

Article 6 - Method of Payment

It is expected that contractual research would be self-financing to the extent that full direct and indirect costs are recovered, as well as being forward financed. Universities are not profit centers and do not have resources other than their operating funds for covering any bad debts should a company default in its payment.

An agreement for research carries an obligation by the university to produce a deliverable, most frequently in the form of a report, by a given time. It is common that 10% of the cost of the work will be held back by the company until the final report has been accepted.

A typical schedule of payments negotiated would be as follows:

- a sum due upon signing
- monthly or quarterly invoices (or payments if it is a firm fee contract)
- final payment (10% upon acceptance of the final report)

For contracts which are not based on a firm fee adjustment should be made in the final invoice for actual expenses incurred against monies received. Any funds remaining uncommitted at the end of the contract period should be returned to the sponsor.

Article 8 - Period of Contract

One caveat for all to remember is: a contract is not a contract until it is signed by both parties. While this is true, it is sometimes difficult to coordinate available equipment, staff and facilities to commence on short notice for a specific date. Ideally all parties should sign the contract sufficiently in advance to allow for an orderly start up; in practice this is difficult to orchestrate and rarely occurs. If a Plan of Work and Costs is part of the contract, the first tasks are frequently itemized as hiring staff and ordering supplies.

Occasionally a university will be asked by the sponsor to undertake certain tasks while negotiations relating to a contract are still on-going. At this point the university would be well advised to remember the caveat! However, there are several options which may be utilized in order to not impede the progress of the project. If it is equipment that is to be ordered, the sponsor may wish to purchase the equipment and arrange for delivery to the university. The contract can address the transfer of ownership at a later date. Alternatively one may consider drawing up a letter of intent to cover the limited obligations and compensation to be undertaken prior to the effective date of the contract.

Usually the date of termination will coincide with the scheduled date for the final deliverable. When applicable, allowance should be made for an appropriate period between the end of the Project work and the preparation of the final report.

Notice also should be taken of Article 22 - Survival of Articles.