Dear Ms. Cheng:

A copy of an indirect cost Negotiation Agreement is attached. This Agreement reflects an understanding reached between your organization and a member of my staff concerning the rate(s) that may be used to support your claim for indirect costs on grants and contracts with the Federal Government. Please have the Agreement signed by a duly authorized representative of your organization and return it to me by FAX, retaining the copy for your files. We will reproduce and distribute the Agreement to the appropriate awarding organizations of the Federal Government for their use.

An indirect cost proposal together with supporting information are required to substantiate your claim for indirect costs under grants and contracts awarded by the Federal Government. Thus, your next proposal based on your fiscal year ending 06/30/05, is due in our office by 12/31/05.

Sincerely,

David S. Low
Director

Attachment

PLEASE SIGN AND RETURN THE NEGOTIATION AGREEMENT BY FAX
COLLEGES AND UNIVERSITIES RATE AGREEMENT

---

FIN #: 1952081258A2

DATE: February 20, 2004

INSTITUTION:
California State University, Fullerton
and The Foundation
800 North State College Blvd.

FILING REP.: The preceding Agreement was dated
September 10, 2002

Fullerton CA 92634

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*

<table>
<thead>
<tr>
<th>RATE TYPES</th>
<th>EFFECTIVE PERIOD</th>
<th>RATE (%)</th>
<th>LOCATIONS</th>
<th>APPLICABLE TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>FED.</td>
<td>07/01/03 06/30/06</td>
<td>39.5</td>
<td>On-Campus</td>
<td>All Programs</td>
</tr>
<tr>
<td>FED.</td>
<td>07/01/03 06/30/06</td>
<td>22.0</td>
<td>Off-Campus</td>
<td>All Programs</td>
</tr>
<tr>
<td>PROV.</td>
<td>07/01/06 06/30/07</td>
<td>39.5</td>
<td>On-Campus</td>
<td>All Programs</td>
</tr>
<tr>
<td>PROV.</td>
<td>07/01/06 06/30/07</td>
<td>22.0</td>
<td>Off-Campus</td>
<td>All Programs</td>
</tr>
</tbody>
</table>

*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.
SECTION II: SPECIAL REMARKS

TREATMENT OF FRINGE BENEFITS:
This organization charges the actual cost of each fringe benefit direct to Federal projects. However, it uses a fringe benefit rate which is applied to salaries and wages in budgeting fringe benefit costs under project proposals. The fringe benefits listed below are treated as direct costs.

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 for the costs of these paid absences are not made.

DEFINITION OF OFF-CAMPUS: A project is considered off-campus if the activity is conducted at locations other than in University or Foundation owned or operated facilities and indirect costs associated with physical plant and library are not considered applicable to the project.

DEFINITION OF EQUIPMENT
Equipment is defined as tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

The following fringe benefits are treated as direct costs:
FICA, SUI, WORKERS COMPENSATION, HEALTH/LIFE INSURANCE, AND RETIREMENT.
INSTITUTION:
California State University, Fullerton
and The Foundation

AGREEMENT DATE: February 20, 2004

SECTION III: GENERAL

A. LIMITATIONS:
The rates in this Agreement are subject to any statutory or administrative limitations and apply to a single 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 for costs which 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 accounted for and classified consistently; and (4) The information provided by the organization which was used to establish the rates is 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.

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

C. FIXED RATE:
It is a fixed rate 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 above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE INSTITUTION:
California State University, Fullerton
and The Foundation

(SIGNATURE)

WILLIAM M. DICKERSON
(NAME)

EXECUTIVE DIRECTOR
(TITLE)
02/23/04
(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

(SIGNATURE)

D. Low
(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION
(TITLE)

February 20, 2004
(DATE)
01/23/04

HHS REPRESENTATIVE: Helen Fung
Telephone: (415) 437-7820

(3)