



HYPERSCIENCES, INC.

Indirect Cost Policy and Other Expenses Related to Contracts

HyperSciences, Inc. (“HSI”) is a research and development and engineering company focused on developing technology and products utilizing hypersonics. As HSI does not have any commercial products or services to sell as of yet, it is focused on joint development agreements, grant opportunities, and other request for proposal opportunities to secure funding to further the Company’s goals. With that in mind, the executive team at HSI is very cognizant of the need to stretch every dollar as far as possible and minimize and reduce any unnecessary spending. That means HSI is trying to avoid paying indeterminate overhead costs for partners or within partnerships or collaboration situations.

Scope

This policy applies to all our contracts, including joint development agreements, research collaboration agreements, and grant applications.

Definition per 2 CFR § 200.1

“*Indirect (facilities & administrative (F&A)) costs* means those costs incurred for a common or joint purpose benefitting more than one [cost objective](#), and not readily assignable to the [cost objectives](#) specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the [cost objectives](#) served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted [cost objectives](#) on bases that will produce an equitable result in consideration of relative benefits derived.”

Definition per 2 CFR § 200.68- Modified Total Direct Cost (MTDC)

“*MTDC* means all direct salaries and wages, applicable fringe benefits, materials and [supplies](#), services, travel, and up to the first \$25,000 of each [subaward](#) (regardless of the [period of performance](#) of the [subawards](#) under the award). [MTDC](#) excludes [equipment](#), [capital expenditures](#), charges for patient care, rental costs, tuition remission, scholarships and fellowships, [participant support costs](#) and the portion of each [subaward](#) in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the [cognizant agency for indirect costs](#).”

Policy elements

This policy applies to all contracts and agreements executed by HSI.

- The executive team should review all contracts and agreements for any variable costs and try to negotiate a cap or to use a definite costing methodology to fix the cost.
- The executive team should review all contracts and agreements for any built in overhead costs related to facilities, utilities, insurance, property taxes, etc., and negotiate a cap or to use a costing methodology that will keep all overhead costs to a minimum.
- If the contract or agreement is a commercial lease, general or outside counsel must review the agreement prior to execution to minimize unnecessary risk to the company and to negotiate the best terms possible for the company.

- All contracts and agreements should have reasonable terms with a clear end date with contract extensions to be agreed to in writing. The executive team should always try to negotiate for an early termination provision, wherever possible, to allow for flexibility if there are significant changes or catastrophic world events, such as a pandemic.
- The deliverables should be stated clearly in the contract or agreement so there is no misunderstanding or miscommunication about the scope of work agreed to.
- When proposing contracts to third parties, the executive team should consider all direct and indirect costs that will be applicable in fulfilling the contract and ensure there is sufficient budget to fulfill the contract objectives and meet the deliverables.
- As a research and development company, all contracts should be carefully reviewed for any provisions related to intellectual property and giving rights to any intellectual property, now or in the future.
- All contracts and agreements should be signed by a member of the executive team.

Maximum Indirect Cost Rates

Indirect cost rates for contracts and agreements are subject to the following limitations whenever possible:

- Government agencies: 0%
- U.S. universities and colleges: no more 56% overhead rate based on a modified total direct cost basis (equipment, fabrication, and tuition will have zero overhead paid)
- Non-governmental organizations, non-U.S. universities and colleges, for-profit organizations, charitable or non-profit organizations: no more than 12%