

FIHMC Board of Directors
Conference Call Meeting
40 S. Alcaniz Street
Pensacola, FL 32502
December 5, 2005

FIHMC Chair Carol Carlan called the meeting to order at 8:30 a.m. with a quorum of Directors being present. Directors in attendance included:

Carol Carlan, AK Desai, Eugene Franklin, Chris Hart, Terry Hickey, Hal Hudson, Larry Lemanski, Eric Nickelsen, Jim Reeves, Ray Russenberger, and Bev Seay.

Also in Attendance:

Kenneth M. Ford (Director 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), and Ronnie Armstrong (Controller of IHMC), Dick Baker.

Agenda:

Chair's Greetings	Chair Carol Carlan
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Announcement of Director Dr. Akshay Desai	Chair Carol Carlan
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Approval of July 26, 2005 Minutes	Chair Carol Carlan
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ACTION ITEM

Approval of Nominee to Replace Outgoing Director Timothy Goldfarb	Chair Carol Carlan
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Approval of CEO Compensation Package	Chair Carol Carlan
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Acceptance of June 30, 2005 Financial Statements	Chair Carol Carlan
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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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After roll call was taken and a quorum was present, Chair Carlan opened the meeting by welcoming the Directors and thanking them all for dialing in this morning. She stated that we would try to be brief as this time of year is extremely busy for all.

Chair Carlan informed the Board that she was delighted to announce that Dr. Desai has agreed to serve as the Board of Governor's representative to our Board. Chair Carlan briefly ran through Dr. Desai's vita. She closed by inviting him to Pensacola and stating how pleased we were to have another director from the Tampa region on our Board.

Dr. Desai commented on how pleased he was to be serving on this Board and that he was looking forward to visiting Pensacola and learning more about the Institute.

Chair Carlan announced the resignation of Director Timothy Goldfarb from our Board explaining that while he enjoyed his 18 months on our Board, he cited many obligations of a local nature in his role as Shands CEO that are keeping him busy along with his many other boards and building a new home for his family. Chair Carlan explained that she has accepted his resignation for our Board with regret and later in this meeting she would be proposing a nominee to replace director Goldfarb.

Chair Carlan announced Dr. Ford's recent appointment to the Air Force Science Advisory Board and that she was sure his presence on this Board will be of significant value. Chair Carlan congratulated Director Kitaoka on her recent marriage and Director Kitaoka thanked the Board for their wedding gift and informed the Board that she had changed her name to Bev Seay.

With those announcements, Chair Carlan opened the meeting agenda.

Approval of July 26, 2005 Minutes.

A motion was made and seconded to adopt the minutes of the July 26th meeting. The motion carried unanimously.

Action Item 1. Approval of Nominee to Replace Outgoing Director Timothy Goldfarb

Chair Carlan opened this action item by explaining that in each Director's packet is information on Dick Baker and that it was her intention to suggest Dick as an incoming Board member. She stated that Dick, a local banker and real estate developer, has acted as a consultant for me on numerous times to this Board on financial issues and has been a great asset to the Institute since the advisory board was formed years ago. She explained Dick's qualifications and his understanding of the Institute's business from his prior UWF Foundation board experience, service as a Pensacola Junior College Trustee and other business and civic leadership roles. She also mentioned Dick's great experience with fundraising concluding her remarks by stating that he is both a wonderful asset to the Pensacola community and a long time personal friend. Carol then asked for a motion to approve Dick Baker as a new Director to this Board explaining that this appointment requires a majority vote of the Board and will be for a three-year term beginning in

January of 2006.

A motion was made and seconded to approve Dick Baker as a new Director to the Board. After some short discussion about Dick Baker's many other qualifications, the motion was called to a vote and carried unanimously. Dick thanked the Board for their vote of confidence and stated how pleased he was to be serving on this Board.

Action Item 2. Approval of CEO Compensation Package

Chair Carlan introduced this item by recognizing Dr. Ford's value to this organization and reminding the Board that at our inaugural meeting in June of 2004, she had been directed to work with a consultant and Dr. Ford to develop a Chief Executive Officer financial compensation package subject to final approval by this Board. Beginning last December, she stated that she began gathering financial data available for 2003 from the State University System and engaged with a consultant, Dick Baker; to review salaries and compensation structures for university affiliated scientific research peers.

She explained to the Board that to date, Dr. Ford has remained an employee at UWF with no IHMC package or salary other than a housing and car allowance. She proposed moving Dr. Ford into IHMC on January 1, 2006 with the following compensation structure:

Annual Salary 258K with standard IHMC benefits
Annual Retirement contribution of \$25K in retirement vehicle selected by Dr. Ford
Continuation of Housing Allowance at 30K and Car Allowance of 10K

Chair Carlan further explained that this salary recommendation was developed under a scenario which had the goal of moving Dr. Ford's compensation into the top 20% of a target group of university affiliated scientific peers within 5 years and used 2003 numbers, which have undoubtedly increased significantly in the last two years. While her recommendation was originally intended to be effective in early 2005 with an additional increase proposed for 2006, Dr. Ford has requested of her that the Board continue to use the proposed salary for 2005 with no additional increase at this time. Dr. Ford's current salary is \$229K plus the housing and car allowance. This would result in a 29K salary increase with an additional 10% retirement contribution. She explained that Dr. Ford would be responsible for all tax consequences associated with this compensation package.

A motion was made and seconded to adopt the salary structure for Dr. Ford effective January 1, 2006 that consisted of a base salary of \$258K, with standard IHMC benefits, an addition retirement contribution of \$25K, a housing allowance of \$30K and a car allowance of \$10K. The motion carried unanimously.

Action Item 3. Acceptance of June 30, 2005 Financial Statements

Chair Carlan introduced the third action item by explaining that she could not be more

pleased to provide this Board with the draft financial statements prepared by our independent auditor, Saltmarsh, Cleaveland & Gund. She noted that as can be seen from these statements, in its first year of operation, IHMC has received an unqualified audit letter noting no material weaknesses. The IHMC staff is to be commended, especially Ronnie Armstrong, Larry Warrenfeltz and Alex Gorelikow. She explained that we have recently received a draft of the management letter and are still providing information to the auditors to finalize this document and will report on the management letter at our next meeting. Chair Carlan indicated that Controller Ronnie Armstrong was present and available to answer any questions that the Board may have.

There being no questions, Chair Carlan then asked for a motion to accept the June 30, 2005 Financial Statements for IHMC as prepared by the independent auditors, Saltmarsh, Cleaveland & Gund.

A motion was made and seconded to accept the June 30, 2005 financial statements. Discussion ensued among the Directors commending the Institute staff for their work. Director Russenberger commented that organizations will always have concerns referenced in a management letter and many of the other Directors concurred. The motion carried unanimously.

Chair Carlan then informed the Board that she would be naming a fundraising committee for IHMC and asked Directors Hudson, Russenberger and Baker to join her on that committee. Directors Russenberger, Hudson and Baker all indicated that they would be willing to serve on the fundraising committee.

Chair Carlan announced notice of future events and meetings explaining that the Institute would be holding the first meeting of the new IHMC Science Advisory Council February 16th and 17th and would be planning a social function to allow this Board to meet this esteemed board of nationally renowned scientists from around the world.

Chair Carlan requested that the Directors continue to hold June 8-9 dates for the annual meeting and that when the state legislative agenda is set, we would suggest some possible dates in late February or early March for a meeting with a possibility of holding a meeting in Tallahassee during IHMC research day at the Capitol.

At this time, Chair Carlan asked Dr. Ford to provide his report.

Report of the Chief Executive Officer

Dr. Ford began by thanking Chair Carlan for the opportunity to very briefly update the Board on our continuing progress since our July 26th meeting. I also would like to extend my warmest thanks to AK Desai and Dick Baker for agreeing to serve on the board stating that he was looking forward to working closely with both of them.

Dr. Ford mentioned that at our June 3, 2005 meeting, we were fortunate to have a federal

update and briefing by Joni Higgins of Copeland Lowery Jacquez on our federal legislative initiatives. He explained that we were still awaiting word on the two projects in which IHMC is involved. One of the projects, Team Performance, is a joint initiative with UCF and is currently in both the House and Senate budget respectively for 4 million. Dr. Ford indicated our hopefulness that the House and Senate will finalize the Defense conference bill in the next two weeks and promised to keep the Board updated on our progress on this DC legislative agenda.

However, he explained that unfortunately, this is also the time to be developing our legislative initiatives for fiscal year '07 which is hard when one does not know the finality of '06 projects. However, in spite of the '06 uncertainties, Dr. Ford stated that the Institute was working closely with our affiliated universities to develop strong research topics and form teams for the '07 proposals.

Dr. Ford explained that another exciting federal initiative this past November at IHMC was playing host to a National Science Foundation site visit for a National Science of Learning Center on Expertise Studies involving areas including education, law enforcement, weather forecasting, electric utilities and engineering. He informed the Board that IHMC Senior Research Scientist Robert Hoffman and UCF Researcher Steve Fiore submitted a competitive proposal to NSF, which was culled down from hundreds of proposals to 7 nationally. This center, he explained, if funded, will involve a five year 20 million dollar grant and includes participation from UWF faculty, FSU faculty, FIU faculty, FAMU faculty, UCF faculty and numerous other colleges and universities. Dr. Ford thanked Director Terry Hickey, UCF Provost for agreeing to serve on the executive leadership team for this review by NSF and stated that Dr. Hickey was instrumental in making this a successful site visit. Dr. Ford stated that the NSF hopes to fund 3 of the 7 centers selected for final review and that the Institute expects to learn the results sometime early next year.

Dr. Ford also mentioned that IHMC also played an important role in supporting a USF led Competitive Initiative on Homeland Security that also received a competitive site visit. Unfortunately, he explained, USF was notified last week that while the proposal was highly regarded; the funding for the one Center was awarded to Johns Hopkins University. He stated that there was hope that this USF led initiative might resurface in another competitive forum as Homeland Security had offered several suggestions to the USF Principal investigator for future opportunities. In any event, Dr. Ford informed the Board that IHMC was honored to have partnered with USF and to have developed these collaborations.

Dr. Ford also mentioned that he would be remiss in not mentioning briefly that this fall has been very productive for IHMC grant and contracts and that while all the Director's should soon be receiving the next newsletter, he would like to acknowledge three large awards and the researchers responsible for these projects. He explained the three projects and gave a brief synopsis of each project.

PI: Dr. Alberto Cañas and Dr. Pat Hayes
Extended CmapTools / Cmap Ontology Environment
Amount Awarded: approximately \$900,000
Granting Agency: Department of Defense

IHMC's CmapTools have showed broad utility in representing knowledge. This grant will support the extension of the tools to incorporate formal logical languages and promote modeling analytic thinking and approaches. In addition, the researchers will enhance the tools to integrate with commercially available data mining/pattern recognition engines.

PI: Dr. Jerry Pratt
Effective Learning through State and Action Transformations Based on the Fundamentals of Quadrupedal Locomotion
Amount: \$697,893
Granting Agency: DARPA

IHMC scientists with expertise in walking robots and learning algorithms will use this funding to develop learning algorithms that will allow a quadrupedal robot test platform to walk over diverse terrains. These algorithms will incorporate human expertise and domain knowledge to rapidly improve the performance of the robot.

PI: Dr. James Allen
Enduring Personal Cognitive Assistant (EPCA)
Amount Awarded: \$649,999
Granting Agency: DARPA.

IHMC researchers are partnering with a team lead by SRI International to develop an Enduring Personal Cognitive Assistant (EPCA). EPCA will help users interact naturally with computers, PDAs, and other high-technology devices. IHMC researchers will develop multiple ways of communicating with the EPCA, including spoken language, gestures, sketches, and handwriting.

Dr. Ford also briefly commented on state initiatives explaining that IHMC is working closely with our state lobbyists and statewide legislators in the Florida House and Senate to formulate a state request for 2006 funding. He stated that he, Tim, and Julie have been actively traveling to meet with legislators throughout the state and that we appreciate any support that the Director's may bring in talking to elected officials about IHMC or bringing them here to Pensacola for a visit. He stated that we are very appreciative of the support this Board has shown in the past.

Finally, Dr. Ford mentioned that as part of his National Science Board position, he would be leaving Wednesday for Antarctica to visit the South Pole national science research center. He stated that he was looking forward to returning on the 22nd to Florida's warm climate and the Board would be happy to know as he embarked on this adventure, that the key man life insurance policy on him for the Institute was in place.

Dr. Ford passed around a draft copy of the annual report explaining that the report was at the printer and that the Directors should all be receiving that document in the next few weeks with the next edition of the newsletter to follow close behind. He commented that he was also extremely pleased with the audit opinion. He reported that we have finalized contractual documents with the new banking partner SunTrust as a consequence of the RFP and that while we would shortly be transferring our business functions to SunTrust that we would maintain the Gulf Coast account. He also reported that we are examining our current benefits package and looking at ways to enhance our benefits and compete with the rising cost of health care.

Dr. Ford wished the Directors a wonderful holiday and thanked them for their support of him and the Institute. He stated that IHMC has made great strides this past year and that we have much to be thankful for as we approach 2007. That said, he concluded his report.

Chair Carlan asked the Director's if they had any additional items or announcements and there being none raised, she announced that this meeting was adjourned, thanking all the Director's for attending and wishing Happy Holidays to all.

The December 5th meeting of the FIHMC Board of Directors ended at 9:15 a.m.

Respectfully submitted,

Julie L. Sheppard, General Counsel and Corporate Secretary