Dr. Hathaway stated that UALR was the institution of their affiliation. Eleven members voted yes, one member abstained, no members voted against the project. The motion passed.

EPSCoR Committee Nomination

Dr. Ward presented one nomination for the EPSCoR Advisory Committee. Dr. Jimmy Ishee from the University of Central Arkansas was nominated to replace Dr. Paul Hamilton, also from UCA. Dr. Augustine made a motion for the approval of the nomination. Dr. Hathaway seconded the motion; the Board gave its unanimous approval.

Dr. Ward noted that the EPSCoR Advisory Committee should have two members from the Authority Board serving. Dr. Ward currently fills one slot, the other slot is vacant. Dr. Ward stated that Research Committee had no recommendation. Dr. Anderson asked for suggestions from the floor. Dr. Neil Rutger was nominated to fill the vacant Board slot on the EPSCoR Advisory Committee.

There being no further discussion, Dr. Augustine made a motion for the approval of Dr. Neil Rutger to serve on the EPSCoR Advisory Committee. Dr. Hathaway seconded the motion; the Board gave its unanimous approval.

Applied Research Project with North American Marine Jet

Dr. Ward stated that the Research Committee approved an applied research project between UALR and North American Marine Jet. The guidelines for the program state

that the Authority's match for a project is released after the company's match is made. However, North American Marine Jet has encountered financial problems recently and had been unable to complete their match requirement. Of the total \$13,000 match, North American Marine Jet has paid \$10,000.

Because expenses have already been incurred by UALR, the Research Committee is recommending that the Authority's portion of the project, \$26,000, be released to UALR. The Research Committee is optimistic that North American Marine Jet will provide the remaining \$3,000.

Dr. Ward stated that if North American Marine Jet does not provide the remaining \$3,000, UALR would return a total of \$6,000 to the Authority.

Board members suggested revisiting the issue of waiting until the entire match is made. Perhaps look into prorating a portion of the funds up front so the university can begin the project. The way it is structured currently, the university has to front the project.

There being no further discussion, Dr. Ward moved that \$26,000 be released to UALR. Mr. May seconded the motion. Dr. Anderson, Dr. Good and Dr. Hathaway stated that UALR was the institution of their affiliation. Eleven members voted yes, one member voted no. The motion passed.

Board members agreed that the Research Committee should revisit this issue of when applied research funds are released to the universities.

INVESTMENT COMMITTEE REPORT

Ms. Sue McGowan presented the Investment Committee Report.

Draft Resolution 01-18 would provide Seed Capital Investment funds for Art-Exchange.Com, Inc. in the amount of \$400,000.

Art-Exchange.Com, Inc. is a company located in Hot Springs, AR. The company offers art via the Internet. Customers are able to view art via their computer. The company will buy the art and ship it to the customer. The company also ensures that the art is authentic. The company will receive a fee for the transaction.

Dr. Good stated that this company had done the technology, it has a very large database capacity. The art market is huge.

Mr. Harris stated that he voted against this project in committee. He stated that he felt it was old economy. He also expressed concern that the terms of the deal state that the second disbursement of the loan would be made when the company's sales reach \$1,200,000. In 2000, the sales had already reached \$1,204,000. Mr. Harris stated that the company should show some growth before the Authority releases the second

disbursement. Les Lane stated that the \$1,204,000 was only a projection, the actual sales totaled \$500,000.

Mr. Davis questioned why the company was seeking a total of \$5,200,000, which he felt was high. Why does the company need that much money when they are holding no inventory? It was stated that the equipment needed for this type of business was very expensive, including servers, scanners, etc. Also, the storage capacity for this type of business is very high.

Mr. Harris stated that he would vote against this proposal, but if the Board chose to fund it, he would move that the terms be amended to include that the company must reach sales of \$2,400,000 before the second disbursement from the Authority would be released.

Mr. Harris put his amendment in the form of a motion. Dr. Hathaway seconded the motion.

Dr. Ward expressed concern that the Authority wasn't investing in a new technology, but rather funding the company to go commercial. He stated that the technology in place was enough to be functional. The company had not developed a new technology. He stated that he did not see the technology side of this investment. He asked if the company had approached anyone else for funding. Mr. Lane stated that the company had talked to other lenders, but the money was not out there.

Board members expressed concern about exactly what the Authority would be funding. They felt that no new technology was being created, so the project did not fit the criteria for the kinds of deals the Board wanted to approve.

Dr. Anderson asked if the investment committee would consider withdrawing the resolution for consideration at this meeting and revisit the project. It was suggested that the company be given the opportunity to make a presentation to the investment committee and/or the full Board at its next meeting.

After further discussion, Mr. Harris withdrew his amendment to Draft Resolution 01-18. Ms. McGowan withdrew Draft Resolution 01-18 from consideration.

Revised Seed Capital Investment Guidelines

Ms. McGowan stated that the Investment Committee reviewed the Seed Capital Investment Guidelines, along with Board member Ron Roberts. It was decided that the 3:1 match requirement needed to be changed to 1:1. This will give the committee and Board more flexibility when reviewing proposals.

Ms. McGowan moved that the SCIP Rules and Guidelines be revised to show a 1:1 match requirement. Dr. Augustine seconded the motion; the Board gave its unanimous approval.

INDUSTRY COMMITTEE REPORT

Mr. May presented the Industry Committee Report.

Mr. May reported that he met with representatives from NIST, Mike Simpson and Elizabeth Clark, along with John Ahlen, Chuck Myers and Lydia Carson on March 15. Mr. Simpson and Ms. Clark had met with the Governor's Office earlier in the day. In this meeting the NIST representatives confirmed that the Network would be moved to the Arkansas Manufacturer's Association (AMA), effective July 1, 2001.

This decision comes on the heels of a unanimous vote of the Industry Committee that the Network should remain at the Authority.

Mr. May stated that this transition would be frightful. Mr. May stated that he felt that if NIST would have left the Network at the Authority, it would succeed because of the efforts of the Authority, the Industry Committee and the fact that a new director, Lydia Carson, had been hired to oversee the program. The program is not likely to survive if it is moved to the AMA.

Mr. May stated that because he was appointed to the Board to provide a manufacturing perspective and to help the Network, which is now moving, he would submit his resignation letter to the Governor today.

Dr. Ward asked if there was anything the Board could do to urge the Governor not to make this move.

Board members expressed regret that Mr. May was submitting his resignation. It was stated that the Board needed Mr. May because he brings a manufacturing background to the table, which is helpful when dealing with companies like North American Marine Jet, which was discussed earlier in the meeting. Board members stated that they understood Mr. May's position, but it was regrettable.

After further discussion, Dr. Ward suggested that the Board draft a letter to the Governor. In the letter the following points should be addressed:

- The Board recognizes that the decision could be and has been made by the Governor to move the Network. The Board is disappointed that it was made.
- There is a strong feeling that the role Mr. May has played in the leadership and direction of the Network has been important. That representation should remain on the Board.
- The Board asks the Governor to reconsider this decision.

Dr. Ward made a motion directing the Executive Committee to draft the letter to the Governor. Dr. Augustine seconded motion; the motion passed unanimously.

Board members asked that the letter be ready by Wednesday, March 21. Dr. Anderson stated that a draft would be sent to them for review before being forwarded to the Governor.

OLD BUSINESS

Dr. Ahlen provided the Board with a summary report for the EPSCoR Program. He stated that this was being provided as a result of a request by Dr. Ward.

NEW BUSINESS

Dr. Anderson reminded Board members that the next meeting was scheduled for May 18, 2001.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,



Melinda Saunders
Secretary
Board of Directors

Approved by the Board of Directors
on this 18th day of May, 2001



Melinda Saunders
Secretary
Board of Directors