

BIRD Foundation

CPFA Topics

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Israel-United States Binational Industrial Research and Development Foundation

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CPFA - Topics for Discussion

- ◆ What is the Cooperation and Project Funding Agreement (CPFA)
- ◆ Steps toward signing the CPFA
- ◆ Payments of the grant
- ◆ Reports submission requirements
- ◆ Repayments general terms

Cooperation and Project Funding Agreement (CPFA)

- ◆ A trilateral agreement between BIRD and the two participants
- ◆ CPFA is a standard agreement (see BIRD's site)
- ◆ Main sections of the CPFA:
 - Terms of the conditional grant
 - Grant payment milestones – Annex B
 - Grant repayment terms
 - Reporting commitments during the project
 - Budgets of both Participants – Annex A
 - Project start date; Milestones -Annex E

Steps towards signing the CPFA

- ◆ **Company to Company agreement** – a draft for BIRD to review prior to signing
- ◆ **Financial Status Analysis** - private companies only, provide substantiating material
- ◆ **Adjust budgets** - Should equal twice the approved grant, same as original ratio
- ◆ **Adjust Program Plan (Gantt) and Milestone and Deliverables** – Reflect project start date (“Effective Date”)
- ◆ **Missing additional details** - as instructed in the letter

CPFA is sent to the companies for signatures

BIRD is last to sign

BIRD executes first grant payment to each company

Critical dates of a BIRD project

- **“Effective Date” (section P)**

“The effective date of this Agreement shall be the 1st day of _____, 20XX. The development work shall commence on the aforementioned date and, unless sooner terminated by the Foundation in accordance with Section. I., the Proposer undertakes to complete the development work XX months following the effective date (**“Termination of Project”**)”.

- **“Termination of Product Development” date** – Milestone CPFA only.

The Conclusion of the development of the Product pursuant to and in accordance with the Proposal, including the Product being ready for commercialization.

- **CPFA signing date** - Don't confuse this with the project “Effective Date”

Annex B - Payment of Conditional Grant

- ◆ First payment upon signing of the CPFA, an advance toward the first segment
- ◆ The cumulative level of expenditure should reach a trigger amount
- ◆ Accepted expenses different from reported expenses
- ◆ Each payment is an advance towards the next segment
- ◆ A payment may be postponed to the next segment

Annex B – Payments example

1. First Payment - On signing

Israeli Company	\$100,000
U.S. Company	\$120,000

2. Second Payment –

After receipt and approval of the first interim technical and fiscal reports for the first 6 month period, or after actual expenditures on the project have equaled or exceeded the required expenditure, whichever is later.

	Required Expenditure	Payment
Israeli Company	\$260,000	\$250,000
U.S. Company	\$310,000	\$350,000

3. Final Payment - After receipt and approval of the final technical and fiscal reports - the balance due to the Proposer up to the total sum of the Conditional Grant in accordance with Section B.1.

Annex E

Schedule of Project Milestones and Deliverables

- ◆ Annex E includes a description of major milestones, how they are measured and the expected achievement date
- ◆ Annex E also includes Deliverables – a description of each deliverable and the expected achievement date
- ◆ Annex E is in addition to the GANTT, which presents the Program Plan
- ◆ The Technical Reports should address milestones' achievement

Reports Submission Requirements (section D)

- ◆ Interim set of reports – a Fiscal Report from each company and a joint Technical Report. Full set should be submitted within 30 days from end of reporting segment
- ◆ Final set of reports – in addition, includes Technical Report Part II (a marketing report). A full set should be submitted within 60 days from end of project
- ◆ Incomplete submission (Fiscal Report without Technical Report or Fiscal Report from one company only) will delay review of the reports
- ◆ Reports should be delivered by hard copy and uploaded to BIRD's site

Basis for Repayments of the Grant (section B)

- ◆ Commercial Product – an incorporation of the Product (outcome of the development work or any derivative thereof) into a commercial product that can be sold alone or in conjunction with other products
- ◆ The CPFA defines Full Repayment – a repayment of the entire obligation, as adjusted over time
- ◆ Actual repayments are triggered by several events:
 - Commercialization of the Product
 - Outright Sale of the product
 - Transfer of Control of a participant or IPO
 - Licensing agreement

Full Repayment obligation

- ◆ Full Repayment can reach a maximum of 150% of the Grant
- ◆ The repayment obligation is adjusted every year after Project Termination.
- ◆ An escalation table appears in the CPFA, based on years after Project Termination:
 - 1 year after Termination – 100% of the Grant
 - 2 years after Termination – 113% of the Grant
 - 3 years after Termination – 125% of the Grant
 - 4 years after Termination – 138% of the Grant
 - 5 year or more after Termination – 150% cap
- ◆ Amounts are linked to CPI-U

- ◆ Actual repayments are as follows:
 - Repayments derived from Gross Sales - at a rate of 5%
 - Repayments due to Outright Sale of the Product, Transfer of Control or IPO – up to 50% of all proceeds of the transaction up to Full Repayment
 - Repayments due from Licensing Agreement - at a rate of 30% of all proceeds
- ◆ Milestone Project – Upon Conclusion of Product Development, a Full Repayment