



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
875 NORTH RANDOLPH STREET
SUITE 1425
ARLINGTON, VA 22203-1995

IN REPLY REFER TO:

Agreement Date: December 8, 2006

NEGOTIATION AGREEMENT

Institution: **VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
BLACKSBURG, VIRGINIA 24061**

The Facility and Administrative Cost rates contained herein are for use on grants, contracts and/or other agreements issued or awarded to Virginia Polytechnic Institute and State University by all Federal Agencies of the United States of America, in accordance with the provisions and cost principles mandated by the Office of Management and Budget (OMB) Circular A-21. These rates shall be used for forward pricing and billing purposes at Virginia Polytechnic Institute and State University for Fiscal Years 2007 through 2009. This rate agreement supersedes all previous rate agreements/determinations for Fiscal Year 2007.

Section I: Rates - Type: Predetermined (Pred)

FACILITY AND ADMINISTRATIVE COST RATES (Indirect Cost):

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Rate</u>	<u>Base</u>	<u>Applicable</u>	
					<u>To</u>	<u>Location</u>
Pred	7/1/06	6/30/07	56.00%	(a)	Organized Research (1)	On Campus
Pred	7/1/07	6/30/08	56.80%	(a)	Organized Research (1)	On Campus
Pred	7/1/08	6/30/09	58.50%	(a)	Organized Research (1)	On Campus
Pred	7/1/06	6/30/07	59.30%	(a)	Organized Research (2)	On Campus
Pred	7/1/07	6/30/08	60.00%	(a)	Organized Research (2)	On Campus
Pred	7/1/08	6/30/09	61.00%	(a)	Organized Research (2)	On Campus
Pred	7/1/06	6/30/07	27.50%	(a)	Organized Research (1)	Off Campus Adjacent *
Pred	7/1/07	6/30/08	27.50%	(a)	Organized Research (1)	Off Campus Adjacent
Pred	7/1/08	6/30/09	27.40%	(a)	Organized Research (1)	Off Campus Adjacent
Pred	7/1/06	6/30/09	31.00%	(a)	Organized Research (2)	Off Campus Adjacent

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Rate</u>	<u>Base</u>	<u>Applicable To</u>	<u>Location</u>
Pred	7/1/06	6/30/09	26.00%	(a)	Organized Research (1)	Off Campus Remote **
Pred	7/1/06	6/30/09	29.00%	(a)	Organized Research (2)	Off Campus Remote
Pred	7/1/06	6/30/09	57.00%	(a)	Instruction	On Campus
Pred	7/1/06	6/30/09	26.00%	(a)	Instruction	Off Campus
Pred	7/1/06	6/30/09	38.00%	(a)	Other Sponsored Activities	On Campus
Pred	7/1/06	6/30/09	22.70%	(a)	Other Sponsored Activities	Off Campus
Pred	7/1/06	6/30/09	42.30%	(a)	Agricultural Exp Station	On Campus
Pred	7/1/06	6/30/09	23.60%	(a)	Agricultural Exp Station	Off Campus

* Off Campus - Adjacent: Activities performed within the commuting area of Blacksburg, VA

** Off Campus - Remote: Activities performed outside the commuting area of Blacksburg, VA

DISTRIBUTION BASES:

(a) Modified Total Direct Cost (MTDC), consisting of salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs. Equipment is defined as having an acquisition cost which equals or exceeds \$2,000 and a useful life of more than one year.

APPLICABLE TO:

(1) Applies to all DoD contracts and subcontracts awarded or issued before November 30, 1993, all Non-DoD instruments, and all DoD grants. See Section II, Part E hereof. (Capped Rate)

(2) Applies to all DoD contracts awarded or issued on or after November 30, 1993 in accordance with and under the authority of DFARS 231.303(1). See Section II, Part E hereof. (Uncapped Rate)

SECTION II - GENERAL TERMS AND CONDITIONS

A. **LIMITATIONS:** Use of the rates set forth under Section I is subject to any statutory or administrative limitations, and is applicable to a given grant, contract or other agreement only to the extent that funds are available and consistent with any and all limitations of cost clauses or provisions, if any, contained therein. Acceptance of the rates agreed to herein is predicated upon all the following conditions: (1) that no costs other than those incurred by the grantee/contractor were included in the indirect cost pool as finally accepted and that all such costs are legal obligations of the grantee/contractor and allowable under governing cost principles; (2) that the same costs that have been treated as indirect costs are not claimed as direct costs; (3) that similar types of costs have been accorded consistent accounting treatment; and (4) that the information provided by the contractor/grantee, which was used as the basis for the acceptance of the rates agreed to herein and expressly relied upon by the Government in negotiating and accepting the said rates, is not subsequently found to be materially incomplete or inaccurate.

B. **ACCOUNTING CHANGES:** The rates contained in Section I of this agreement are based on the accounting system in effect at the time this agreement was negotiated. Changes to the method(s) of accounting for costs which affects the amount of reimbursement resulting from the use of these rates require the written approval of the authorized representative of the cognizant negotiating agency. Such changes include but are not limited to changes in the charging of a particular type of cost from indirect to direct. Failure to obtain such approval may result in subsequent cost disallowances.

C. **USE BY OTHER FEDERAL AGENCIES:** The rates set forth in Section I hereof were negotiated in accordance with and under the authority set forth in OMB Circular A-21. Accordingly, such rates shall be applied to the extent provided in such circular to grants and contracts to which OMB Circular A-21 applies, subject to any limitations in paragraph A above. Copies of this document may be provided by either party to other Federal agencies which have or intend to issue or award grants and contracts using these rates as a means of providing them with early notification of the agreement contained herein.

D. **PREDETERMINED FACILITIES & ADMINISTRATIVE COST RATES:** The predetermined facilities and administrative cost rates contained in this agreement are subject only to adjustment in accordance with the provisions of OMB Circular A-21.

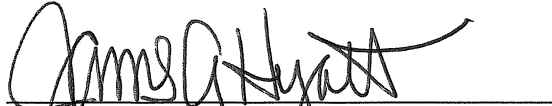
E. **APPLICATION OF INDIRECT COST RATES TO DOD CONTRACTS/SUBCONTRACTS**
In accordance with DFARS 231.303, no limitation (unless waived by the institution) may be placed on the reimbursement of otherwise allowable indirect costs incurred by an institution of higher education under a DoD contract awarded on or after November 30, 1993, unless the same limitation is applied uniformly to all other organizations performing similar work. It has been determined by the Department of Defense that such limitation is not being uniformly applied. Accordingly, the rates cited (2) of Section I, as explained under title "APPLICABLE TO" (2), do not reflect the

application of the 26% limitation on administrative indirect costs imposed by OMB A-21, whereas (1) does so.

The undersigned hereby declare that the terms of this document have been completely read and are fully understood and voluntarily accepted.

The individuals executing this agreement are authorized to execute for and on behalf of the parties for whom they sign and do so as their free and voluntary act.

FOR VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY:



JAMES A. HYATT
Executive Vice President and
Chief Operating Officer

12/14/06
Date

FOR THE GOVERNMENT:



DEBORAH K. RAFI
Contracting Officer

12/20/06
Date

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