



DEPARTMENT OF THE NAVY  
OFFICE OF NAVAL RESEARCH  
800 NORTH QUINCY STREET  
ARLINGTON, VA 22217-5660

IN REPLY REFER TO

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## NEGOTIATION AGREEMENT

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Institution: MICHIGAN TECHNOLOGICAL UNIVERSITY  
HOUGHTON, MI 49931-1295

The Facility and Administrative Cost Rates and Fringe Benefits rates contained herein are for use on grants, contracts and/or other agreements issued or awarded to the Michigan Technological 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 F&A rates shall be used for forward pricing and billing purposes at the Michigan Technological University for Fiscal Years 2004, 2005, and 2006. The Fringe Benefits Rates shall be used for forward pricing and billing purposes at the Michigan Technological University for Fiscal Year 2004. This rate agreement supersedes all previous rate agreements/determinations for Fiscal Years 2004, 2005, and 2006.

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### SECTION I: RATES - TYPE: Predetermined (Pred)

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#### Facility and Administration Rates:

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
Pred	7/01/03	6/30/06	56.0%	(a)	On-Campus	Organized Research (1)
Pred	7/01/03	6/30/06	63.0%	(a)	On-Campus	Organized Research (2)
Pred	7/01/03	6/30/06	26.0%	(a)	Off-Campus	Organized Research (1)
Pred	7/01/03	6/30/06	33.0%	(a)	Off-Campus	Organized Research (2)
Pred	7/01/03	6/30/06	55.0%	(a)	All	Instruction (1)
Pred	7/01/03	6/30/06	38.0%	(a)	On-Campus	Other Sponsored (1) Activities
Pred	7/01/03	6/30/06	23.7%	(a)	Off-Campus	Other Sponsored (1) Activities

#### Fringe Benefits Rates:

Pred	7/01/03	6/30/04	39.0%	(b)	All	Base Rate for All Employees
Pred	7/01/03	6/30/04	4.35%	(c)	All	Graduate Students
Pred	7/01/03	6/30/04	25.0%	(d)	All	Summer Faculty

## DISTRIBUTION BASES:

- (a) Modified Total Direct Costs (MTDC), as defined in OMB Circular A-21, consists 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 (regardless of the period covered by the subgrant or subcontract). Equipment (defined as having an acquisition cost equal to or greater than \$2,500 and useful life of more than one year for acquisitions), 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 the Modified Total Direct Costs
- (b) Non-Student Salary and Wages
- (c) Graduate Student Salary and Wages
- (d) Summer Faculty Salary and Wages

### 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 only to 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)

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## **SECTION II - GENERAL TERMS AND CONDITIONS**

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**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 of the following conditions: (1) that no costs other than those incurred by the grantee/contractor were included in this indirect cost pool as finally accepted and that 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 grantee/contractor, which was used as the basis for 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 the agreement was negotiated. Changes to the method(s) of accounting for costs which affect the amount of reimbursement resulting from the use of these rates require the written approval of the authorized representative of the cognizant negotiating agency for the Government prior to implementation of any such changes. Such changes include but are not limited to changes in the charging of a particular type of costs 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 is applicable, subject to any limitations in part A of this section. 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 or to otherwise provide such agencies with documentary notice of this agreement and its terms and conditions.

**D. PREDETERMINED RATES:** The predetermined rates set forth in Section I of this agreement are not subject to adjustment in accordance with the provisions of OMB Circular A-21, subject to the limitations contained in Part A of this section.


**E. APPLICATION OF FACILITY & ADMINISTRATIVE COST RATES TO DEPARTMENT OF DEFENSE (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) in 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 the rates cited (1) in Section I, do so.

**F. SPECIAL REMARKS:** The purpose of this agreement is to establish F&A cost rates for the period of 1 July 2003 through 30 June 2006, and Fringe Benefits Rates for the period of 1 July 2003 through 30 June 2004. These rates are based on Michigan Technological University's proposals dated 30 January 2003. The Government's agreement to the rates in Section I, based on the accounting systems and allocation methodologies in effect at the time this agreement was negotiated, does not represent an agreement that these systems and methodologies are accepted for FY's 2004, 2005, and 2006, or any subsequent fiscal year's rate negotiations.

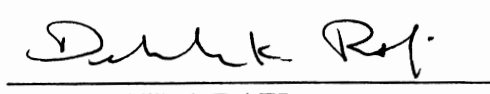
Acceptance:

FOR THE MICHIGAN TECHNOLOGICAL  
UNIVERSITY:

FOR THE U.S GOVERNMENT:



DANIEL D. GREENLEE  
Chief Financial Officer and Treasurer  
of the Board of Control



DEBORAH K. RAFI  
Contracting Officer

10/21/03

Date

10/22/03

Date

*For information concerning  
this agreement contact:*

OFFICE OF NAVAL RESEARCH  
SCOTT M. BUKOVEC, BCT #3, Rm 424  
800 N. QUINCY STREET  
ARLINGTON, VA 22217

PHONE: 703.696.2586  
E-mail: bukoves@onr.navy.mil

## INDIVIDUAL RATE COMPONENTS

Institution: Michigan Technological University

FYs Covered: 2004, 2005, 2006

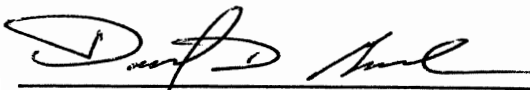
Function Rate is Applicable to: Organized Research (On-Campus), Organized Research (Off-Campus) - CAPPED

Type of Rate: Predetermined

Distribution Base: MTDC \$16,289,401 (\$14,095,729 On-Campus; \$2,193,672 Off-Campus)

<u>RATE COMPONENTS:</u>	<u>FYs 2004 - 2005 - 2006</u>	
	<u>Organized Research On-Campus CAPPED</u>	<u>Organized Research Off-Campus CAPPED</u>
1. ADMINISTRATIVE:		
A. G&A	10.20%	10.20%
B. DA	15.83%	15.83%
C. SPA	6.91%	6.91%
D. Student Services	0.00%	0.00%
E. Administrative Cap Adjustment	(6.94%)	(6.94%)
Subtotal for Administrative	26.00%	26.00%
2. DEPRECIATION/USE ALLOWANCE		
A. Buildings & Improvements Use Allow.	6.17%	N/A
B. Equipment Deprec.	3.86%	N/A
3. INTEREST	7.10%	N/A
4. O&M	11.94%	N/A
5. LIBRARY	0.93%	N/A
Subtotal for Facilities	30.00%	0.00%
7. Voluntary Reduction	0.00%	0.00%
8. Rounding	0.00%	0.00%
Total	56.00%	26.00%

FOR THE UNIVERSITY:

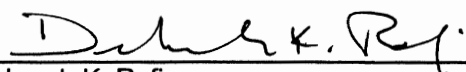


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Daniel D. Greenlee  
Chief Financial Officer and Treasurer of the  
Board of Control

10/21/2003  
Date

FOR THE U.S. GOVERNMENT:



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Deborah K. Rafi  
Contracting Officer

10/22/2003  
Date

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## INDIVIDUAL RATE COMPONENTS

Institution: Michigan Technological University

FYs Covered: 2004, 2005, 2006

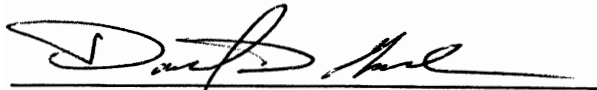
Function Rate is Applicable to: Organized Research (On-Campus), Organized Research (Off-Campus) - UNCAPPED

Type of Rate: Predetermined

Distribution Base: MTDC \$16,289,401 (\$14,095,729 On-Campus; \$2,193,672 Off-Campus)

RATE COMPONENTS:	FYs 2004 - 2005 - 2006	
	Organized Research On-Campus <b>UNCAPPED</b>	Organized Research Off-Campus <b>UNCAPPED</b>
1. ADMINISTRATIVE:		
A. G&A	10.20%	10.20%
B. DA	15.83%	15.83%
C. SPA	6.91%	6.91%
D. Student Services	0.00%	0.00%
E. Administrative Cap Adjustment	0.00%	0.00%
Subtotal for Administrative	32.94%	32.94%
2. DEPRECIATION/USE ALLOWANCE		
A. Buildings & Improvements Use Allow.	6.17%	N/A
B. Equipment Deprec.	3.86%	N/A
3. INTEREST	7.10%	N/A
4. O&M	11.94%	N/A
5. LIBRARY	0.93%	N/A
Subtotal for Facilities	30.00%	0.00%
7. Voluntary Reduction	0.00%	0.00%
8. Rounding	0.06%	0.06%
Total	<b>63.00%</b>	<b>33.00%</b>

FOR THE UNIVERSITY:

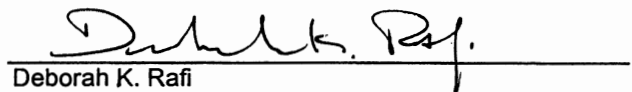


Daniel D. Greenlee  
Chief Financial Officer and Treasurer of the  
Board of Control

10/21/2003

Date

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Contracting Officer

10/22/2003

Date

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## INDIVIDUAL RATE COMPONENTS

Institution: Michigan Technological University

FYs Covered: 2004, 2005, 2006


Function Rate is Applicable to: Instruction

Type of Rate: Predetermined

Distribution Base: MTDC \$46,617,519

RATE COMPONENTS:	FYs 2004 - 2005 - 2006	
	Instruction	
	<b>CAPPED</b>	
1. ADMINISTRATIVE:		
A. G&A		10.20%
B. DA		13.41%
C. SPA		6.91%
D. Student Services		12.64%
E. Administrative Cap Adjustment		(17.16%)
Subtotal for Administrative		26.00%
2. DEPRECIATION/USE ALLOWANCE		
A. Buildings & Improvements Use Allow.		4.00%
B. Equipment Deprec.		3.95%
3. INTEREST		3.19%
4. O&M		9.02%
5. LIBRARY		8.82%
Subtotal for Facilities		28.98%
7. Voluntary Reduction		0.00%
8. Rounding		0.02%
Total		<b>55.00%</b>

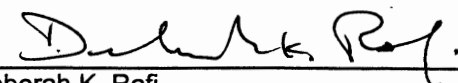
FOR THE UNIVERSITY:

  
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## INDIVIDUAL RATE COMPONENTS

Institution: Michigan Technological University

FYs Covered: 2004, 2005, 2006

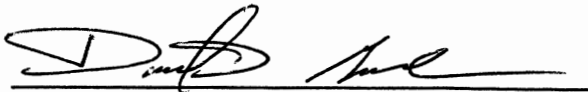
Function Rate is Applicable to: Other Sponsored Activities

Type of Rate: Predetermined

Distribution Base: MTDC \$2,976,102 (\$1,817,894 On-Campus; \$1,158,208 Off-Campus)

<u>RATE COMPONENTS:</u>	FYs 2004 - 2005 - 2006	
	Other Sponsored Activities <b>On-Campus CAPPED</b>	Other Sponsored Activities <b>Off-Campus CAPPED</b>
1. ADMINISTRATIVE:		
A. G&A	10.20%	10.20%
B. DA	6.60%	6.60%
C. SPA	6.91%	6.91%
D. Student Services	0.00%	0.00%
E. Administrative Cap Adjustment	0.00%	0.00%
Subtotal for Administrative	23.71%	23.71%
2. DEPRECIATION/USE ALLOWANCE		
A. Buildings & Improvements Use Allow.	3.13%	0.00%
B. Equipment Deprec.	1.80%	0.00%
3. INTEREST	3.43%	0.00%
4. O&M	5.22%	0.00%
5. LIBRARY	0.84%	0.00%
Subtotal for Facilities	14.42%	0.00%
7. Voluntary Reduction	0.00%	0.00%
8. Rounding	(0.13%)	(0.01%)
Total	38.00%	23.70%

FOR THE UNIVERSITY:




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Daniel D. Greenlee  
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