NEGOTIATION AGREEMENT

Institution: Stanford University
Stanford, California 94305

The Facilities and Administrative Cost rates contained herein are for use on grants and contracts with all Federal Agencies 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 for Stanford University’s Fiscal Years 2005 and 2006. This rate agreement supersedes all previous rate agreements/determinations for Fiscal Years 2005 and 2006.

Section I: Rates - Type: Predetermined (Pred)

FACILITY AND ADMINISTRATIVE COST RATES (Indirect Cost):

<table>
<thead>
<tr>
<th>Type</th>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Base</th>
<th>Applicable To</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>57.00%</td>
<td>(a)</td>
<td>Organized Research</td>
<td>On Campus</td>
</tr>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>28.00%</td>
<td>(a)</td>
<td>Organized Research</td>
<td>Off Campus</td>
</tr>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>40.00%</td>
<td>(a)</td>
<td>Sponsored Instruction</td>
<td>On Campus</td>
</tr>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>27.00%</td>
<td>(a)</td>
<td>Sponsored Instruction</td>
<td>Off Campus</td>
</tr>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>35.40%</td>
<td>(a)</td>
<td>Other Sponsored Activities</td>
<td>All</td>
</tr>
<tr>
<td>Pred</td>
<td>9/1/04</td>
<td>8/31/05</td>
<td>76.50%</td>
<td>(b)</td>
<td>Animal Care</td>
<td>VSC **</td>
</tr>
</tbody>
</table>

* Including Education Service Agreements

** In January 1995, the name of the Division of Laboratory Animal Medicine Service Center (DLAM) was changed to the Veterinary Service Center (VSC).
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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 $1,500 and a useful life of more than one year for equipment acquired on or before August 31, 2003. Beginning September 1, 2003, equipment is defined as having an acquisition cost which equals or exceeds $5,000 and a useful life of more than one year.

(b) VSC direct costs.

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
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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. Accord-  
ingly, 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. DFARS WAIVER: Signature of this agreement by the authorized representative of  
Stanford University and the Government acknowledges and affirms the University’s request to  
waive the prohibition contained in DFARS 231.303(1) and the Government’s exercise of its  
discretion contained in DFARS 231.303(2) to waive the prohibition in DFARS 231.303(1). The  
waiver request by Stanford University is made to simplify the University’s overall management  
of DOD cost reimbursements under DOD contracts.

F. SPECIAL REMARKS: The purpose of this agreement is to establish predetermined F&A  
cost rates for fiscal years 2005 and 2006. The establishment of these rates by the Government  
based on the accounting systems and allocation methodologies contained in this proposal does  
not represent an agreement that these systems and methodologies are accepted for fiscal years  
2005 and 2006, or for any subsequent year’s rate negotiation.
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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 STANFORD UNIVERSITY:

RANDALL S. LIVINGSTON
Vice President for Business Affairs
and Chief Financial Officer

June 30, 2004
Date

FOR THE GOVERNMENT:

DEBORAH K. RAFI
Contracting Officer

July 1, 2004
Date

For information concerning this document contact:
DEBORAH K. RAFI
OFFICE OF NAVAL RESEARCH
BCT #3, Room 430
800 N. QUINCY STREET
ARLINGTON, VA 22217

PHONE: (703) 696-5641
EMAIL: rafig@onr.navy.mil