ADDENDUM #1 TO AFFILIATION AGREEMENT
BETWEEN UNIVERSITY OF WEST FLORIDA BOARD OF TRUSTEES AND
THE FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION

This Addendum #1 to the Affiliation Agreement Between The University of West Florida Board of Trustees and The Florida Institute for Human and Machine (“Addendum #1”) is an addendum to that certain Affiliation Agreement entered into by and between the University of West Florida Board of Trustees (“University”) and the Florida Institute for Human and Machine Cognition (“FIHMC”) executed on April 30, 2004 (“Affiliation Agreement”).

NOW THEREFORE, in order to clarify and further develop the Affiliation Agreement and for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Both parties reaffirm the language and intent of the Affiliation Agreement and that:

1. TheLegislatively appropriated earmarked funds, the Local Initiatives appropriation funds, and the Lukeion appropriation and all other state funds currently appropriated to the University ultimately shall be retained by the University, and
2. State funds given to FIHMC pursuant to the Affiliation Agreement and this Addendum #1 will be permanently reduced dollar-for-dollar as the State of Florida appropriates recurring funds to, or for the benefit of, FIHMC, and
3. FIHMC commits to the University that it is not FIHMC’s intent to actively seek monies that currently flow into the University and that FIHMC will actively express their opposition to any Legislative reduction of the University’s appropriations or reallocations of the University appropriations from the University to or for the benefit of FIHMC or any other entity, as retention of those funds by the University is a material consideration in determining the amount of University funds to be given to FIHMC and in agreeing to other terms of the Affiliation Agreement. Both parties agree to share their Legislative agendas annually.

I.-A. State Funds appropriated to the University that will be provided to FIHMC. The following include any and all of the University State Funds/Accounts (“*State Funds”) that FIHMC will have access to pursuant to the Affiliation Agreement. As to all State Funds made accessible to FIHMC, the amounts provided below will only be provided to FIHMC if and to the extent they are actually received by the University. In addition, such amounts will be reduced dollar-for-dollar as state appropriations are made to or for the benefit of FIHMC.

*State Funds mean any and all monies appropriated to the University, including, but not limited to, existing legislatively appropriated monies to the University earmarked for the use of IHMC; the Local Initiatives appropriation and the “Lukeion” appropriation.

I.-A.1. Legislatively appropriated earmarked funds. FIHMC will have access to the funds provided in the following appropriations: 1989/90 -HB 1750 Section 1. Specific Appropriation 634A State University System High-Tech Research Enhancement (“1989/90 Appropriation”), and see 2001/02 -Conference Report on SB 2000: General Appropriations for 2001-02- May 1, 2001, Section 2, Specific Appropriation 194 (“2001/02 Appropriation.”) The total of the
appropriation that originally came from the 1989/90 and 2001/02 appropriations equals $800,000.

I.-A.2. **Local Initiatives Appropriation.** FIHMC will have access to $425,000 subject to the dollar-for-dollar reduction.

I.-A.3. **Lukeion Appropriation.** FIHMC will have access to a maximum amount of $50,000 of the 1998/99-Conference Report on House Bill 4201 Specific Appropriation 179 for Seaside, Florida ("Lukeion" Appropriation) each fiscal year. The amount accessible to FIHMC will be reduced dollar-for-dollar as Legislative appropriations are made to or for the benefit of FIHMC. This account will be retained at the University. FIHMC’s use of funds will be consistent with legislative intent. FIHMC will give the University billing as co-sponsor for those events for which these moneys are spent.

I.-A.4. **University Discretionary Funds.** FIHMC will have access to a maximum of:

FY 04/05-- $406,000- $68,500 approximately [pro-rata portion of the costs for salary and benefits of tenured faculty member returning to the University] = $337,500

FY 05/06-- [($406,000- $137,000 (approximate-cost for entire salary and benefits of tenured faculty member returning to the University) /2 ]=$134,500

FY 06/07-- $0

Note: Discretionary Funds are not subject to the dollar-for-dollar reduction.

I.-A.5. The total amount of State Funds to be provided to FIHMC by the University in fiscal year 2004-2005 is $1,508,409 and the detail of that amount is described below.

Calculation of 2004/05 Distribution of State Monies:

<table>
<thead>
<tr>
<th>Earmark Funds</th>
<th>$ 800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Initiative</td>
<td>425,000</td>
</tr>
<tr>
<td>Discretionary Funds</td>
<td>337,500</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$1,562,500</td>
</tr>
<tr>
<td>Less: 03/04 budget reduction</td>
<td>(35,156) * see below computation</td>
</tr>
<tr>
<td>Kolen transfer</td>
<td>(68,925)</td>
</tr>
<tr>
<td>2004/05 Revised allocation</td>
<td>$1,458,409</td>
</tr>
<tr>
<td>Add: Lukeion</td>
<td>+ 50,000</td>
</tr>
<tr>
<td><strong>2004/05 State Monies</strong></td>
<td>$1,508,409</td>
</tr>
</tbody>
</table>

Computation of Pro-Rata Budget Reduction:

<table>
<thead>
<tr>
<th>Earmark Funds</th>
<th>$ 800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Initiative</td>
<td>425,000</td>
</tr>
<tr>
<td>Discretionary Funds</td>
<td>337,500</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$1,562,500</td>
</tr>
<tr>
<td>University budget reduction</td>
<td>x 2.25%</td>
</tr>
<tr>
<td>Pro-Rated budget reduction</td>
<td>$ 35,156</td>
</tr>
</tbody>
</table>
In future years the Kolen transfer and FIHMC's proportionate share of the 2003/04 University budget reduction are ongoing reductions that will be applied before distribution of the State monies.

If any tenured faculty identified in paragraph 4. of the Affiliation Agreement ceases to be an IHMC employee and transfers back to the University as a non-IHMC employee, the State Funds provided to FIHMC will be reduced by the costs and expenses related to the employment of that tenured faculty member.

I.-B. Non-State Funds. Available to IHMC/FIHMC. The following include any and all non-state funds that will be made available to IHMC/FIHMC.

I.-B.1. Funds residing in the Office of Sponsored Research. Funds in the IHMC Seed Account and funds in the Grant/Contract Accounts awarded to the University for IHMC will be available to IHMC/FIHMC as provided in the attached Working Capital Procedure ("Attachment 1 to Addendum #1 to the Affiliation Agreement.")

I.-B.2. Funds residing in the University of West Florida Foundation, Inc. ("the UWF Foundation") or provided by the UWF Foundation. The following are any and all accounts or monies that FIHMC will have access to in the UWF Foundation; however, existing and future specific gifts designated by the donor for the use of FIHMC/IHMC through the UWF Foundation, Inc., shall continue to be provided to FIHMC/IHMC by the UWF Foundation.

I.-B.2.a. Settlement Funds. FIHMC will have access to the remainder of the $200,000 amount that was provided to IHMC/FIHMC by the UWF Foundation on behalf of the University pursuant to a Settlement Agreement fully executed on or about September 2, 2004, between the University Board of Trustees, the Institute for Human and Machine Cognition and the University of West Florida Foundation, Inc. The funds may only be expended for those purposes outlined in the Settlement Agreement and spent in accordance with the UWF Foundation’s spending policy. The Settlement Agreement is attached as “Attachment 2 to Addendum #1 to the Affiliation Agreement.”

I.-B.2.b. Supplement Funds. Pursuant to a “Resolution to Provide Transitional Support to FIHMC Approved by the UWF Foundation Executive Committee,” the UWF Foundation has provided $35,000 to FIHMC Board of Directors Chair. The letter and Resolution are attached as “Attachment 3 to Addendum #1 to the Affiliation Agreement.”
I-B.2.c. Eminent Scholars/Pace Scholars. IHMC employees Patrick Hayes, Clark Glymour, Henry Kyburg, and James Allen ("Recipients") will continue to have access to $8,000 per Recipient/per year to be used for travel and research related expenses only, in accordance with the underlying gift agreement and donor requirements.

The total amount accessible to the IHMC Recipients for fiscal year 2004/2005 is limited to $32,000. Access to that account by each individual Recipient will cease at the time the Recipient is no longer a 100% University employee. The total maximum amount provided in each fiscal year will be reduced by $8,000 for each Recipient that is no longer a 100% University employee. The Eminent Scholars Account will be retained at the University. No carryover of funds remaining at the end of each fiscal year is permitted, nor is FIHMC permitted to reassign these awards to other employees.

I-B.3. Funds Residing in the UWF Research Foundation, Inc.

I-B.3.a. Grant/Contract-EPRI IV Browns Ferry. Only funds received by the Research Foundation will be provided to IHMC and IHMC/FIHMC will comply with and be responsible for all the terms of the underlying grant/contract.

I-B.3.b. IHMC Residual Account. It is not possible to ascertain the final balance in the IHMC Residual Account at this time. Both parties agree to abide by the final decision of the Research Foundation Board of Directors. FIHMC will be permitted access to any funds remaining in the account. In the event of a deficit balance in the account, FIHMC will reimburse the Research Foundation the appropriate amount. The target timeframe for calculation of the amount in this account is March 31, 2005.

II. Employment Matters.

II.-A. Transition of Employees.

II-A.1. University employees assigned to IHMC that are named in University/ IHMC grants or contracts will be transitioned as follows: as FIHMC receives awards, the principal investigator and all associated staff will be moved from the University’s employment to FIHMC’s employment, provided this does not jeopardize any current IHMC awards. The target date to transition all contract and grant employees from the University to FIHMC is June 30, 2006.

II-A.2. Other UWF employees assigned to IHMC. Employees not named in IHMC grants or contracts will be transitioned as follows: The target date to transition all IHMC employees not under contract and grants from the University to FIHMC is June 30, 2006. After June 30, 2005, at such time as FIHMC has moved employees over to FIHMC’s employ, the University will transfer the appropriate share of IHMC/FIHMC’s state budget allocation less the Lukeion allocation, to FIHMC upon receiving the cash releases from the State of Florida.
II-A.3. **Chargeback Procedures.** For existing contractual awards during the transition period, the attached UWF/FIHMC CHARGE-BACK PROCEDURE For Existing Contractual Awards, "Attachment 4 to the First Addendum to the Affiliation Agreement," will be followed.

II-A.4. **Allocation of responsibilities.** FIHMC/IHMC is responsible for following the University’s Human Resources Personnel policies and procedures. IHMC is responsible for providing appropriate notices of termination, etc., to such employees in consultation with the University and in accord with the University and the University Human Resource Personnel rules and policies. Failure to do so will result in IHMC being responsible for all costs associated with or related to grievances or claims.

IHMC is responsible for paying any unemployment and continued cost of employment for University employees assigned to IHMC. The University will be responsible for providing timely notice of any unemployment claims to IHMC and allowing IHMC to defend against such claims.

However, as provided in Attachment A to the Affiliation Agreement, "The costs of providing such employment and benefits will be paid for out of IHMC funds; to the extent such funds are insufficient to cover such costs, FIHMC shall be responsible for paying these costs."

III. **Administrative Services.**

III-A. **Transition of Duties.** Administrative Services duties will be transitioned to FIHMC/IHMC as follows.

III-A.1. **Existing Grant/Contract Related Services.** The Office of Research will continue to provide training of FIHMC/IHMC employees as to certain pre-award and post-award activities so that FIHMC/IHMC may assume those duties. The University will also continue to provide administrative services for existing IHMC awards with the target date for transitioning all services for these awards to FIHMC/IHMC by June 30, 2006, to the extent permitted by the respective funding agency.

III-A.2. **Non-Grant/Contract Related Services.** For FIHMC/IHMC activities that are not grant/contract related, the University will continue to provide administrative services for those operations outlined below until the target date of June 30, 2006. Specifically, they are as follows:

i. For personnel/human resources/payroll operations, the target date is June 30, 2006.

ii. For procurement activities (purchasing), the target date is June 30, 2006.

iii. For accounting services, the target date is June 30, 2006.

iv. For all other services the target date is June 30, 2006.
IV. Intellectual Property.

IV.-A. Existing Intellectual Property. The Parties agree that the University owns all intellectual property developed by IHMC employees while employed by UWF ("IP"), and that it is a mutual goal to maximize joint revenue. The University shall make exclusive licenses or assignments to FIHMC for the purposes of marketing or commercializing "A Computer Based Human-Centered Display System" (sometimes referred to as "Oz") and "Concept Mapbased Multimedia Computer System for Facilitating User Understanding of a Domain of Knowledge" (sometimes referred to as "Concept Map").

With regard to any other IP developed by IHMC employees while employed by the University, the University shall make an exclusive license or assignment of any such IP disclosed by said University employees to FIHMC if at the time of the license or assignment those employees are still primarily employed by IHMC/FIHMC. The license or assignment will be made only after such IP has been appropriately disclosed and processed in accordance with the University of West Florida Intellectual Property Policy July 2002. The University may make an exclusive license or assignment of any other IP after it has been appropriately disclosed and processed in accordance with the aforesaid policy. The Parties also agree that:

Any such assignments or licenses will be exclusive for purposes of marketing or commercialization but will be subject to the following:

- Immediately following execution of this Addendum, a four person committee of the FIHMC Board of Directors will be established by the FIHMC Board of Directors to approve any and all marketing or commercialization of the aforementioned IP. This committee will be comprised of two members appointed by FIHMC and two members appointed by the University.
- All actions of the aforementioned committee must be taken with all four members of the committee being notified of the meeting and present and voting, with three like votes required for approval of any matter brought before this committee. Committee members may vote in person or by phone.
- The committee will have the following responsibilities:
  - The committee must provide advance approval of all third party licenses or other legal instruments or agreements with third parties (collectively referred to as "third party agreements") for the commercialization of all University IP assigned or licensed to FIHMC for marketing or commercialization prior to the execution or implementation of said third party agreements.
  - The committee will periodically review the nature and extent of FIHMC’s marketing efforts and the appropriateness and acceptability of the terms and conditions of any such third party agreements previously approved by the committee for purposes of improving future commercialization arrangements. Such review will occur no less frequently than twice a year.
  - The committee may be consulted by the Parties when defining the term “net income” in the underlying licenses or assignments between the University and FIHMC.

IV.-B.1. Joint Research or Cooperative Agreements. For future joint research or cooperative agreements entered into by FIHMC and the University, the Parties will endeavor to agree to the following intellectual property clauses unless the joint research or cooperative agreement provides otherwise:

Future inventions or discoveries, patentable or not, arising from future joint research agreements between FIHMC and the University shall be jointly owned with ownership of 50% to each Party. Both the University and FIHMC agree to sign any and all documentation necessary and appropriate to achieve the commercialization of any such intellectual property arising from these future activities. Terms and conditions of licenses to any intellectual property commercialized under the Affiliation Agreement will be negotiated in good faith and agreed upon between the University and FIHMC in writing in advance.

IV.-B.2. Collaborative Research. In reference to collaborative research, the Parties will agree in advance, in writing to the appropriate specific financial and administrative arrangements as well as to intellectual property ownership. In general, and without limitation, the Parties will endeavor to agree to the following intellectual property clauses:

Each Party will notify the other of any future invention made pursuant to the collaborative research agreement within thirty (30) days after the receipt of an invention disclosure from the inventor. Additionally:

The University shall retain all rights to inventions or discoveries, patentable or not, conceived solely by the University using University employees and at its discretion, shall prepare and prosecute all related patent applications.

FIHMC shall retain all rights to inventions or discoveries, patentable or not, conceived solely by FIHMC using FIHMC employees and at its discretion, shall prepare and prosecute all related patent applications.

Both the University and FIHMC agree to sign any and all appropriate documentation necessary to achieve the commercialization of any intellectual property arising from activities performed under the collaborative research agreement. Terms and conditions of licenses to any intellectual property commercialized under the collaborative research agreement will be negotiated in good faith and agreed upon between University and FIHMC in advance.
IN WITNESS WHEREOF, the parties hereby execute this Addendum #1 to the Affiliation Agreement.

K. C. Clark, Chair  
University of West Florida  
Board of Trustees  

2/14/2005  

Carol Carlan, Chair  
Florida Institute for Human & Machine Cognition  
Board of Directors  

2/17/05  

Dr. John Cavanaugh, President  
University of West Florida  

Dr. Ken Ford, Chief Executive Officer  
Florida Institute for Human & Machine Cognition  

APPROVED AS TO FORM AND LEGALITY:  

UWF ATTORNEY
WORKING CAPITAL AGREEMENT/PROCEDURE
Attachment 1 to Addendum #1 to Affiliation Agreement

The Florida Institute for Human and Machine Cognition, Inc. (formerly IHMC, a University Center of the University of West Florida) was created as a State of Florida Institute pursuant to F.S. 1004.447 and is established at the University of West Florida (host institution). In accordance with (7) (b) of that statute, "The chief executive officer (for FIHMC) shall exercise the following powers and duties....Control the budget and the moneys appropriated or donated to the institute from private, local, state, and federal sources, as well as technical and professional income generated or derived from research activities of the institute." Also pursuant to the Affiliation Agreement, paragraph 6: "subject to the authority granted to the University by relevant organizations, the FIHMC hall also have access to and use of accounts traditionally made available for IHMC's use by the University: Seed Accounts, Foundation Accounts, Research Foundation Accounts, Pace Scholars Accounts, and Lucksion Accounts in the appropriate amounts."

Over the course of many years, IHMC has accumulated the balance of facilities and administrative costs (F&A) from grant activities that are currently on deposit in UWF bank accounts. These funds are used by UWF to meet the working capital requirements of existing IHMC grants (attached). The parties agree that there are associated risks involved in transferring existing grants to the newly formed corporation (FIHMC). The parties also agree that FIHMC requires its own working capital to obtain grants independently. In order to transfer the residuals held by UWF to FIHMC while continuing to administer FIHMC's existing research awards (attached list with grant ending dates), UWF agrees to advance needed working capital for the administration of these grants subject to the following:

1. FIHMC agrees to invoice all grants in a timely fashion; this will be in advance or within 10 days of the agreed upon billing cycle with the agency so as to reduce the working capital required. (Attached is a list with billing cycle information). FIHMC agrees to provide a monthly accountability report reflecting the timeliness of invoicing and draw-down of grantor advances.

2. FIHMC agrees to compensate UWF for the use of its working capital by paying UWF interest on these funds based on the State Treasurer's monthly interest rate (SPIA interest) applied to the average daily working capital extended to FIHMC for the preceding month.

3. UWF reserves the right to withhold IHMC's F&A returns in order to correct cash deficits in any IHMC account to the degree of the deficit. UWF will provide FIHMC a 10-day written notice of the deficit (email will suffice) and give FIHMC the opportunity to rectify the deficit.
4. The parties agree to assign to FIHMC any existing IHMC contracts and leases, if any, related to the following identified IHMC accounts. FIHMC agrees to close the following accounts [Cognition Institution SRT account]: 2507-200-22, 2503-201-22, 2506-202-22, 2506-203-22, 2506-204-22, 2506-205-22 and 2506-206-22. UWF reserves the right to withhold F&A distributions to FIHMC to the extent needed to finance the contracts or leases until the assignment is in effect and the account is closed. In addition, all state funds will be consolidated into one account; 2507-100-10 and charges will only be permitted in that account. FIHMC must retain a positive cash balance in this account at all times.

5. Beginning Jan. 1, 2005, UWF will submit to FIHMC the schedule of earned F&A costs for the preceding month within 10 days (or sooner) after receipt of the F&A costs from FIHMC and their approval and signature. UWF will process the distribution within 24 hours of receipt of the signed and reconciled schedule. The F&A will be calculated based on the 80% subject to the provisions in #2 and #3 above. UWF will also retain its (20%) share as is current policy. The 80/20 provision only applies to existing grants (attached list). Future splits of F&A on any new grants (including any existing grants on the attached list that are extended) will be negotiated on a case by case basis. (Intent turn around as quick as possible from FIHMC and from UWF; UWF’s 10 day period is not shortened by FIHMC’s review.) Electronic transmissions will be accepted to the fullest extent possible.

6. UWF will provide FIHMC with a transfer of $800,000 ($300,000 +500,000) from IHMC Account (2507-200-22) [seed account], upon approval of this agreement.

7. Any future revisions related to the Working Capital procedures will be coordinated between the UWF Executive Assistant to the Provost and the FIHMC Chief Business Officer.
SETTLEMENT AGREEMENT REGARDING INDIRECT COST FUNDS

This Settlement Agreement is between the University of West Florida Board of Trustees ("University"), The Institute of Human and Machine Cognition ("IHMC") and The University of West Florida Foundation, Inc. ("Foundation"). A disagreement has occurred over the distribution of $589,054 of indirect cost funds from IHMC's grants and contracts for the time period beginning with the creation of IHMC and up to and including fiscal year 2002-2003 ("the issue"). In order to resolve the issue, the parties have agreed upon a full and final settlement of $200,000 to the UWF Foundation earmarked for IHMC where by the Foundation has agreed to cover certain additional expenses of IHMC, not to exceed $100,000 per fiscal year, until the total of $200,000 has been paid.

The allowable expenses to be paid by the Foundation on behalf of IHMC are intended for lobbying expenses, public relations expenses, and certain consulting expenses related to the start up of The Florida Institute of Human and Machine Cognition ("FIIHMC") provided such expenses are also in compliance with the Foundation's spending policy.

By their signatures below, the parties agree to this Settlement Agreement and conclusion of the issue.

J. Collier Merrill                          Dr. Kenneth Ford                          H. Britt Landrum, Jr.
Chairman                                  Director                                    President
University of West Florida                Institute of Human and                     University of West
Board of Trustees                          Machine Cognition                          Florida Foundation, Inc.
Date 8/31/04                               Date 8-31-04                               Date 9-2-04
December 15, 2004

Ms. Carol Carlan
President
Wachovia Bank
P.O. Box 12750
Pensacola, FL 32591-2750

Dear Carol:

On behalf of the UWF Foundation, it is my pleasure to enclose a check payable to FIHMC from the UWF Foundation in the amount of $35,000. As stated in the attached resolution, this is one-time support for the transition of IHMC to FIHMC.

On behalf of the UWF Foundation, best wishes to you and the Institute.

Sincerely,

H. Britt Landrum
President

HBL/ad

cc: K.C. Clark
    Eric Nickelson
    Dr. John Cavanaugh
    Sheri Pope
UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.
C/O UNIVERSITY OF WEST FLORIDA
PENSACOLA, FL 32514

** Thirty Five Thousand Dollars and 00 Cents **

12/17/2004

**35,000.00****

DATE

AMOUNT

FLORIDA IHMC
40 SOUTH ALCANIZ
PENSACOLA FL 32502

M. Hill

AUTHORIZED SIGNATURE

#043634# 0083208404 46 000 7
Resolution to Provide Transitional Support to FIHMC
Approved by UWF Foundation Executive Committee (December 10, 2004)

The executive committee of the UWF Foundation hereby approves the request of the University to assist with costs for the transition of IHMC to FIHMC under the following conditions:

- $35,000 will be transferred from an unrestricted account in the UWF Foundation to the IHMC account within the Foundation. Then, a check made out to FIHMC in the amount of $35,000 will be sent to the FIHMC Board Chair, along with a letter of transmittal and a copy of this resolution. K.C. Clark and Eric Nickelson will be provided with a copy of the letter and resolution.

- This support for the transition from IHMC to FIHMC is one-time support only, in recognition of the special needs and costs associated with the start-up of a new, independent entity, and the UWF Foundation will not consider similar requests in the future. Use of the funds shall be in the discretion of the FIHMC Board.
UWF/FIHMC CHARGE-BACK PROCEDURE
For Existing Contractual Awards
Attachment 4 to Addendum #1 to the Affiliation Agreement

The purpose of this document is to outline the essential points to be included in an overall charge-back procedure mutually agreed to by University of West Florida (UWF) and Florida Institute of Human and Machine Cognition (FIHMC) also known as the "parties". Upon agreement on this initial outline, a formal procedure will be prepared for final approval by the parties.

Background

FIHMC is a 501 c (3) corporation newly authorized by the Florida legislature [F.S. 1004] and is to be affiliated with the University of West Florida. FIHMC is a research institute within UWF with staff employed by UWF. FIHMC and UWF are cooperating to ensure a smooth transition for employees to migrate from UWF to FIHMC employment.

Current Status

FIHMC will be funded in the future primarily through contracts and grants awarded to it by federal agencies, state agencies, and private foundations/corporations. It will maintain a strong affiliation with UWF and may conduct joint research initiatives as may be agreed to by the parties.

It is anticipated that FIHMC will begin receiving research awards during Dec. 2004– Jan. 2005. These awards will be administered under the federal requirements of OMB Circular A-122 applicable to not-for-profit corporations. The current employees of UWF will be phased into FIHMC employment status as new research awards are received by FIHMC. These FIHMC employees will continue to perform contracted duties and responsibilities under research awards made previously to UWF. UWF awards are administered under OMB Circulars A-21, Cost principles for Educational Institutions; A-110, Uniform Administrative Requirements; A-133, Audits. FIHMC and UWF intend to provide a means for FIHMC employees to continue to work on UWF grants. They intend to provide a means to compensate FIHMC for that work. Further, they intend to provide for FIHMC to charge other expenditures to their financial accounting system and charge back those costs to UWF.

Points of Agreement

UWF and IHMC agree to cooperate during the transition period to complete existing UWF contractual awards and to assign costs for personnel compensation and other budgeted costs to these awards in compliance with OMB Circular A-21. This cooperative arrangement set forth in items 1-17 will be based upon the contractual provisions of the awards. The parties agree to approach the appropriate cognizant and
granting agencies to obtain approval of this chargeback procedure. Department of Health and Human Services (DHHIS) is the cognizant UWF agency and Office of Naval Research (ONR) is the cognizant FIHMC agency. Granting agencies are identified in the individual awards. The following key points will be incorporated into a charge-back procedure approved by the parties:

1. FIHMC will be responsible for making salary and fringe benefit compensation payments to appropriate employees and for other direct expenditures authorized in the budgets of UWF research awards. Accounting, recording, funding, and reporting of these expenditures will be outside the UWF financial accounting system and will be maintained by FIHMC in their financial accounting system.

2. a. FIHMC will provide UWF with a detailed invoice by award, account, and commodity code by the 10th of each month for actual contractual costs incurred during the prior month. Support documentation for these costs will be maintained at FIHMC. Invoices will include the Banner fund number, project name, date, contact person, and authorization. Electronic transmissions to the extent possible will be used.

   b. Invoices will include an information column identifying the appropriate facilities and administrative (F&A) costs related to the direct expenditures as calculated by the FIHMC financial accounting system. F&A costs will not be paid by the invoice process but rather through the normal monthly distribution system. Banner will calculate the F&A costs based on keyed expenditures and applicable F&A rates. In the event that the Banner calculated costs and the FIHMC information costs are in disagreement, FIHMC and UWF will cooperate to reconcile the differences. Related F&A distributions will be withheld to the extent of the difference until the reconciliations are complete. FIHMC will maintain the source documents, general ledgers, and other detail necessary to comply with any audit requirements.

   c. UWF will remit payment to FIHMC within 10 business days after receipt and approval of invoice. A copy of the invoice shall be submitted to the Office of Research concurrently with the submittal to the Procurement & Financial Services Office.

3. Fringe Benefits reimbursements shall be in accordance with the amounts budgeted in the awards provided that IHMC's actual direct costs are not of lesser amounts. Payment of workers compensation and unemployment payroll taxes shall be the responsibility of FIHMC, effective the date of the employee's transfer to FIHMC employment. UWF will reimburse FIHMC for workers compensation and unemployment payroll taxes up to the amount budgeted in the award. Terminal leave (annual and sick) for which employees are eligible at time of separation will be paid from the appropriate UWF fringe benefit reserves.
4. FIHMC will submit to UWF time and effort reports which are in compliance with OMB Circular A-21 and university requirements. Receipt of these reports will be consistent with time requirements established for all UWF departments. FIHMC will submit to UWF on a monthly basis all time and effort reports supporting employee charges to research awards as required by Circular A-122.

5. F&A will be processed in accordance with the F&A rate identified in the award and only for allowable transactions.

6. Both parties agree to observe all terms and conditions of research awards in completing their contracted responsibilities.

7. FIHMC agrees to be responsible for any cost increases that it may authorize above the approved budget of each award and will account for them separately to ensure auditability of award costs.

8. FIHMC will utilize its best efforts to successfully complete all of its employee and administrative responsibilities as required by UWF policies and procedures and OMB Circulars A-21, A-122, A-110, and A-133. FIHMC agrees to comply with UWF applicable assurances, certifications, policies, and procedures related to contractual award administration as required by OMB. FIHMC assumes all responsibility for determining allowable costs for awarded projects covered under this agreement. In the event there is conflict between A-21 and A-122 on the existing grants, A-21 will prevail. ¹

9. All projects administered under this agreement are subject to the University's obligations under Chapter 119, Public Records. FIHMC agrees to comply with these obligations.

10. FIHMC will make no assignments, sub-contracts, or other written agreements for any project administered under this agreement without the written permission of UWF.

11. UWF IHMC proposals submitted and not yet awarded as of November 1, 2004, are not included in this agreement. Administration of these proposals will be determined on a case-by-case basis.

12. Upon request by UWF, FIHMC agrees to make available all documents related to this agreement for audit, inspection, and review and copying by duly authorized personnel.

¹ FIHMC will be responsible for all disallowances, penalties, overdrafts, legal fees, liabilities and other costs associated with implementation of this agreement. UWF's first recourse will be to withhold all such costs from F&A distributions. FIHMC will maintain insurance sufficient to meet FAR requirements and name UWF as an additional insured, when required by a sponsored award.
13. FIHMC and UWF agree to make their best efforts to transfer any awards identified in this agreement to FIHMC whenever the PI of the award becomes an employee of FIHMC.

14. It is expected that this agreement will terminate in approximately 12 to 18 months, at which time FIHMC will make its best effort to formally transfer any outstanding awards to FIHMC.

15. In the event that either party cannot meet the material obligations detailed in this agreement, both parties will work in cooperation to remedy such obligations to the benefit of both parties. If both parties cannot agree on an equitable settlement, then either has the right to terminate this arrangement upon giving 30 days written notice.