

AGENDA

July 26, 2005 10:00 a.m. Central Time

FIHMC Board of Directors Meeting

Roll Call Chair Carol Carlan

Chair's Greetings Chair Carol Carlan

Approval of June 3, 2005 Minutes Chair Carol Carlan

ACTION ITEMS

Approval of Temporary Banking Line of Credit Chair Carol Carlan

DISCUSSION ITEMS

Chief Executive Officer's Report Dr. Ken Ford

OTHER ITEMS Chair Carol Carlan

ADJOURNMENT Chair Carol Carlan

**Florida Institute for Human and Machine Cognition, Inc.
July 26, 2005**

Issue: Resolution for Approval of Banking Line of Credit

Proposed action: Approval

Background information:

This is a request to approve a resolution for a temporary banking line of credit with Gulf Coast Community Bank for \$1,000,000.00 at floating prime for a six month period pending the selection of a banking partner and credit line established through the Banking RFP.

As a result of loss of power and conditions in Pensacola after Hurricane Dennis, the FIHMC Banking RFP pre bid meeting was cancelled and is being rescheduled.

This request is occasioned in an abundance of caution to allow FIHMC to establish a temporary credit line at its current bank. This temporary line will extinguish when the permanent banking relationship and credit line is finalized with the RFP award.

The costs to FIHMC of establishing this temporary line of credit will be approximately \$250.00. The resolution authorizes Board action to approve the line of credit and authorizing Dr. Ken Ford, FIHMC Chief Executive Officer or Ronnie Armstrong, FIHMC Controller to sign and execute all required documents for the credit line on behalf of the Board of Directors.

Attachments: Corporate Resolution

FIHMC Board of Directors
Conference Call Meeting
40 S. Alcaniz Street
Pensacola, FL 32502
June 3, 2005

FIHMC Chair Carol Carlan called the meeting to order at 8:00 a.m. with a quorum of Directors being present. Directors in attendance included:

Carol Carlan, KC Clark, Eugene Franklin, Tim Goldfarb, Chris Hart, Terry Hickey, Hal Hudson, Larry Lemanski, Eric Nickelsen, Jim Reeves, and Ray Russenberger.

Also in Attendance:

Kenneth M. Ford (Director of IHMC), Albert Hartley (Chief Business Officer of IHMC), Robert Hansen (Associate Director of IHMC), Julie Sheppard (General Counsel and Special Assistant to the Director of IHMC), Timothy W. Wright (Deputy Director of IHMC), Ronnie Armstrong (Controller of IHMC), Jon Higgins (Guest, Copeland Lowery & Jacques), Stuart K. (Brewser) Brown (Guest), and Brett Doster (Guest, Frontline Strategies, Inc.).

Agenda:

Chair's Greetings	Chair Carol Carlan
Approval of March 23, 2005 Minutes	Chair Carol Carlan

ACTION ITEMS

Election/Relection of Chair and Vice Chair	Chair Carol Carlan
Selection of New Director	Chair Carol Carlan
Committee Appointments	Chair Carol Carlan
Approval of FIHMC Budget 2005-2006	Vice Chair Nickelsen
Approval of External Audit Engagement	Vice Chair Nickelsen
Approval of Banking RFP	Vice Chair Nickelsen
Approval of Key Man Life Insurance Policy	Chair Carol Carlan
Adoption of 2005-2006 Meeting Schedule	Chair Carol Carlan

DISCUSSION ITEMS

Chief Executive Officer's Report	Dr. Ken Ford
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OTHER ITEMS	Chair Carol Carlan
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ADJOURNMENT	Chair Carol Carlan
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Chair Carlan opened the meeting by thanking both the Directors and honored guests for their attendance at her home the prior evening for dinner stating that on behalf of herself and her husband Charles, it was a pleasure to have everyone in their home and that she hoped all enjoyed this event. She commented how especially gratifying it is that we are able to at last get some semblance of normalcy back to our Board meetings.

Chair Carlan stated that she had several announcements and began by recognizing and welcoming several guests including Joni Higgins from Copeland Lowery Jacques Denton Shockley of Washington DC and Brett Doster and Brewser Brown from Tallahassee, Florida.

Chair Carlan then informed the Board that she was saddened to announce the resignation of President Delaney from our Board. President Delaney indicated that while he enjoyed his year on our Board, he cited many obligations of a local nature in his role as President of the University of North Florida that are keeping him busy and he felt that he was unable to commit the necessary time to this Board. Chair Carlan stated that she has accepted President Delaney's resignation from the Board with regret.

Chair Carlan then announced her pleasure at reporting Dr. Ford's recent reappointment by Governor Bush to the Board of Supervisors to the Florida Space Authority. She continued by informing the Board of a huge honor for Florida of Dr. Ford's recent nomination to serve on the Air Force Scientific Advisory Board. Chair Carlan explained that currently this nomination is with the Secretary of the Air Force for approval and will then be forwarded to the White House for confirmation.

With those announcements, Chair Carlan noted a full meeting for the morning, and moved directly into Agenda Item 1.

Agenda Item 1. Approval of March 23 2005 Minutes.

A motion was made and seconded to adopt the minutes of the March 23rd meeting. The motion carried unanimously.

Agenda Item 2. Elect/Re-elect Chair and Vice Chair.

A motion was made and seconded to re-elect Carol Carlan as Chair. The motion carried unanimously.

A motion was made and seconded to re-elect Eric Nickelsen as Vice Chair. The motion carried unanimously.

Agenda Item 3. Establish Board Intellectual Property Meeting.

Chair Carlan opened this agenda item by explaining that the affiliation agreement with the University of West Florida, called for the establishment of an FIHMC Intellectual Property Committee to approve commercialization of intellectual property developed by IHMC researchers while employed by UWF. UWF has made its two appointments to the FIHMC Board and those are Hal White, Executive Vice President and Sharon Hess Herrick, UWF Board Trustee and Chair Finance and Audit Committee. Chair Carlan announced that she was appointing Ray Russenberger and Dick Baker as the Institute appointments to this FIHMC Board Committee.

Agenda Item 4: Authorization to Purchase Key Man Life Insurance.

Chair Carlan began this discussion by recognizing Dr. Ford's value to this organization and explaining that she had instructed staff to research and find quotes on key man policies. Staff has returned with quotes for 1 to 3 million in term life insurance for 15 and 20 years. Chair Carlan discussed the recommendation for a 3 million dollar policy through First Colony for a 15 year term at an annual cost of \$5450. at a preferred rate, explaining that it is possible that Dr. Ford will qualify for the Best Rate which will reduce this cost. This key man insurance would allow the Institute to function for at least 6 months while a replacement can be found.

A motion was made and seconded to purchase the 3 million dollar policy from First Colony for a 15 year term. The motion passed unanimously.

Chair Carlan indicated that with regard to Agenda Items 5-8, that she would turn the meeting to Vice Chair Eric Nickelsen.

Agenda Item 5. Approval of 2005-2006 Budget.

Vice Chair Nickelsen directed each Board member to the attached budget projections for 2005-2006 in their book. Vice Chair Nickelsen indicated that he had met with the Chief Business Officer Bert Hartley and the Controller Ronnie Armstrong to review these numbers and the projections upon which they are based. He explained that he had reviewed grant activity as well as Institute expenses and that he felt very confident in recommending this projected budget to the Board for approval. Vice Chair Nickelsen recognized Controller Ronnie Armstrong to the Board for his efforts.

Discussion ensued regarding the impact of Hurricane Ivan on revenues. CEO Ford explained that we were continuing to rebound from the effects of the hurricane and that we were grateful for the 950K appropriation for hurricane relief expenses. CEO Ford indicated that the projected revenue of \$8 million was in line with recent years. Vice Chair Nickelsen asked for a motion to approve the budget and a motion was made and seconded. The motion carried unanimously.

Agenda Item 6. Approval of Banking Request For Proposals.

Vice Chair Nickelsen then introduced agenda item 6 reminding the Board that at the organizational meeting of the Board last June, a banking request for proposals had been encouraged. He explained that Institute staff has prepared a draft RFP and anticipates providing this to the banking community within the next month. Vice Chair Nickelsen informed the Board that he had reviewed the RFP and believed that it covered all the necessary bases for not for profit organizations and that for the best product, we should solicit responses from all major banks. He recommended that the Board approve both the RFP and a process whereby the Institute staff under the direction of Chief Business Officer Bert Hartley evaluate the responses and recommend the best proposal to the Finance and Audit Committee for approval and award.

Chair Carlan and numerous other Board members who have banking relationships disclosed to the Board that they had no involvement in the development or review of the RFP.

A motion was made and seconded to approve the RFP and the process for approving the award through the Finance and Audit Committee. The motion carried unanimously.

Agenda Item 7. Ratification of External Audit Engagement.

Vice Chair Nickelsen introduced agenda item 7 and explained that due to the time constraints and the need for the Institute to have the first external audit performed for 2004-2005, he had worked with Chief Business Officer Bert Hartley and Controller Ronnie Armstrong to engage Saltmarsh, Cleveland and Gund to perform this first external audit. He explained that the other major audit firm in Pensacola, O'Sullivan Creel was engaged as a consultant to the Institute to set up our financial systems and would be ineligible to perform this audit. Vice Chair Nickelsen asked the Board to ratify his engagement of Saltmarsh, Cleveland and Gund to perform the first external audit for FIHMC.

Discussion ensued regarding the costs of the audit which was disclosed as being very competitive and in the range of \$30,000.00. Director Clark indicated that he thought this was very inexpensive given the recent

Sarbanes Oxley legislation and the increased costs of audits. Vice Chair Nickelsen agreed indicating that he has seen audit costs rise by 35 to 50% in recent engagement letters. Chair Carlan thanked CBO Hartley, Controller Armstrong and Vice Chair Nickelsen for their work on this issue. A motion was made and seconded to ratify the appointment of Saltmarsh, Cleveland, and Gund to audit the Institute. The motion carried unanimously.

Agenda Item 8. Discussion and Approval of Purchase of Land and Facilities at 40 S. Alcaniz Street.

Vice Chair Nickelsen introduced Agenda Item 8 by reminding the Directors that, at the organizational meeting of the Board last June, the Board voted to purchase the land and facilities at 40 S. Alcaniz Street for 4.2 million dollars from the UWF Foundation with the Foundation holding the entire note for 3 years at a 5% interest only interest rate. He explained that with the advent of Hurricane Ivan, the closing was postponed until an assessment of the building and needed repairs could be made. The Foundation has made substantial but as yet incomplete repairs to the first floor of the building that flooded and was uninhabitable by the Institute from mid September through January. Additional repairs are still underway including roof repairs, exterior repairs to building, HVAC systems etc.

Vice Chair Nickelsen also explained that FIHMC had recently been notified by the Foundation that the site is on the state cleanup list for late summer with regard to underground petroleum contamination. He explained that we have exercised due diligence with regard to this issue and the Foundation has informed us that there will be no cost to us as the new property owner. The Foundation will allow us to exercise their rights to select the contractor for this cleanup to be reimbursed by the State.

Vice Chair Nickelsen explained that the current proposal is to purchase the building on the same terms and conditions as last June, to relieve the Foundation of any further repairs subject to an assignment of wind insurance rights, to forgive our rights to withhold rent for the period of mid September through January and to move to closing as soon as possible.

A short discussion ensued about the current price of real estate and the necessity of completing the repairs to avoid further damage to the building. Vice Chair Nickelsen requested a motion to allow Chair Carlan and staff the authority to proceed to closing on the property as soon as possible along the lines of the terms outlined. A motion was made and seconded to allow Chair Carlan and staff to negotiate the terms and close on the 40 S. Alcaniz property expeditiously. The motion carried unanimously.

Agenda Item 9. Schedule for 2005-2006 Meetings.

Chair Carlan began her discussion of future meetings by explaining the need to schedule four meetings for the next year with other meetings convened as may be necessary. She proposed 2 in person meetings and two conference call meetings indicating that she hoped to hold one of the in person meetings in Orlando given a large number of Directors in the central part of Florida and the affiliations with UCF and FIT.

She proposed the following meeting dates: Oct 26, Dec 7, Feb 8-9 and June 8-9 and asked all Board Directors to email Julie with your availability for these dates. Discussions were then had regarding tweaking the December date to the 8th and relooking at the October and February dates. Fridays and Mondays were discussed as most convenient for in person meetings.

Chair Carlan then turned to Dr. Ford and asked him to provide his report to the Board.

Report of the Chief Executive Officer

Dr. Ford began by thanking Chair Carlan for the opportunity to update the Board on our continuing progress. Dr. Ford began by stating how pleased he was to report the first formal affiliation with a private Institution, Florida Institute for Technology in Melbourne Florida. He discussed the several visits that had taken place to date between the Institute and FIT and informed the Board that we will be formalizing our affiliation at a signing ceremony on June 13th. Dr. Ford invited anyone in the Orlando area to attend and explained that he believes there are significant areas on the research agendas of both institutions that cross paths. He also discussed conversations were ongoing with Tulane University about joint research opportunities and a possible joint researcher appointment.

Dr. Ford informed the Board that he had recently appointed Vice Admiral Tim Wright as Deputy Director of the Institute.

Dr. Ford then recalled the March meeting, and specifically Dr. Canas describing the Panama Project utilizing Institute Concept maps based software methodology into the Panamanian School System. He discussed his pleasure at the recent news coverage on this exciting educational endeavor and that the news story has gathered has been picked up by the New York Times, LA Times, ABC etc. Dr. Ford gave the board some figures on the status on the Cmap Server website after the media barrage reporting that on May 30th, the Institute had 111,279 hits and 15, 532 pages downloaded and 106,507 hits May 31 and 16,060 pages downloaded. Dr. Ford congratulated Alberto and indicated how pleased he was with this positive news coverage.

Dr. Ford then turned to a discussion of the latest Research Florida Report from Florida Trend. He informed the Board that on the last page one will find IHMC's one pager indicating how happy we are with the placement and having been asked again to participate in this report. He indicated that the page also reflects our new affiliations with UCF and FAU.

Dr. Ford asked the Board to look in their packets to the newly printed brochure with the Institute's Science Advisory Council, explaining that it is his plan to bring this esteemed council together at IHMC hopefully with an overlap with a Board meeting in order that we can all become better acquainted. He concluded his discussions of the SAC indicating that it was a truly amazing group that could help build coalitions and assist us in pioneering new research areas.

Dr. Ford explained that with regard to state legislative initiatives, he was very pleased with our efforts this past session in Tallahassee, stating that as a new model of research institute, we are in many ways similar to a start up with the trials and tribulations that accompany venturing into uncharted water. He cautioned that FIHMC needs to remain very aware of our need to expand our statewide presence and establish a secure and recurring funding line, however, with our late start this session in securing a lobbying team and the many distractions of Hurricane Ivan, that we view this session as a success. He explained the success in terms of securing 950K in Hurricane relief funding direct to FIHMC and 500K in nonrecurring funding to FIHMC through UWF and that the hurricane relief money is critical to finishing repairs on the building and to critical operational needs. The importance of the 500K to FIHMC through UWF is that it for this next year, this extra funding allows UWF to retain for its purposes some of the funding that has traditionally come to IHMC.

Dr. Ford explained that while we did not accomplish some of our major goals of securing a sizeable recurring line, we did begin our campaign of introducing IHMC statewide and then informed the Board that he was pleased to introduce two members of our lobbying team, Brett Doster and Brewser Brown to provide their views and ideas for the next legislative session.

Brett Doster and Brewser Brown discussed with the Board their overall strategy this past year at the Legislature and the makeup of the FIHMC team. Brett commented on the importance of moving the message of the Institute from that of a hometown member project to that of a research institute with a statewide impact. Both Brett and Brewser indicated that this past year, a critical step was missed in meeting with fall committees due to the late start and with that some staff may have had misperceptions about the Institute. Brett discussed the strategy for the coming year was to meet early with the Governor's office to identify a recurring line for FIHMC, to hold an FIHMC day at the Capitol, to schedule legislative visits to the Institute, and to coordinate legislative and public relations efforts. Brett and Brewser also discussed the need to strategize about the institute's ability to be considered as a center of excellence, to recognize its strength in the economic and workforce development efforts of the panhandle and the impact of the federal dollars the Institute brings into Florida. Brett and Brewser both thanked the Board for the confidence the Board has demonstrated in them and the ability to attend the meeting and discuss strategy.

Dr. Ford resumed his report and turned the discussion to the federal legislative initiatives. He commented that having heard from Brett Doster and Brewser Brown about our state efforts, it would be appropriate to turn the discussion to our federal efforts in Washington. He informed the Board that the legislative efforts in Washington are in full swing and that just last week, he was present at and participated with our Washington lobbying partners at the State University System meeting where we met with officials from Homeland Security, Senator Martinez and staff, Senator Nelson and staff, Chairman Bill Young and staff and many others helped to advance the goals of the state university system this session. Dr. Ford also informed the Board of how pleased he was with the Op Ed recently published in the Orlando Sentinel by Representative Feeney in which the work of IHMC was highlighted as so important to the state. He explained that a copy of the Op Ed could be found in their packet of meeting materials.

Dr. Ford then turned to Deputy Director Tim Wright to update the board on the Institute progress and to introduce our representative from Copeland Lowery Jacques Denton Shockley.

Deputy Director Wright thanked Dr. Ford for his confidence in him. He then introduced Joni Higgins and detailed her experience as a senate staffer and her visit this week where she successfully brought Senator Martinez's staffer Laura Parker and Senator Nelson's staffer Charles Elliott to visit the Institute and view some research demonstrations on their visit to Pensacola this past wednesday on BRAC related closings.

Joni Higgins introduced herself and commented on how good it was to engage with her state counterparts and share ideas. She discussed personnel changed in the house and senate appropriations indicating that Jerry Lewis was now Chair of the House Appropriations Committee. She explained that the Defense Appropriations Committee had recently completed their markup but that this information was embargoed until next Tuesday. The Senate was due to begin their work after the July 4 recess. Joni explained the status of the four Institute projects and the efforts being made to engage the Florida congressional delegation. Joni concluded her remarks and thanked the Board for the opportunity to meet with them.

Dr. Ford resumed his report with a discussion of the Institute research strategy. He asked the Board to recall from the March meeting, the discussion of the many significant proposals pending at both federal agencies and through corporate partnerships. He announced to the Board new funding of \$3,832,181.00 and identified funding in negotiation stages of \$2,002,580.00.

Dr. Ford also informed the board of continuing discussions with private sector corporations and stated that at this time, we have signed or are finalizing non disclosure agreements with Northrup Grumman. SAIC and Radiance Technologies among others. He informed the Board that the non disclosure was an essential first step to disclosing confidential and proprietary research information between organizations and key researchers to develop joint proposals and collaborate on new research.

Dr. Ford also informed the Board that just yesterday, FIHMC had their indirect cost rate of 57% approved by the Office of Naval research. Dr. Ford explained that this process had begun last spring with Huron consultants and was led largely through the efforts of Chief Business Officer Bert Hartley. Dr. Ford indicated how pleased he was with the timeliness of this notice as the Institute had just moved its first awards into the corporation and that as of this week, 53 employees have transitioned from UWF into FIHMC.

Dr. Ford then asked Associate Director Jack Hansen to briefly discuss Institute research, looking to the future of the Institute.

Dr. Hansen thanked Dr. Ford for the opportunity to speak to the Board about research. Dr. Hansen explained the three funding categories including the congressional plus-ups discussed, the small team proposals where the Institute collaborated with other research, and the large proposals where the Institute was a lead or major player. Dr. Hansen provided an explanation of examples from all three areas of funding that were currently being sought and focused discussions on the Team Performance Initiatives with UCF, FAU and UWF, and the HST collaboration with UWF. Dr. Hansen also discussed at length the work of the Institute as the lead in the Competitive NSF submission on Science of Learning Centers to develop methods and technologies to improve education. He commented on the work of Robert Hoffman of IHMC and counterparts from UCF, FSU, CMU, Kansas State, and others and that this project was one of ten finalists in a highly competitive field. Dr. Hansen thanked Dr. Ford for the opportunity to discuss the Institute research strategy with the Board.

Dr. Ford concluded his remarks by thanking Chair Carlan for her kind remarks about my recent reappointments and nominations. He explained that while these commitments are somewhat time-consuming. He was honored by being selected and he believes service on these Boards are beneficial to the continuing efforts to promote the Institute in Florida and to promote Florida's research on a National level.

That being said, Dr. Ford indicated his true appreciation for the time commitment and effort that all of the Directors make to this Board and ended by stating that he hoped that all Directors would continue to keep us apprised of any way that we could assist and make service on the Institute Board more enjoyable.

Adjournment.

At the conclusion of the CEO report, Chair Carlan asked the Directors for any other issues or business before the Board and there being no issues raised, the meeting of the FIHMC Board of Directors was adjourned at 9:55 a.m.

Julie L. Sheppard, General Counsel and Corporate Secretary