NEGOTIATION AGREEMENT

INSTITUTION: THE PENNSYLVANIA STATE UNIVERSITY
UNIVERSITY PARK, PA 16801-3857

The Fringe Benefit rates contained herein are for use on grants, contracts and/or other agreements issued or awarded to the Pennsylvania State University (PSU) by all Federal agencies in accordance with the cost principles mandated by 2 CFR 220. These rates shall be used for forward pricing and billing purposes for the PSU’s Fiscal Years 2014-2015. This rate agreement supersedes all previous rate agreements for Fiscal Year 2014-2015.

Section I: RATES - TYPE: FIXED (FIXED)
PROVISIONAL (PROV)

Fringe Benefits Rates:

<table>
<thead>
<tr>
<th>Category</th>
<th>Type</th>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Base</th>
<th>Applicable To</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>Fixed</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>36.50%</td>
<td>(a)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Salaries</td>
<td>Prov</td>
<td>7/1/2014</td>
<td>6/30/2015</td>
<td>36.50%</td>
<td>(a)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Wages</td>
<td>Fixed</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>7.90%</td>
<td>(b)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Wages</td>
<td>Prov</td>
<td>7/1/2014</td>
<td>6/30/2015</td>
<td>7.90%</td>
<td>(b)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>Fixed</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>13.20%</td>
<td>(c)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>Prov</td>
<td>7/1/2014</td>
<td>6/30/2015</td>
<td>13.20%</td>
<td>(c)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Students</td>
<td>Fixed</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>0.20%</td>
<td>(d)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Students</td>
<td>Prov</td>
<td>7/1/2014</td>
<td>6/30/2015</td>
<td>0.20%</td>
<td>(d)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Postdoctoral Scholars</td>
<td>Fixed</td>
<td>7/1/2013</td>
<td>6/30/2014</td>
<td>25.00%</td>
<td>(e)</td>
<td>All Programs</td>
<td>All</td>
</tr>
<tr>
<td>Postdoctoral Scholars</td>
<td>Prov</td>
<td>7/1/2014</td>
<td>6/30/2015</td>
<td>25.00%</td>
<td>(e)</td>
<td>All Programs</td>
<td>All</td>
</tr>
</tbody>
</table>

DISTRIBUTION BASES

(a) Salaries, excluding graduate assistants, fixed term II and visiting faculty appointments not receiving full benefits.

(b) Wages and those salaries not receiving full benefits, exclusive of graduate assistants, student wages, and postdoctoral scholar salaries.
(c) Graduate assistant salaries.

(d) Student wages.

(e) Postdoctoral Scholar salaries

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 any or all 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 its 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, in like circumstances, have been accorded consistent accounting treatment; (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 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 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 cost from indirect to direct. Failure to obtain such approval may result in subsequent cost disallowances.

C. FIXED RATES WITH CARRY-FORWARD PROVISIONS: The fixed rates in this agreement are based on estimates of the costs for FY 2014. When actual costs for the period are determined, an adjustment will be made to the rates of a future year to recognize the difference between the FY 2014 estimated costs used to establish the fixed rates and the negotiated actual FY 2014 costs.

D. CARRY FORWARD AMOUNTS: The following carry-forward amounts were considered in the establishment of the FY 2014 rates:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Salaries</th>
<th>Wages</th>
<th>Graduate Assistants</th>
<th>Students</th>
<th>Postdoctoral Scholars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>($2,831,455)</td>
<td>($113,664)</td>
<td>($506,434)</td>
<td>($47,474)</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note: ( ) denotes over-recovery
E. **PROVISIONAL RATES:** The provisional rates contained in this agreement are subject to unilateral amendment by the Government or bilateral amendment by the contracting parties at any time.

F. **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 2 CFR 220. Accordingly, such rates shall be applied to the extent provided in such regulations to grants, contracts and other transactions to which 2 CFR 220 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.

Accepted:

FOR PENNSYLVANIA STATE UNIVERSITY:

[Signature]
Joseph J. Doncsecz
Associate Vice President for Finance and Corporate Controller

10/7/13
Date

[Signature]
David F. Godfrey
Contracting Officer

10/7/13
Date

For information concerning this agreement contact:
DAVID F. GODFREY, Contracting Officer
Office of Naval Research
875 North Randolph Street
Arlington, VA 22203-1995

FOR THE U.S. GOVERNMENT:

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