



Tuesday, September 18, 2007

SUBJECT: Harbor Branch Transaction Update

PROPOSED BOARD ACTION

Not Applicable

BACKGROUND INFORMATION

Collaborative efforts between FAU and the Harbor Branch entities have been proceeding along several fronts involving the following aspects of the proposed consolidation: (1) operational integration of academic/research programs and support functions; (2) conveyance of real property and other tangible and intangible assets; and (3) transformation of Harbor Branch Oceanographic Institution, Inc. ("HBOI") into an FAU direct-support organization.

Drafts of a definitive Memorandum of Understanding ("MOU") have been exchanged between FAU and the Harbor Branch entities as we continue to work cooperatively to finalize the transaction details. Highlights of the proposed MOU follow below. Concurrently with our efforts to complete the MOU, operational representatives—including those from accounting and payroll, human resources, administrative and financial technical support, academic affairs, budget, communications, facilities, sponsored research, IRM, purchasing and safety and security—have been meeting and coordinating on a regular basis to prepare and provide for a smooth and efficient transition.

The assets transferring to FAU will include real property, personal property, operational and research contracts and intellectual property. Assets will be transferring from two Harbor Branch entities—HBOI and Harbor Branch Environmental Laboratory, Inc. (HBEL) (collectively "Harbor Branch"). The transferring assets will become a part of FAU and remain intact as an FAU research institute, reporting primarily to the Provost's office and other organizational divisions throughout FAU.

The Harbor Branch employees shall be offered employment with FAU at their current salary. Those employees fully funded with state dollars may not be terminated by FAU without cause earlier than June 30, 2008. Harbor Branch shall retain all employee liabilities prior to the closing date (estimated to take place on or about December 31, 2007) and shall compensate the Harbor Branch employees for all vested paid time off. With limited exceptions, the Harbor Branch employees will come into FAU as new FAU employees.

The HBOI Board is working on a corporate reorganization to become a direct-support organization of FAU—to operate exclusively to receive, hold, invest and administer property to and for the benefit of FAU and the FAUHBOI Institute. The HBOI Foundation will have two appointees from FAU. The current HBOI endowment and debt liabilities will remain with the HBOI Foundation.

The exact acreage and property transferring to FAU is under evaluation and discussion between the parties. We are working together to compose a real property solution agreeable to HBOI that provides FAU with the most contiguous parcels and efficient access, easement and riparian rights solutions. HBOI shall retain all property not transferring to FAU. FAU shall have the right to approve any future sales, leases or other dispositions of the retained HBOI property.

The parties have commenced due diligence activities including surveys, appraisals, environmental investigations and evaluations of facility and utility needs. Title reports will be forthcoming. The proposed facilities action plan contemplates a comprehensive solution involving demolition, repair and renovation and new construction.

IMPLEMENTATION PLAN/DATE

The final MOU will be presented to this Board for approval this Fall. The proposed transition/closing date for the transaction is projected for December 31, 2007. Preparations for the transition are ongoing.

FISCAL IMPLICATIONS

Governor Crist had previously approved the appropriation to FAU of \$8.5 million in recurring funding for the operation of Harbor Branch by FAU and a one-time appropriation to FAU of \$44.6 million in funds for site work, renovations, environmental, health and safety, IRM, and new construction, expendable as of July 1, 2007. The Personnel Services Agreement (“PSA”) previously approved by this Board—under which FAU retained the services of HBOI with the appropriated funds to preserve, maintain and enhance the value of the Harbor Branch assets during the interim period—is currently in effect until December 31, 2007. Payments to HBOI under the PSA through September 18, 2007 total \$1,886,635 (3 payments of \$628,878). On July 1, 2007, the proposed HBOI budget underwent a 4% reduction (or \$340,000), consistent with the remainder of the FAU budget for campuses and units in response to the legislative mandate on 2007-08 budget reductions.

On September 6, 2007, Governor Crist proposed that the \$8.5 million Harbor Branch appropriation be delayed/withdrawn. We will closely monitor the progress of any subsequent legislative and gubernatorial actions in this regard.

Supporting Documentation:

Presented by: Frank T. Brogan

Phone: 561-297-3450

FAU and HBOI

A Partnership for the Future of Florida: A Progress Report

Presented to the
Florida Atlantic University Board of Trustees
September 17-18, 2007

Charting the Course

The 2007 Florida Legislature appropriates:

- \$8.5M for administrative and operational costs associated with the transfer of Harbor Branch to FAU (\$13.75M requested)
- \$44.6M for site work, remodeling, renovation, and new construction of Harbor Branch campus and facilities

The FAU Board of Trustees in June 2007 approves:

- Personnel Services Agreement, effective July 1, 2007
(Agreement allows FAU to retain the services of HBOI in order to preserve, maintain and enhance the value of the HBOI assets prior to the projected transition date.)

Preparing for Launch

Target Date: December 31, 2007

Planning efforts from three perspectives:

- Facilities (Land and Buildings)
- Administrative Services
- Academic Programs and Research

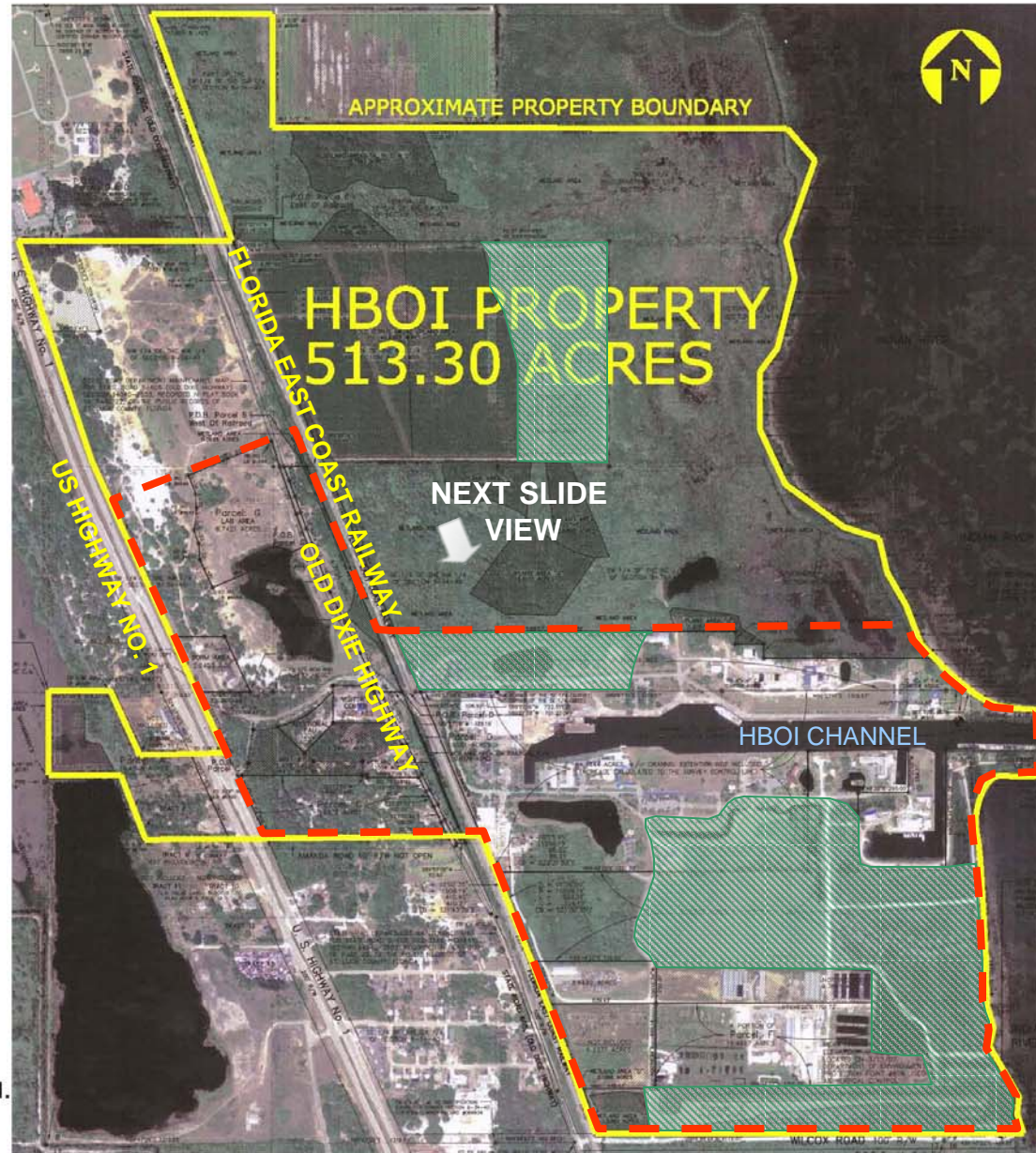
Facilities

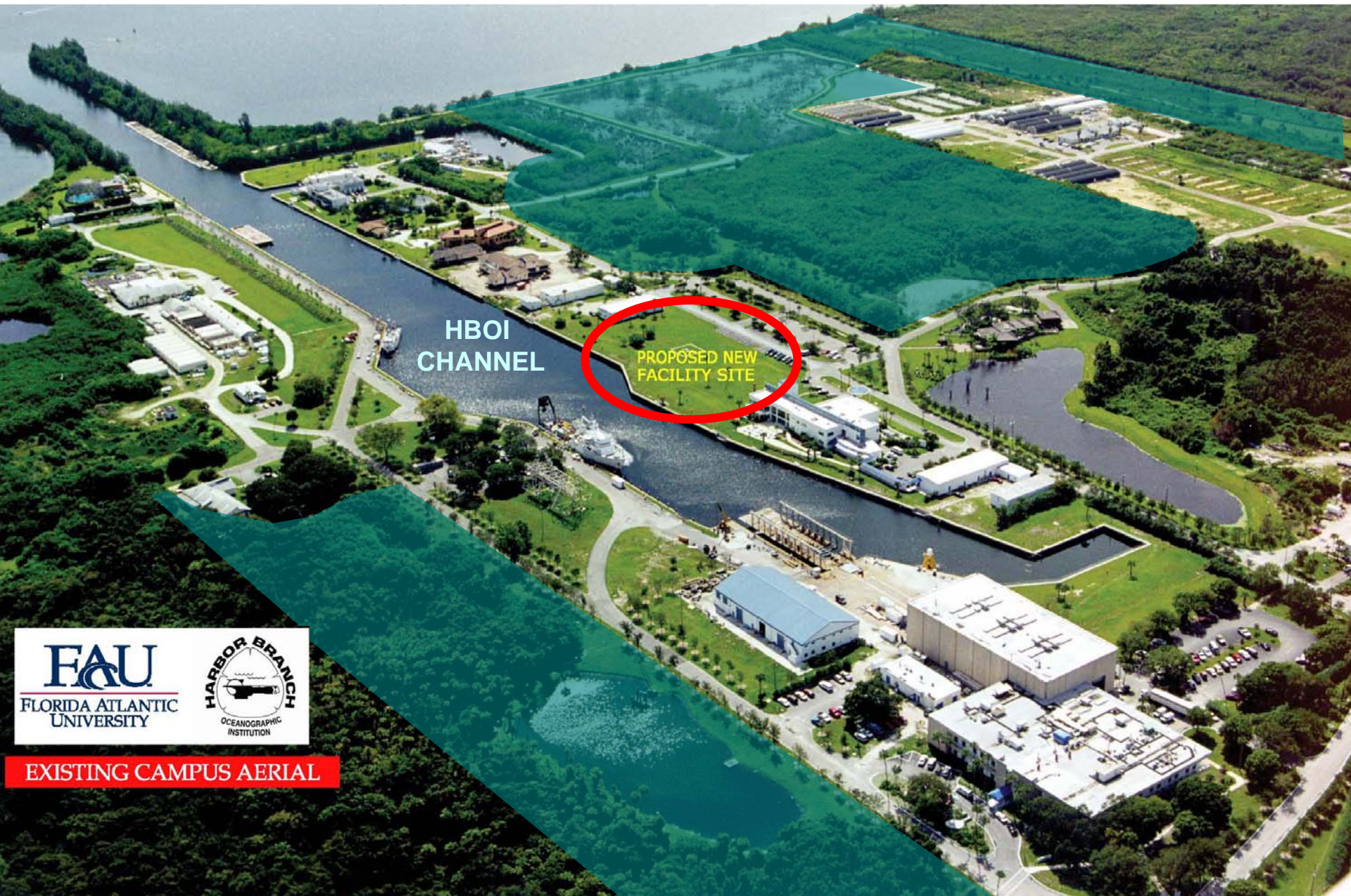
- Land Transfers
- Facilities Inventory



EXISTING CAMPUS SURVEY

- HBOI PROPERTY = 513.30 ACRES
- PROPERTY TO BE TRANSFERRED TO FAU = 125.00 ACRES MIN.





HBOI
CHANNEL

PROPOSED NEW
FACILITY SITE



EXISTING CAMPUS AERIAL



JOINT USE FACILITY

FAU and HBOI

2007-2008

PECO Appropriations

- **Remodel and Renovations/Harbor Branch Campus - \$14,141,984.00**
 - Land transfer – due diligence
 - Infrastructure mapping
 - Master Planning
 - Building demolition
 - Site deferred maintenance
 - Building deferred maintenance
- **Harbor Branch/FAU Transition - \$30,500,000.00**
 - New facility – 50,000 gsf of labs/admin
 - New facility infrastructure
 - Equipment

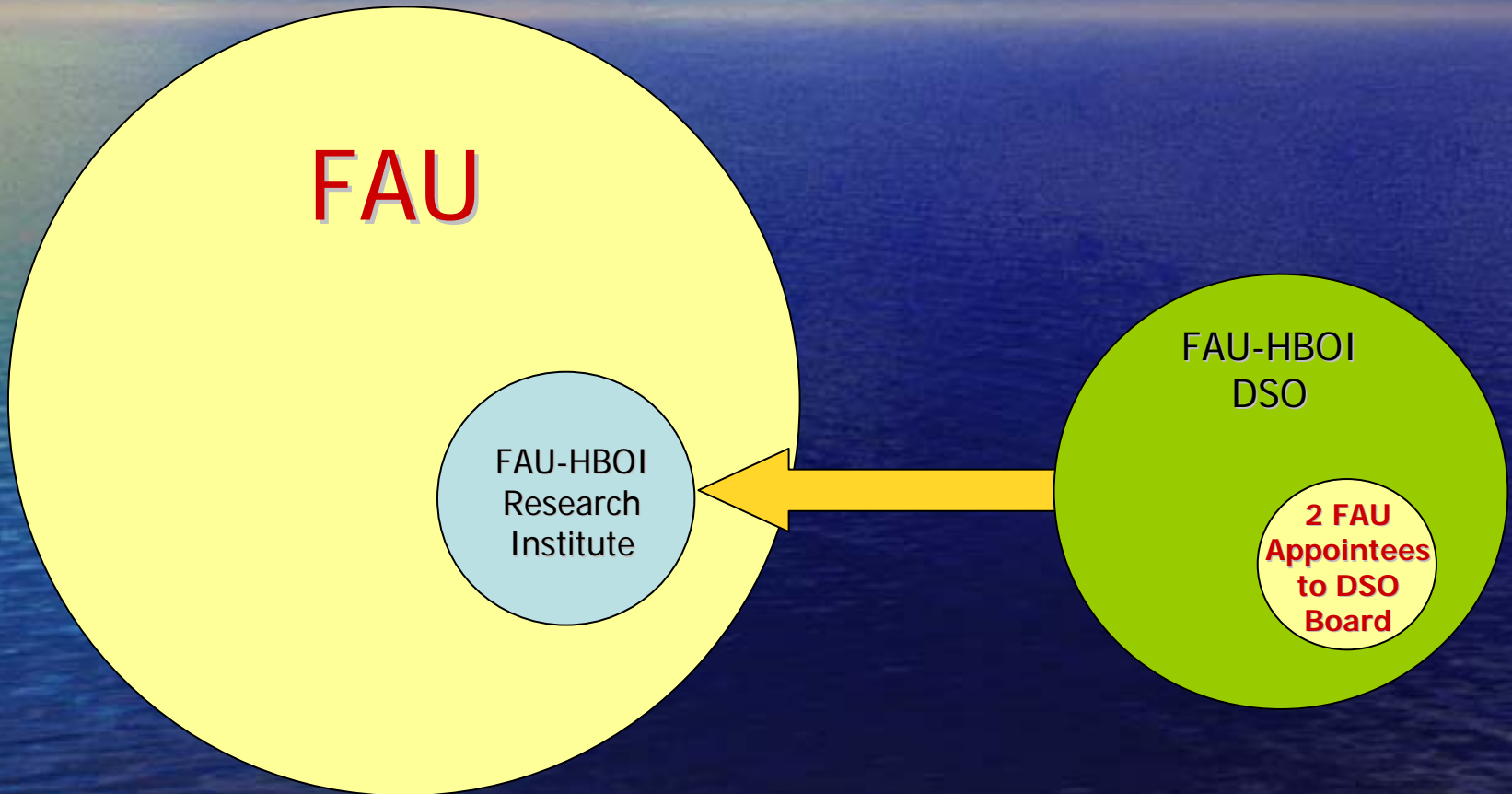


Administrative and Budgetary Details

Timeline of FAU/HBOI Transition

- President Brogan “concept” presentation to the Board of Trustees: March 21, 2007
- Letter of Intent: April 25, 2007
- HBOI Personnel Services Agreement: Board of Trustees approval June 27, 2007 (Effective July 1, 2007 through December 31, 2007)
- Memorandum of Understanding: In progress
- Reorganization of Harbor Branch Oceanographic Institution, Inc. into an FAU DSO: In progress
 - FAU BOT reserves approval rights over disposition of adjacent HBOI-retained property
 - New FAU-HBOI DSO to be independent of the existing FAU Foundation, Inc.
- Projected Transfer Date – December 31, 2007

Institutional Relationships



Administrative Services

- **Merger Leadership Team**

HBOI, Director for the Center for Ocean Exploration
Associate Provost – FAU Academic Affairs
Assistant Vice President – FAU Financial Affairs

- **HBOI and FAU transition components and participants**

Administrative and Financial Technology

Budget

Communications

Controller

Division of Research

Facilities and Plant Operations

General Counsel

Government Relations and External Affairs

Human Resources

IRM Technology Services

Police and Safety

Purchasing

Treasure Coast



Academic Programs and Research

Early Academic Initiatives

- FAU and HBOI have been collaborators in marine research and educational projects for the past decade or more.
- A special program, "Semester by the Sea," has been hosted by HBOI and is a residential one semester undergraduate practical experience where students spend the semester and take specific classes at HBOI.
- FAU and HBOI scientists have worked together to discover new "medicines from the sea" which was part of the first Center of Excellence Grant -- \$10 million -- awarded to FAU in 2003. Currently, two proposals from FAU are being prepared for the 2008 State of Florida Center of Excellence program that include research projects from HBOI.

Current Academic Initiatives

- A new Marine Science Center opened in November, 2006. This is a 40,000 GSF state-of-the-art research and teaching facility that contains specialized laboratories for chemistry, biology, microbiology, histology, including special environmental rooms, fermentation lab and aquaculture/saltwater labs, as well as dive lockers. It is shared by FAU and HBOI faculty and students.
- Torrey Pines presently occupies space in the building.
- Currently, two FAU Biology faculty members are housed in the new building at HBOI along with HBOI scientists. Ultimately, we propose to hire 8-10 additional new marine biology faculty for the HBOI campus.
- 15 HBOI staff are currently affiliate faculty in the Departments of Biological Sciences and/or Chemistry at FAU, and participate in the instructional programs of the departments and college.
- Both Master's and Doctoral students study at HBOI with HBOI scientists.

Future Academic Initiatives

- FAU/HBOI will become home to the John Thomas Ladue McGinty Eminent Scholar Chair in Marine Science.
- The goal is to ultimately develop world class research and instructional programs in Marine Sciences with graduate degree programs in Marine Science, and a 2+2 undergraduate program with FAU, IRCC and HBOI. The faculty will also contribute to the current BS in Biological Sciences, thus widening the science offerings on the Treasure Coast Campuses. Planning is underway for expansion of science positions.
- FAU will continue to promote the K-12 programs currently offered at HBOI, providing us with the opportunity to effectively develop and support interest in marine and biological sciences as future educational and career goals.

Future Research Initiatives

- Future research will continue in marine biotechnology and will expand to include sustainability of the world's oceans as the program at HBOI is developed along with an overarching program in environmental science, conservation and sustainability at FAU.
- We anticipate expanding collaborative programs with the Department of Ocean Engineering and SeaTech.



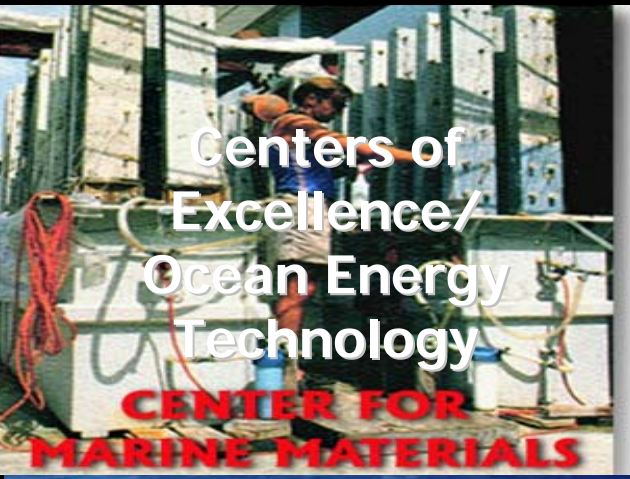
Opportunities for



College of
Engineering &
Computer Science/
Department of
Ocean Engineering
ADVANCED MARINE SYSTEMS



K-12 Mentoring

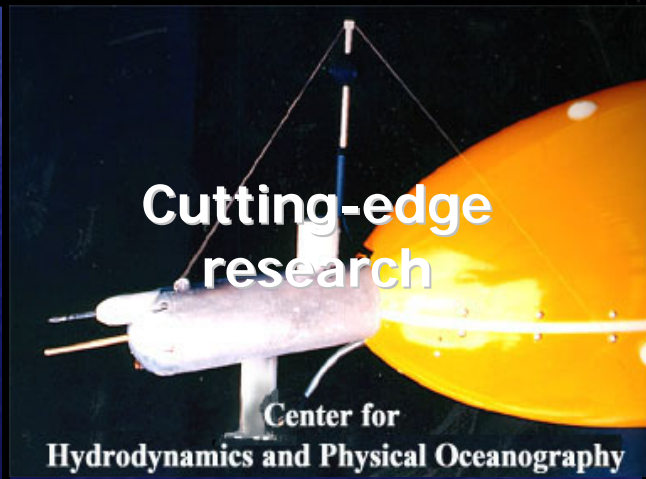


Centers of
Excellence/
Ocean Energy
Technology

**CENTER FOR
MARINE MATERIALS**



State, Federal
and
International
Research
Enables
**HARBOR
BRANCH**
OCEANOGRAPHIC
Ocean Science
for a Better World

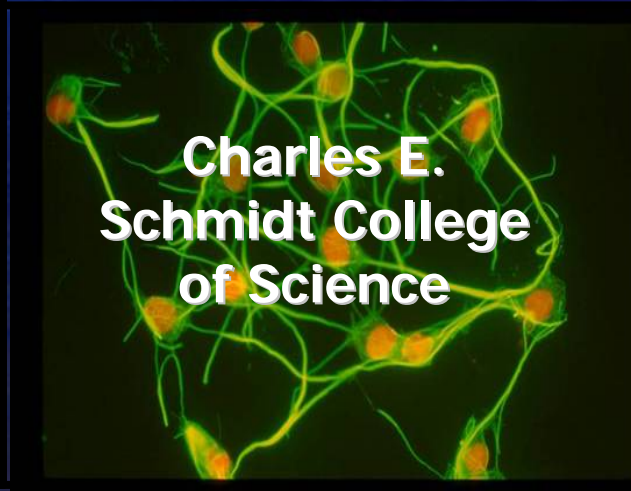


Cutting-edge
research

Center for
Hydrodynamics and Physical Oceanography



Academic
Initiatives



Charles E.
Schmidt College
of Science



And
collaborations
with...