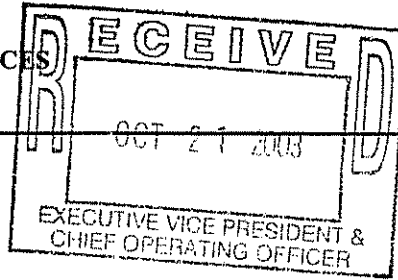




DEPARTMENT OF HEALTH & HUMAN SERVICES



Program Support Center
Financial Management Service
Division of Cost Allocation

Cohen Building-Room 1067
330 Independence Avenue, S.W.
Washington, DC 20201
PHONE: (202)-401-2808
FAX: (202)-619-3379

October 8, 2003

Mr. Minnis E. Ridenour
Executive Vice President
Virginia Polytechnic Institute and State University
Office of the University Controller c/o Mr. Kenneth Miller
201 Southgate Center
Blacksburg, VA 24061-0312

Dear Mr. Ridenour:

An original and one copy of a facilities and administrative (F&A) cost Rate Agreement are enclosed. This Agreement reflects an understanding reached between your organization and the Division of Cost Allocation concerning rate(s) that may be used to support your claim for F&A costs on grants and contracts with the Federal Government.

Please have the original signed by an authorized representative of your organization and return it to me, retaining the copy for your files. We will distribute the Agreement to the appropriate Federal awarding agencies for their use.

The Office of Management and Budget has requested that we reach an agreement with each institution on the components of the published F&A rates. The attached form is provided for that purpose. Please sign and return with the "Original Rate" Agreement.

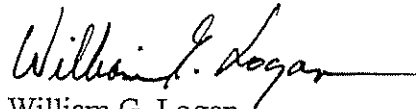
Additionally, it is our understanding that the Federal agency with the largest financial interest in your organization is the Department of Defense (DOD). Therefore, per OMB Circular A-21, DOD has been designated as your cognizant agency that is responsible for establishing Facilities & Administration, Fringe Benefit and Other Specialty rates for your organization in the future. Thus, your next proposal based upon fiscal 6/30/05 should be forwarded to:

Ms. Deborah K. Rafi
Director Indirect Cost Branch
Office of Naval Research
800 North Quincy Street, BCT, Room 430
Arlington, VA. 22217-5660
(703) 696-5641 Voice Telephone
(703) 696-4430 Fax Telephone

We have notified Ms. Rafi of this change in Cognizance.

An F&A cost proposal, together with the supporting information, are required to substantiate your claim for F&A costs under grants and contracts awarded by the Federal Government. Therefore, you should contact the Department of Defense, Office of Naval Research regarding submittal of your next proposal.

Sincerely,

A handwritten signature in cursive script that reads "William G. Logan". The signature is written in black ink and includes a horizontal line at the end.

William G. Logan
Director, Mid-Atlantic Field Office
Division of Cost Allocation

Enclosures

PLEASE SIGN AND RETURN THE "ORIGINAL" RATE AGREEMENT AND
COMPONENTS OF PUBLISHED RATES FORMS

ORIGINAL

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN #: 54-6001805

DATE: October 8, 2003

INSTITUTION:
Virginia Polytechnic Institute
and State University
Office of the University Controller
201 Southgate Center
Blacksburg VA 24061-0312

FILING REF.: The preceding
Agreement was dated
June 5, 2003

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES*

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
PRED.	07/01/03	06/30/04	50.0	On-Campus	Organized Research
PRED.	07/01/04	06/30/05	50.0	On-Campus	Organized Research
PRED.	07/01/05	06/30/06	51.0	On-Campus	Organized Research
PRED.	07/01/03	06/30/06	27.6	Off-Campus	Organized Res. (A)
PRED.	07/01/03	06/30/06	26.0	Off-Campus	Organized Res. (B)
PRED.	07/01/03	06/30/06	54.5	On-Campus	Instruction
PRED.	07/01/03	06/30/06	35.4	Off-Campus	Instruction (A)
PRED.	07/01/03	06/30/06	37.1	On-Campus	Other Spon Act
PRED.	07/01/03	06/30/06	23.5	Off-Campus	Other Spon Act (A)
PRED.	07/01/03	06/30/06	49.6	On-Campus	Agric Exper Stat
PRED.	07/01/03	06/30/06	27.7	Off-Campus	Agric Exper Stat (A)
PROV.	07/01/06	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2006.		

(A) Off-Campus Adjacent: Activities performed within the commuting area of Blacksburg, VA.

(B) Off-Campus Remote: Activities performed outside the commuting area of Blacksburg, VA.

*BASE:

Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

INSTITUTION:
 Virginia Polytechnic Institute
 and State University

AGREEMENT DATE: October 8, 2003

SECTION I: FRINGE BENEFITS RATES**

RATE TYPES:		FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)
TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
FIXED	07/01/03	06/30/04	23.0	All	Faculty
FIXED	07/01/03	06/30/04	30.0	All	Classified
FIXED	07/01/03	06/30/04	7.3	All	Part-Time
FIXED	07/01/03	06/30/04	1.0	All	Graduate Student
PROV.	07/01/04	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2004.		

**DESCRIPTION OF FRINGE BENEFITS RATE BASE:
Salaries and wages.

INSTITUTION:
Virginia Polytechnic Institute
and State University

AGREEMENT DATE: October 8, 2003

SECTION II: SPECIAL REMARKS

TREATMENT OF FRINGE BENEFITS:

The fringe benefits are charged using the rate(s) listed in the Fringe Benefits Section of this Agreement. The fringe benefits included in the rate(s) are listed below.

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the costs of these paid absences.

OFF-CAMPUS DEFINITION: For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

Fringe Benefits include: FICA, Retirement, Life Insurance, Educational Leave for Employees, Faculty/Staff Fee Waivers, Workers' Compensation, Health and Unemployment Insurance.

Tuition benefits for family members other than employees are unallowable for fiscal years beginning after June 30, 1999.

Equipment means an article of nonexpendable tangible personal property having a useful life of more than one year, and an acquisition cost of \$2,000 or more per unit.

INSTITUTION:
Virginia Polytechnic Institute
and State University

AGREEMENT DATE: October 8, 2003

SECTION III: GENERAL

A. LIMITATIONS:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its facilities and administrative cost pools as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as facilities and administrative costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from facilities and administrative to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:

The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21 Circular, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

E. OTHER:

If any Federal contract, grant or other agreement is reimbursing facilities and administrative costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of facilities and administrative costs allocable to these programs.

BY THE INSTITUTION:

Virginia Polytechnic Institute
and State University

(INSTITUTION)

(SIGNATURE)

(NAME)

(TITLE)

(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

(SIGNATURE)

William G. Logan

(NAME)

DIRECTOR, MID-ATLANTIC FIELD OFFICE

DIVISION OF COST ALLOCATION

(TITLE)

October 8, 2003

(DATE) 0449

HHS REPRESENTATIVE: Richard Gist

Telephone: (202) 401-2808

COMPONENTS OF THE PUBLISHED F & A COST RATE

INSTITUTION: Virginia Polytechnic Institute

FY COVERED BY RATE: FY 04 - FY 06

TYPE OF RATE: <<< CAMPUS >>> ON CAMPUS >>> <<< CAMPUS >>> OFF CAMPUS >>> <<< CAMPUS REMOTE >>>

Organized Research

RATE COMPONENTS:	FY 04-05	FY 06	FY 04-06	EY 06
Building & Improv Use Allow	2.3	2.8		
Equipment Use Allow	4.1	4.1		
Interest	1.0	1.0		
Operations & Maintenance	13.7	14.2		
Utility Cost Adjustment	1.3	1.3		
Library	1.6	1.6		
Administrative Component	26.0	26.0	27.6	26.0
Total	50.0	51.0	27.6	26.0

CONCURRENCE: [Signature]
(Signature)

Minnis E. Ridenour
(Name)

Executive Vice President & COO
(Title)


10/22/03
(Date)

COMPONENTS OF THE PUBLISHED F & A COST RATE

Virginia Polytechnic Institute

INSTITUTION:		FY 04 - FY 06		ON		OFF		ON		OFF		ON		OFF		
		<<<	CAMPUS	>>>	<<<<<	CAMPUS	>>>	<<<<<	CAMPUS	>>>	<<<<<	CAMPUS	>>>	<<<<<	CAMPUS	>>>
TYPE OF RATE:		Instruction		Other Sponsor Activities		Agriculture Experiment										
RATE COMPONENTS:		FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06	FY 04-06
Building & Improv Use Allow	3.1			1.6												
Equipment Use Allow	3.5			3.7												
Interest	1.0			0.1												
Operations & Maintenance	11.5			8.2												
Utility Cost Adjustment	0.0			0.0												
Library	9.4			1.5												
Administrative Component	26.0		35.4	22.0												27.7
Total	54.5	35.4	37.1	37.1	23.5	49.6	27.7	23.5	49.6	27.7	27.7	27.7	27.7	27.7	27.7	27.7

CONCURRENCE:


 (Signature)

Minnis E. Ridenour
 (Name)

Executive Vice President & COO
 (Title)

10/23/03
 (Date)