

TERM SHEET TEMPLATE FOR CRCs

1. PURPOSE

The objective of this template is to assist potential Partners to identify key issues and reach agreement on the terms of collaboration in the proposed CRC. The term sheet should be initiated by a proposed consortium early in the process of preparing a CRC bid and guide the preparation of the application.

The term sheet should be developed in consultation with all proposed Partners.

In its early iterations, the term sheet should provide a general overview of terms and serve as the basis for further discussion amongst Partners. As discussion progresses, the Partners should seek to reach formal agreement on all items identified in the term sheet.

A successful CRC bid can then use the agreed term sheet as a basis for drafting the terms and conditions of the Partners Agreement. The term sheet can also be used in conjunction with term sheet Attachment A, which is a spreadsheet provided for applicants to list Partners and relevant details, including contributions.

The term sheet is not intended to be, and does not constitute, a legally binding document.

2. SUMMARY OF TERMS

Topic:	Proposed Terms:
CRC Name	What is the name of the CRC?
Vision / Challenge	What is the key reason for the existence of the CRC? <ul style="list-style-type: none"> - What is the industry-identified problem the CRC will address?
Rationale	Why is a collaborative effort required to address the industry-identified problem? <ul style="list-style-type: none"> - Why is a CRC the best model for the collaboration? - Why are other funding sources or structures not appropriate? What is the CRC's value for each of the following stakeholders: industry, particularly SMEs; researchers; end-users; the broader community, and the Commonwealth?
CRC Program Funding Bid	What amount of CRC Program funding will be sought? <ul style="list-style-type: none"> - Will the CRC's proposed Partners, at a minimum, match their contributions with the amount of CRC Program funding sought?
Term	How many years of CRC Program funding will be sought and why? Note: <ul style="list-style-type: none"> - the maximum funding period is 10 years; - there is no specified limit to the funding available for each CRC; - CRCs cannot be extended beyond the funding period agreed on in the Grant Agreement; and - additional Commonwealth funding beyond the amount in the Grant Agreement will not be granted.
Partners	Who are the Partners and into which categories do they fall (e.g. research or industry, SME, etc.)? <ul style="list-style-type: none"> - What are the expected levels of investment of each Partner?

Topic:	Proposed Terms:
	<p>Who will be the nominated Australian industry entity and Australian research organisation to meet CRC Program requirements?</p> <p>Do any Partners have minimum investment-return or leverage requirements and, if so, what are they?</p> <ul style="list-style-type: none"> - Do these requirements 'fit' with the proposed CRC? <p>How will SME engagement be encouraged? Via special mechanisms, e.g. "SME Entity/Club", etc.?</p> <p>How flexible is the CRC in terms of admitting new Partners?</p> <ul style="list-style-type: none"> - What are the rules for a Partner to join or exit the CRC? - How will the CRC manage the early exit of a Partner? <p>Use the template at Attachment A to specify the proposed Partners and their level of involvement in the CRC.</p>
Structure	<p>Note: as per clause 10.4 of the CRC Program Grant Opportunity Guidelines, CRCs must be established and governed as an incorporated company, limited by guarantee.</p> <p>Who will be members of the CRC Entity?</p>
Tax Status	<p>What is the expected tax status of the CRC?</p> <ul style="list-style-type: none"> - Will the CRC seek tax exemption status with the ATO? - If so, how will this affect the distribution of CRC assets upon wind-up? - Is a tax exempt status consistent with the structure (above) and proposed IP arrangements (below)? - Will the CRC seek to register for tax incentives, e.g. the R&D Tax Incentive?
Governance	<p>Who will be on the CRC Board?</p> <ul style="list-style-type: none"> - Who is the interim independent Chairperson? - How many directors will be on the Board and how often will they meet? - How many directors will be independent? Note: the majority of Board members should be independent of Partners. - How will the membership of the Board be determined? - What process will be used to elect and re-elect Board members? - What will be the collective skill set of the Board members? <p>What role(s) will be performed by Board committees?</p> <ul style="list-style-type: none"> - E.g.: finance, audit and risk committee; research committee; remuneration committee; education committee; IP committee. <p>How will decisions be reached?</p> <ul style="list-style-type: none"> - Will any matters require special or unanimous approval? <p>Consider whether the proposed governance arrangements demonstrate good practice, in both design and execution (see: the ASX Corporate Governance Principles).</p>
Management and Administration	<p>How will the CRC be managed?</p> <ul style="list-style-type: none"> - Who is the interim CEO? - Does the CEO have the required skill set to manage the CRC?

Topic:	Proposed Terms:
	<ul style="list-style-type: none"> - If successful, how will the CEO be appointed? <p>How will management performance be monitored and reviewed?</p> <p>What administrative arrangements and structures will be created?</p> <p>Where will the CRC be headquartered?</p> <p>How will the CRC manage risks, especially those associated with data security, cyber security and the protection of nationally significant information?</p>
Intellectual Property (IP) Ownership	<p>What are the proposed arrangements for managing pre-existing material/IP?</p> <ul style="list-style-type: none"> - E.g., under what terms will pre-existing material be made available for use in CRC Activities and to owners/licensees of Agreement Material which is dependent on that pre-existing material? - Who will own CRC-generated IP? - Why is this the most appropriate model? <p>E.g., will Agreement Material be legally and beneficially owned by the CRC Entity; legally owned by the CRC Entity on trust for the benefit of Partners; or owned by Partners on a project-by-project basis?</p>
IP Use and Commercialisation	<p>How will Agreement Material rights be assigned or licensed?</p> <ul style="list-style-type: none"> - Will Partners have rights to IP for research and internal use? - Who has the rights to commercialise or utilise IP and who makes these decisions? - Do any Partners have a first right of refusal and what are the terms thereof? - What are the rules regarding publication of research outputs (including timing of publication)? - How will expected returns be distributed? <p>For further information and guidance on IP matters, see the IP Toolkit.</p>
Indemnity and Insurance	<p>Will the Partners in the CRC be expected to mutually indemnify each other?</p> <ul style="list-style-type: none"> - Will the CRC Entity indemnify the Partners? - What are the nature and scope of those indemnities? - Will there be any limitations or caveats for those indemnities? - How will the indemnities interact with insurance requirements?
Transition and Legacy	<p>What will be the CRC's legacy once the Commonwealth funding period ceases?</p> <p>What do you intend to do at the end of the funding period?</p> <ul style="list-style-type: none"> - Will the CRC transition to a new entity or dissolve? - Will the CRC Entity continue to operate? <p>What are the arrangements for distributing the assets of the CRC if the existing entity cannot continue or a new entity cannot be created?</p> <p>How will IP be managed or dispersed at the end of the life of the CRC (ownership and assignment of rights)?</p> <ul style="list-style-type: none"> - Is the proposed IP distribution on wind-up consistent with the tax status identified above?