	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
139	Exemption 4				
140					
141					
142					
143					
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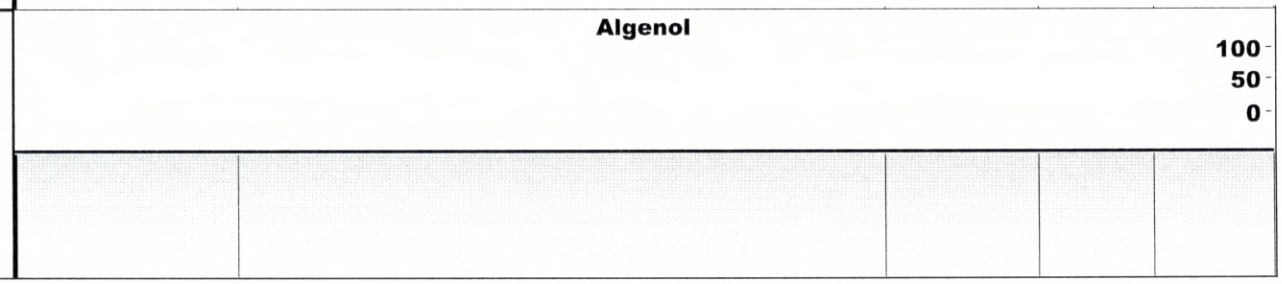

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
158	Exemption 4				
159					
160					
161					
162					
163					
164					
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167					
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173					
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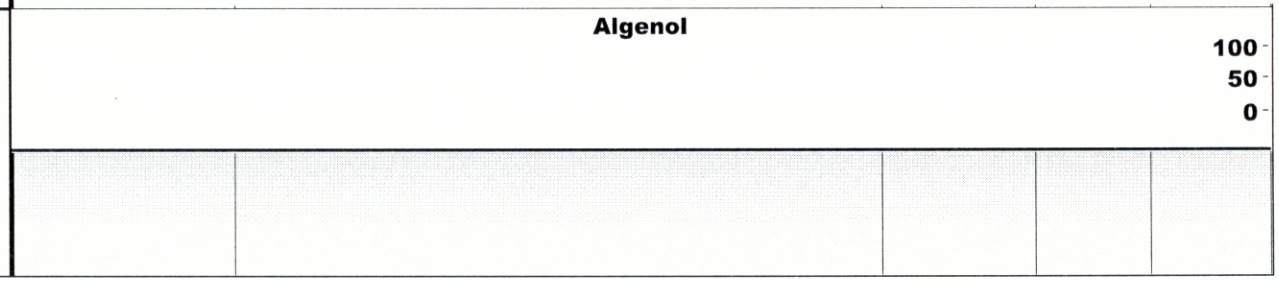

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
176	Exemption 4				
177					
178					
179					
180					
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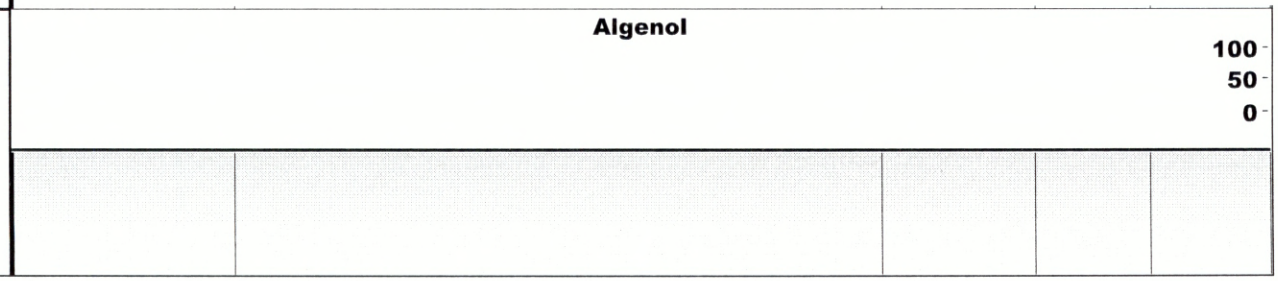

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
196	Exemption 4				
197					
198					
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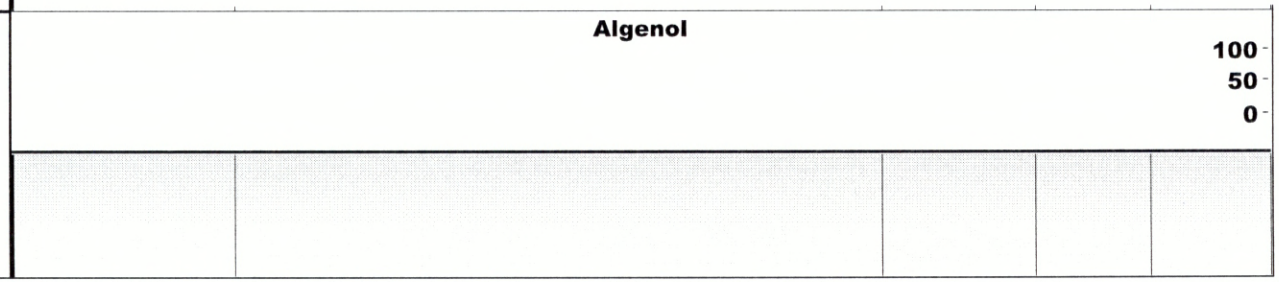

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
216	Exemption 4				
217					
218					
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222					
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227					
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230					
231					
232					
233					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
234	Exemption 4				
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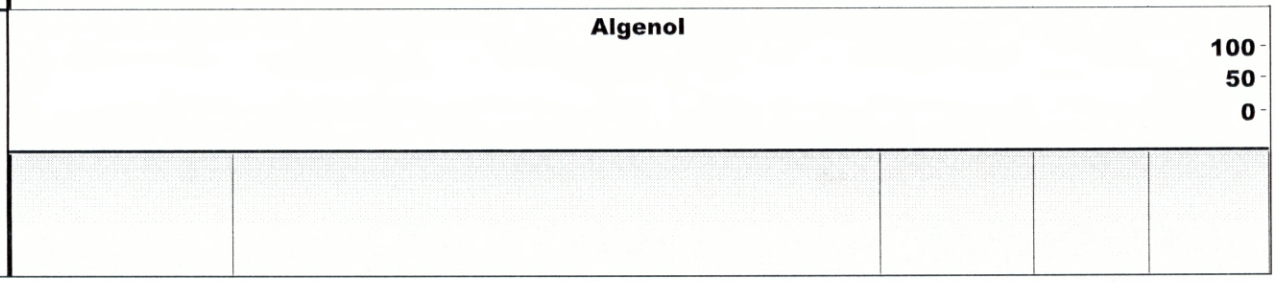

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
253	Exemption 4				
254					
255					
256					
257					
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260					
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266					
267					
268					
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270					
271					
272					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
273	Exemption 4				
274					
275	B	**Phase II: Build pilot Scale Integrated Biorefinery**	Exemption 4		
276	Exemption 4				
277					
278					
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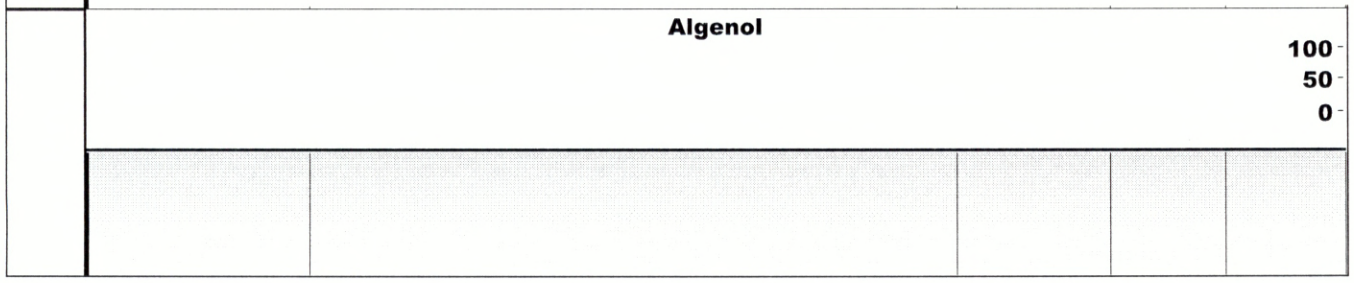
289					



	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
290	Exemption 4				
291					
292					
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299					
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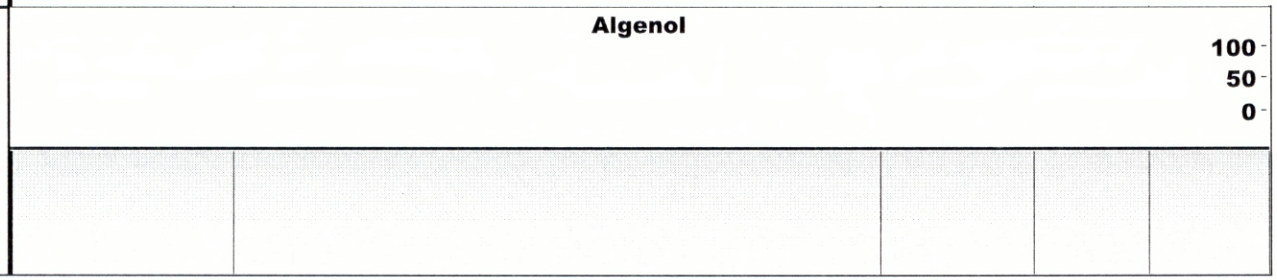

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
309	Exemption 4				
310					
311					
312					
313					
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315					
316					
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318					
319					
320					
321					
322					
323					
324					
325					
326					
327					
328					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
329	Exemption 4				
330					
331					
332					
333					
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336					
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347					
348					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
349	Exemption 4				
350					
351					
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367					
368					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
369	Exemption 4				
370					
371					
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387					
388					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
389	Exemption 4				
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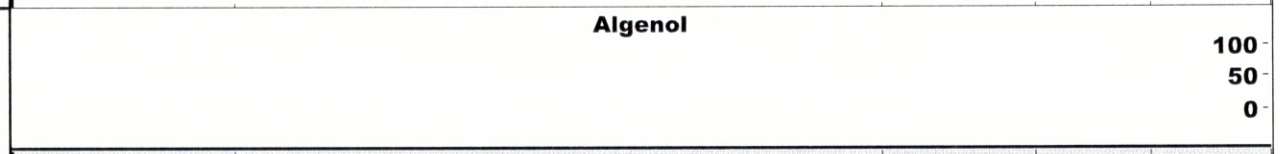
402					



	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
403	Exemption 4				
404					
405					
406					
407					
408					
409					
410					
411	C	**Phase III Optimize**	Exemption 4		
412	Exemption 4				
413					
414					
415					
416					
		Algenol			100 50 0

	DOE WBS	Activity Name	Duration (Days)	Start Date	Finish Date
417	Exemption 4				
418					
419					
420					
421					
		Algenol			100 50 0

STATEMENT OF PROJECT OBJECTIVES

Algenol Biofuels Inc.

Recovery Act: Integrated Pilot-Scale Biorefinery for Producing Ethanol from Hybrid Algae

A. PROJECT OBJECTIVES

1. Demonstrate the commercial potential of DIRECT TO ETHANOL™ technology by building a pilot-scale DIRECT TO ETHANOL™ integrated biorefinery.

2. Operate a pilot-scale DIRECT TO ETHANOL™ integrated biorefinery that uses approximately 2 tonnes per day of carbon dioxide from industrial emissions as the feedstock for making ethanol.

3. Implement an integrated biorefinery project that will immediately create or save more than 300 well-paying high-tech jobs in Florida.

4. Assess the economic and environmental impact of a new breakthrough energy technology that could eventually create billions of dollars of economic value and thousands of new well-paying jobs while consuming large quantities of carbon dioxide from industrial emissions, displacing petroleum, and moving the U.S. toward energy independence.

5. Assemble a consortium of private industry, federal laboratories, and academic institutions that will contribute to the development, construction, operation and optimization of Algenol's pilot-scale integrated biorefinery and can contribute to future improvements in DIRECT TO ETHANOL™ technology.

B. PROJECT SCOPE

The DOE Office of Energy Efficiency and Renewable Energy (EERE) has established performance goals. Among these goals are to: 1) dramatically reduce, or even end, dependence on imported oil; and 2) spur the creation of the domestic bio-industry. To that end, the Office of the Biomass Program is offering to fund integrated biorefinery projects under this FOA entitled "Demonstration of Integrated Biorefinery Operations." The FOA lists three main criteria for selection: 1) technical merit and rationale; 2) credible economics and competitive advantages that justify an award; and 3) knowledge and experience in project management.

Algenol and its collaborators have collectively prepared a project that is responsive to the selection criteria as detailed below.

Exemption 4

C. TASKS TO BE PERFORMED

Exemption 4

Exemption 4

Exemption 4

Exemption 4

March 2, 2011

Ms. Christy Sterner
Project Officer
US Department of Energy

Re: Phase I Extension of Algenol's Integrated Biorefinery Direct to Ethanol® Pilot Project

Dear Christy:

Further to our recent conversation, please accept this letter as Algenol Biofuels' official request for an extension of Phase I for our project. This request for a Phase I extension is necessitated by the fact that Algenol cannot currently meet the financial contingency requirements of the DOE for the remaining phases of the project.

We are requesting that DOE allow us to move certain Phase II WBS elements into Phase I and allow us to continue to work on certain existing Phase I elements. If our proposal is approved, we will need additional funds authorized for Phase I. We have included with our proposal a new budget that, if approved, would provide the necessary funding for the project.

As you know, Algenol is continuing its efforts to meet the DOE's financial contingency requirements for Phase II. We remain optimistic about our ability to successfully complete the required financing but the timing of completion is beyond our control. Since we have continued to make excellent operational progress, we will need the requested Phase I extension in order to avoid interrupting the project.

As detailed comprehensively in the attached budget, SOPO, and project management plan, in addition to establishing compliance with the project's contingency requirement, the extension will also be utilized to solicit additional bids for goods and services, develop better cost estimates, optimize certain technical elements of the project and further vet final design specifications and construction plans. As a result of these expanded front end loading (FEL) activities, we believe the Phase I extension will significantly reduce risk and increase the likelihood we will be able to successfully complete the project on budget.

We will not be able to begin construction of the pilot plant until we complete our financing and move into Phase II. We currently project all Phase II requirements will

28100 BONITA GRANDE DRIVE
STE 200
BONITA SPRINGS, FL 34135
239-498-2000
239-948-4996

be met by July 2011. Thus, we are shifting all of the subsequent project elements forward by four months. For example, we now propose inoculating our pilot plant photobioreactors in February of 2012. Such a shift in timing will either necessitate truncating Phase III by four months or extending Phase III by the same time. We look for guidance from DOE as to which alternative is preferable. Algenol is prepared to support either plan but prefers to extend Phase III by four months. Although this plan will delay the start of construction by four months, the value added by the aforementioned action items will augment an already well developed project plan and contribute to the project's ongoing success.

I look forward to continuing to collaborate with the Department of Energy to advance this exciting project. Please do not hesitate to contact me with any questions at either (239) 498-2000 or craig.smith@algenol.com

Sincerely,

Craig R. Smith, MD.

Craig R. Smith, M.D.
Principal Investigator &
Chief Operating Officer
Algenol Biofuels Inc.

Applicant Name: Algenol Biofuels Inc. Award Number: DE-EE0002867 Phase I

Budget Information - Non Construction Programs

OMB Approval No. 0348-0044

Section A - Budget Summary

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. DE-FOA-0000096	81.087			$15,587,035	Exemption 4	
2.						
3.						
4.						
5. Totals				$15,587,035		

Section B - Budget Categories

6. Object Class Categories	Grant Program, Function or Activity				Total (5)
	(1) DE-FOA-0000096	(2)	(3)	(4)	
a. Personnel	Exemption 4				
b. Fringe Benefits					
c. Travel					
d. Equipment					
e. Supplies					
f. Contractual					
g. Construction					
h. Other					
i. Total Direct Charges (sum of 6a-6h)					
j. Indirect Charges					
k. **Totals** (sum of 6i-6j)					
7. Program Income	$0				$0

ALGENOL BIOFUELS, INC.
28100 Bonita Grande Drive, Suite 200
Bonita Springs, FL 34135

Purchase Order

Exemption 4

Vendor
Exemption 4

Date March 18, 2010

Delivery Address:
Algenol Biofuels, Inc.
1700 Union Ave, Suite A
Baltimore, MD 21211
Phone: 410-400-8665
Ed Malkiel
Email:Ed.Malkiel@alganolbiofuels.com

Billing Address:
Algenol Biofuels, Inc.
Attn.: Tammy Hammacher
1700 Union Avenue, Suite A
Baltimore, Maryland 21211
Phone (410) 400-8677
Email: tammy.hammacher@algenolbiofuels.com

Lina	Qty	Item#	Item	Price

Exemption 4

Development Cost

To REDACTED EXEMPTION 4

Febuary 9/2010

Project:
Ethanol

Submitted
REDACTED EXEMPTION 4

A	B	C	D		E	F	G	H		
Item Number	Description of Work	WORK COMPLE	Design schedule				Total Completed and Stored	%	Balance to finish	Retainage 0%
			Scheduled Value	Previous Invoice	This application					
					Equip & Mat	Labor				
								0.00%		
2000										
2110										
3400										
5120										
7300										
7600										
15570										
15575										
17700										
	Grand Total									

REDACTED EXEMPTION 4

PMC 120.1
(2/08)

U.S. DEPARTMENT OF ENERGY
GOLDEN FIELD OFFICE

FINANCIAL ASSISTANCE COMBINED COST/TECHNICAL EVALUATION AND NEGOTIATION MEMORANDUM

SECTION I - GENERAL INFORMATION

This technical evaluation/negotiation memorandum will be prepared jointly by the assigned DOE/Golden OCPM AND OAFA personnel, to document the specific action being evaluated and supported. Each office is responsible for certain sections of this document. The assigned OCPM and OAFA personnel responsible for the action will both sign this document upon its completion, demonstrating their agreement on its contents.

1. Recipient: Algenol Biofuels Inc.

2. Grant/Cooperative Agreement No.: DE-EE0002867 Modification No. 005
   Requisition No: 11EE003480
   Project Title: Recovery Act: Integrated Pilot-Scale Biorefinery for Producing Ethanol from Hybrid Algae

3. Type of Action: ☐ New Award ☐ Renewal ☐ Continuation ☒ Revision
   Description of this Action: (NOTE: Indicate what is addressed by this Action only):

   The purpose of this action is to revise the scope and budget for Budget Period 1 (BP1) for Algenol Biofuels' project entitled, "Recovery Act: Pilot-Scale Integrated Biorefinery for Producing Ethanol from Hybrid Algae" (DE-EE0002867). Additional tasks and funding from BP2 are being moved to BP1. The BP1 total budget is now $Exemption 4; $15,587,035 of which is the federal portion and Exemption 4 in cost share. This task will also extend both the BP1 end date and the Total Project end date by six months, to 09/30/2011 and 06/30/2015 respectively.

4. Award type, as determined at Procurement Strategy Meeting (for new awards): ☐ Grant ☒ Cooperative Agreement
   If Cooperative Agreement, provide the specifics of the Substantial Involvement. (Note: This language will be used in the Substantial Involvement provision of the award.):

   The Substantial Involvement Provision is not changing from what is currently in the award.

5. New/Revised Project Period for this Award: From: 01/29/2010 To: 06/30/2015
   New/Revised Budget Period 1 for this Award: From: 01/29/2010 To: 09/30/2011
   New/Revised Budget Period 2 for this Award: From: 10/01/2011 To: 06/30/2015

6. Compliance Assessment (skip if new award):
   a. Deliverables
      The Recipient is current in submitting required reports: ☒ Yes ☐ No
      If no, identify the delinquent report(s), indicate what action(s) have been taken to remedy the situation, and identify what further action(s) are necessary, if any:

      N/A

   b. Financial
      The Recipient is current in meeting the cost share requirement: ☒ Yes ☐ No
      If no, indicate what action(s) have been taken to remedy the situation and validate why this new action should proceed:

      N/A

7. Check the applicable box for Funding Appropriation: ☒ Energy and Water ☐ Other _____

8. Check the applicable box for Statutory Authority:
   ☒ 109-58, Energy Policy Act 2005
   ☐ 110-140, Energy Independence and Security Act 2007
   ☒ 111-5, Recovery Act (2009)
   ☐ Other: _____

9. Per 10 CFR 600, the preferred payment method for State/Local Governments, Institutions of Higher Education, Hospitals, or Other Non-Profit Organizations is **Advance**. The preferred Payment Method for For-Profit organizations is **Reimbursement**. If the preferred payment method is not planned for a new award, provide an explanation below. Also explain below if the payment method for the award is being changed by this action.

The recipient is receiving ARRA funds and will continue to be on the ACH payment method to monitor their funds to ensure costs outside of Budget Period 1 are not charged to the award.

10. Is the proposed Recipient on the debarred or suspended list? Yes ☐ No ☒
Are any of the proposed subrecipients/subcontractors on the debarred or suspended list? Yes ☐ No ☒
Is the Project Director on the debarred or suspended list? Yes ☐ No ☒
If yes for either response above, award cannot be made without obtaining a waiver. See attached waiver.
The review was conducted on the Internet on 04/28/2011 (Include Printout in permanent STRIPES file)
(Date)

11. A risk determination has been completed on the PMC Form 460.2 Yes ☐ N/A ☒

12. Negotiation:

	Government Negotiator(s)		Recipient Negotiator(s)	
	Name	**Organization**	**Name**	**Position**
1.	Molly Hames	G&A Specialist	Dr. Craig Smith	COO
2.	Christy Sterner	Project Officer	Pat Ahlm	Assistant Project Manager
3.	Christine English	CN-JV Project Engineer	Dax Denman	Assistant Project Manager

SECTION II – NEGOTIATION SUMMARY

1. Please record any significant application or budget submissions that resulted in a revised budget in the Negotiation History Table below (including SF424A, budget justifications, e-mails, etc.):

Application/Budget Submission	Reference Document(s)	Date of Submission	Summary of Change
	123.1, SOPO, 424A	3/7/2011	BP2 costs are being moved into BP1 to cover additional BP1 activities.
Revision #1	123.1	3/28/2011	Personnel, equipment and other direct cost sections were updated.
Final	123.1	3/31/2011	The travel section was updated.

2. Complete Budget Table below (only include the original budget and final negotiated costs – the Percent of Total Negotiated Budget will calculate automatically)
Note: List proposed amounts by category even if there are no differences in the dollar amount.

Element of Cost	Original BP1 Approved Costs (002 Mod)	Final BP1 Approved Costs (005)	Percent of Total Negotiated Budget	Fringe Benefits and Indirects	
				Proposed Rate	Negotiated Rate
Personnel Fringe Benefits Travel Equipment Supplies Contractual Construction Other Total Direct Charges Indirect Charges	Exemption 4				
TOTAL					
Program Income	$0	$0	0%		
DOE Share (non-FFRDC)	$9,896,607	$15,162,555	Exemption 4		
DOE Share (FFDRC)	$424,480	$424,480			
Total DOE Share	$10,321,087	$15,587,035			
Non-Federal Cost Share	Exemption 4				

SEE ATTACHED SF 424A FOR BUDGET PERIOD BREAKDOWN

3. Total Allowable Adjustment without Concurrence from the Selection Official per the Selection Statement: 10%
Actual Total Adjustment based on Budget Table Above: 0%
Total Project Costs have not changed from Selection Statement – these are BP1 costs only.
Is the original budget the same as the negotiated budget: ☐ Yes ☒ No
If No, please check all boxes that apply:
☒ Change in the Project Scope
☐ Changes due to Time Delays
☐ Math Errors in Budget
☐ Changes in Indirect/Fringe Costs Caused Changes in Direct Costs or Total Project Costs
☐ Indirect/Fringe Rates incorrectly applied
☐ Other (explain) _____

4. Briefly describe and explain any substantial change(s) to the original Statement of Project Objectives submitted by the recipient:

Project Officer Commentary: The purpose of this action is to add tasks to BP1 that were previously slated for BP2. The addition of the six tasks is associated with corresponding changes in the budget that are detailed in the technical evaluation below. The revised scope is consistent with acceptable and previously approved BP1 activities.

Additional Task Element	Existing Related Task	Rationale for Scope Change
A.18.1, Continued Growth in Salt Water	A.12.1: On-going demo of organism performance at 4500L scale in saltwater, outdoors	The primary purpose of this element is to continue on-going demonstration of organism performance at 4500L scale in saltwater outdoors. Moving additional funding into BP1 to continue activities associated with this task will allow Algenol to demonstrate that the selected organism meets required performance metrics with respect to culture longevity and ethanol production
A.18.2, Ongoing Flexible Film Development	A.3: Flexible Film Photobioreactor Development; A.16: Continued flexible film photobioreactor evaluation	The primary purpose of this element is to continue development of commercial scale flexible film photobioreactor systems. Moving additional funding into BP1 to cover activities associated with this task will allow Algenol to continue field testing the fully integrated photobioreactor bags.
A.18.3, Biologic Process Improvement		The primary purpose of this task is to continue evaluation and implementation of improvements in the biological and engineering systems. Moving funds into BP1 to cover these activities will allow Algenol to develop proper SOPs to implement and integrate necessary Biorefinery operations.
A.18.4, On-going Program Management	A.9 Program Management of Extended DOE Phase 1 Activities; A.17: Program Management BP1	Funding for program management activities is necessary for continuing all project efforts.
A.18.5, Final Design Deliverables	A.13 Initiate architect/EPC firm associated fees	The primary purpose of this element is to further vet and utilize final design specification for the various aspects of the project in order to establish better construction plans and deliverables. Moving additional funding into BP1 to cover activities associated with this task will allow Algenol to solicit a greater number of bids from a more diverse list of vendors and service providers for several elements of the project thereby ensuring an appropriate balance of quality and value.

SECTION III – TECHNICAL EVALUATION SUMMARY

A. For each cost category, the Project Officer and the Specialist will complete his/her Technical Evaluation of the Negotiated Costs to confirm that they are all reasonable, allowable, and allocable. Additional comments should be added as necessary and as indicated below.

1. Personnel:
Total Negotiated Personnel Costs: $Exemption 4 Not Applicable, the recipient did not propose personnel costs: ☐

Project Officer:
Original budget: Exemption 4
Revised budget: $
The labor hours proposed in the negotiated budget are reasonable for the scope of work: ☒
The types of labor and labor mix proposed in the negotiated budget is reasonable: ☒
The proposed labor rates are reasonable: ☒

The personnel budget has been substantially increased for BP1 under this modification to the award. Specifically, the personnel costs have increased from $Exemption 4 (approved in the 002 modification) to $Exemption 4. The increased funding is a result of the additional tasks being incorporated into BP1 for Task A.18 as well as changes to the originally approved tasks (A.1-A.11) and changes to the tasks that were approved to be brought into BP1 that did not require additional funds (A.12-A.17).

A summary of the changes to the budget that were made to the originally approved tasks is provided here (A.1-A.11): Based on the fact that BP1 is nearing completion, the changes associated with the personnel for these tasks are most likely due to actual costs being reflected in the current budget as opposed to the projected costs that were included in the previously approved budget. Some of these rates have changed slightly from the original budget; however, the rates for each personnel type have been included and are reasonable for the scope of work being performed.

- Task A.1 (Appoint Algenol/Dow Chemical Join Project Team) was originally budgeted to require $Exemption 4 in personnel costs and is now projected to require only Exemption 4. The only personnel required to complete this task include regulatory/legal personnel, the Principle Investigator, and an Engineering/Construction Manager.
- Task A.2 (Organism Development) was originally budgeted to required $Exemption 4 in personnel costs and is now projected to require only $Exemption 4. The reduced funding for this task is due to a decrease in the costs associated with the scientists working on the task.
- Task A.3 (Flexible Film Photobioreactor Material) was originally budgeted to required $Exemption 4 in personnel costs and is now projected to require Exemption 4. The increased funding for this task is due to the addition of a lab technician as well an increase in the number of hours that the senior engineer will spend on this task.
- Task A.4 (Process Engineering) was originally budgeted to require $Exemption 4 in personnel costs and is now projected to require only $Exemption 4. The decreased funding for this task is due to a significant decrease in the number of hours that the senior engineers will spend working on this task.
- Task A.5 (Architect Search and Site Selection, Design and Construction Planning) was originally budgeted to require $Exemption 4 in personnel costs and is now projected to require only $Exemption 4. The decreased funding for this task is due to a significant decrease in the number of hours that the lab technician and the principle scientist will spend on this task.
- Task A.6 (NEPA) was originally budgeted to require Exemption 4 in personnel costs and is now projected to require Exemption 4. The increased funding is due to additional hours required by regulatory and legal personnel to complete the task.
- Task A.7 (Regulatory Submission and Approval) was originally budgeted to require Exemption 4 in personnel costs and is now projected to require Exemption 4. The decreased funding is due to a reduction in the number of hours that both the regulatory/legal personnel and the project managers will be required to work to complete the task.
- Task A.8 (Life Cycle Analysis) was not included in the original budget but has been projected to require Exemption 4 in personnel costs in the revised budget. One principle scientist will be working on this task.
- Task A.9 (Program Management) was originally budgeted to require Exemption 4 in personnel costs and is now projected to require Exemption 4. The increased funding is due to an increase in the number of hours that the project managers, principle investigator, senior program manager, engineering construction manager, and project accountant will spend on this task.
- Task A.10 (Phase I Gate Review) was originally budgeted to require Exemption 4 in personnel costs and this is now expected to cost Exemption 4. The increased funding allocated for this task is due to the incorporation of an R&D liaison into this task.
- Task A.11 (Pre-Award Look-back 12/4-1/18) was originally budgeted at Exemption 4 in personnel costs. The

revised budget now reflects that there is $0 in personnel costs associated with the pre-award look-back. However, these costs still remain at the original Exemption 4 but the recipient, in this revised budget, has broken these costs down into the various tasks that they are relevant to. For example, one of the senior project manager's times was originally captured in the Exemption 4 total lookback costs. This time is now captured under the program management task instead.

A summary of the changes to the budget that resulted from additional tasks being incorporated into BP1 (Mod 004) is provided here (A.12-A.17): The additional tasks that were brought into BP1(A.12-A.17) that are described below occurred in modification 004 and did not require additional funding from what had been originally approved in modification 002. However, to ensure that these costs are reasonable, a thorough evaluation has been provided:

- Task A.12 (Demonstrate Growth in Salt Water) is projected to require Exemption 4 in personnel costs. These costs include a principle scientist, several scientists, several research associates, a lab technician, and a senior scientist that will be working on the task. Based on the basic research nature of this task, these costs and the associated rates for each personnel type are reasonable.
- Task A.13 (Architect/Engineering) is projected to require Exemption 4 in personnel costs. These costs include one senior engineer that will spend less than half of a week on this task. As this is an extension of an original task (A.5), these low costs are reasonable.
- Task A.14 (Final Design Specs) is projected to require Exemption 4 in personnel costs. These costs will include one engineer and one senior engineer that will be working on the task. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.5).
- Task A.15 (Plant Personnel Search) does not have any projected personnel costs.
- Task A.16 (On-Going Flex Film Development) is projected to require Exemption 4 in personnel costs. These costs will include one principle scientist, one engineer, one scientist, several research associates and lab technicians, one senior engineer, and one senior scientist. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.3).
- Task A.17 (Program Management) is projected to require Exemption 4 in personnel costs. These costs include one regulatory/legal staffer, one engineer, several project managers, one principle investigator, one senior program manager, one engineering/construction manager, and one vice president of engineering. The rates and number of hours these people will spend on this task is reasonable considering this task is also an extension of an original task (A.9).

A summary of the changes to the budget that resulted from additional tasks being incorporated into BP1 (Mod 005) is provided here (A.18):

- Task A.18 (Extension 2): As described in the table above where the changes to the SOPO have been outlined, there are several subtasks that have been added as part of Task A.18. These include tasks relating to A.18.1 Continued Growth in Salt Water, A.18.2 Ongoing Flexible Film Development, A.18.3 Biologic Process Improvement, A.18.4 Ongoing Program Management, and A.18.5 Final Design Deliverables. A total of Exemption 4 has been budgeted for personnel that will be necessary to work on these subtasks. These tasks will require regulatory/legal personnel, several principle scientists, engineers, project managers, scientists, and research associates. These tasks will also require a lab technician, the principle investigator, a senior program manager, an engineering/construction manager, several senior engineers and scientists, and one vice president of engineering. The rates that are associated with these personnel are reasonable for the tasks that they will be working on.

The recipient has calculated their personnel costs by an average per labor category, i.e. Lab Technicians, Project Managers, etc. The difference of Exemption 4 accounted for in the recipient's budget is an adjustment to the BP1 personnel costs based upon the actual personnel costs incurred in BP1 to date. The recipient wanted to reflect this in their budget justification. The budget justification is an estimate of costs incurred during that timeframe; therefore, it is reasonable that those costs would differ from the actual costs incurred.