

Proof of Concept Contract

This contract summarizes the principal terms and conditions of the proposed Agreement between _____, (hereafter “Company”), and _____, a _____ corporation located at _____ (hereafter “Vendor”), referred to jointly in this document as the “Parties.” Subject to the conditions set forth below and to the successful negotiation and execution of a definitive agreement (the “Agreement”), which will fully reflect the understanding and agreement of the Parties, the Company and Vendor intend to consummate the following Contract;

1. Nature of Proposed Agreement

The Company intends to engage Vendor to provide development services to _____ (the “Integration”). The Conceptual Design for the Integration and its target platform are attached to this contract in attachment “A”. The Parties agree to make every effort to complete the Integration according to the Preliminary Schedule attached to this contract as attachment “B”. The development services will be provided by Vendor on a “Work-for-Hire” basis for a fixed Integration Fee, which is defined by the Parties at \$75,000 (example). The budget is attached to this document as attachment "C".

2. Phases

Vendor will develop the Integration in Phases. Each Phase has specific Deliverables from the Company and from Vendor. The Phase Definition and Timeline are defined in Schedule B. Each Phase contains progress milestones, which trigger a payment for development services from the Company to Vendor.

3. Payments and Terms

Payments are made according to the timeline and deliverables agreed upon by the Parties. The Agreement will provide that as compensation in full for the services performed and supporting licenses granted by Vendor thereunder, the Company will pay Vendor based on the budget described in Schedule C.

4. Changes and Modifications

During the Production Phase of development of the Integration, the Company may request certain changes and modifications. Changes and Modifications will generally fall into two categories:

- “Soft” changes which have no cost or schedule impact to the agreed upon Conceptual Design. These changes will be incorporated at no additional charge.
- “Hard” changes which impact wither cost or schedule or both. These changes will be incorporated as edits to the Conceptual Design as documented in Schedule A and the Budget as documented in Schedule C.

Vendor will quote a reasonable additional fee to make “Hard” Changes, and the Company will pay for any elected “Hard” changes at the next agreed-upon payment milestone.

5. Expenses

The Agreement will provide that each party will bear its own expenses of performance.

6. Ownership

(Normally, standard license and service level agreement are referenced here. Custom integration work most likely is owned by both parties, usually through a standard contract. If it’s proprietary integration with internal systems, then the Company usually owns it, if it’s integration with another vendor’s solution, such as SAP, then you both should own it – make sure you end up owning any standard integration.)

7. Subcontract

The Company understands and agrees that Vendor may subcontract certain portions of the development work.

8. End User Technical Support

(Keep any commitment here minimal, but do enough to make the ROI look good.)

9. Confidentiality

(Usually referenced out through a mutual NDA. Be wary of data confidentiality clauses as with many cloud solutions, you have to be very specific regarding compliance.)

Vendor

Signature:

Title:

Date:

Company

Signature:

Title:

Date:

Schedule A
Conceptual Design

(Insert your Conceptual design here.)

Schedule B Phase Definition

1. Proof of Concept phase:

In the Proof of Concept Phase, Vendor produces and delivers a Design ("Design") that includes the defined integration parameters, application navigation, designs, user stories, and process flow. The Design determines the development plan, budget, delivery milestones, approval process, change order process and other items in the Agreement. During the Design, Vendor creates the Development Plan, the Delivery Schedule and submits the definition of deliverables against the schedule.

The Parties acknowledge that the Proof of Concept Phases is an iterative, subjective, creative process that requires collaboration and deliverables from both Company and from Vendor. If the Company is not able to provide the technical support or resources aligned with the planned schedule, then schedule impact may result in a "Hard" change resulting in a change in the budget.

Using the Conceptual Design as a point of departure, and affording The Company meaningful consultation, Vendor will create Version 1.0 of the Proof of Concept Specification. Vendor will present the Specification to the Company. The Company will respond to the Proof of Concept Specification, and Vendor will modify Version 1.0 and produce Version 1.1 of the Proof of Concept Specification.

The Company will compensate Vendor for delivery of the Proof of Concept Specification through Version 1.1 of the Proof of Concept Specification based on the budget in Schedule C.

2. Concept Validation Phase:

In the Concept Validation Phase, Vendor produces and delivers a Proof of Concept - a working "mini-" version of the Integration delivered in a production sandbox or test environment, which includes final features, integration, batch processing, reports, and results verification. The Proof of Concept is a subset of the final Integration - representing a fraction of the total size of the final Integration. The Proof of Concept will be suitable for demonstration purposes, integration validation, focus testing, and feasibility review of the Integration. The parties acknowledge that the Proof of Concept is used to determine if the design of the Integration is acceptable and the intended outcome of the Integration can be realized if development moves forward in a follow-on contract. The parties may determine to re-design the Integration upon review of the Proof of Concept. In such an event the parties will negotiate in good faith any modifications to the design, the development plan, or the development budget.

The Company will compensate Vendor for completion of the Concept Validation of the Proof of Concept Specification Version 1.1 of the Proof of Concept Specification based on the budget in Schedule C.

3. Production Feasibility Phase:

In the Production Feasibility Phase, Vendor and Company personnel assess the integration completed in the Company Validation phase and evaluate the scope of effort to implement a full integration to achieve the desired Company results. Vendor will provide consulting and support to define feasibility for full production implementation. Company is responsible for supporting resources to define what would be required for a full production implementation.

At the end of the Production Feasibility Phase, Vendor will make a recommendation for the next project which would be built based on pricing and resources required to get to an initial production pilot in a live environment.

Schedule

<u>Task</u>	<u>Date</u>
Proof of Concept phase Development of Proof of Concept	8 weeks from start (example timelines, insert dates that make sense)
Concept Validation phase Evaluation of Proof of Concept	20 weeks from approval of Conceptual Design (example timelines, insert dates that make sense)
Production Feasibility phase Integration Plan	10 weeks (example timelines, insert dates that make sense)

Schedule C
Budget and Payment Milestones
\$75,000 Target Budget

<u>Task</u>	<u>Approximate Cost</u>
Conceptual Design phase	
Development of Proof of Concept	\$25,000
Concept Validation phase	
Evaluation of Proof of Concept	\$25,000
Production Feasibility phase	
Feasibility Assessment and Planning	\$25,000
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Total	\$75,000