

VOLUME 2
ANNEX C

**NAVAL REMOTE WEAPON STATION
REQUIREMENT**

Industrial and Technological Benefits (ITB)

Terms and Conditions

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1. DEFINITIONS

- 1.1. For the purpose of this part, unless the context otherwise requires, the following definitions apply:
- 1.1.1. “Accepted Transaction” means a Transaction which has been accepted in writing by the ITB Authority as meeting the Eligibility Criteria.
- 1.1.2. “Achieved Transaction” means all or any part of an Accepted Transaction for which Credits have been awarded by the ITB Authority;
- 1.1.3. “Achievement Period” means the period commencing on April 12, 2012 and ending on completion of the Contract;
- 1.1.4. “Allowable Investment Framework (IF) Investment” - For cash contributions, an Allowable IF Investment means: a grant; or, a purchase of common or preferred shares. It does not include either the purchase of debentures or a repayable loan. For In-Kind contributions, an Allowable IF Investment means: a licence for Intellectual Property (authorization to use the licensed material); equipment (equipment, software or systems to develop new or improved goods/services); knowledge transfer (lending of an employee to provide technical or managerial know-how); or, marketing and sales support (lending of an employee to undertake marketing/sales activities and share market intelligence; or, a licence for brand or trademarks);
- 1.1.5. “Banked Transaction” means an Accepted Transaction that resides in the Bank;
- 1.1.6. “Canadian Company” or “Canadian Corporation” means a commercial enterprise that is incorporated pursuant to the laws of Canada and which has ongoing business activities in Canada;
- 1.1.7. “Canadian Content Value” or “CCV” is as described in Article 6, Canadian Content Value;
- 1.1.8. “Capitalization” means the total value of a company's issued shares plus the value associated with instruments which can be converted into shares. For publicly traded companies, this is equal to the total number of issued shares multiplied by the market price plus the equity portion of any derivative instrument according to Canadian Generally Accepted Accounting Principles. For privately held companies, this is equal to the total number of issued shares multiplied by the most recent price at which they were sold plus the equity portion of any derivative instrument according to Canadian Generally Accepted Accounting Principles;
- 1.1.9. “Causality” means the Eligibility Criteria of the ITB Policy which stipulates that a Proposed Transaction must be brought about, in part, by an Obligation to Canada as set forth in Article 7 (Eligibility Criteria for Transactions);

- 1.1.10. “Commercialization Activity” means a process through which economic value is extracted from knowledge through the production and sale of new or significantly improved goods and services. It can also include advertising, sales promotion and other marketing activities. Specific commercialization activities consist of: business and market planning; project feasibility studies; identifying customer needs; market engagement and testing; basic and applied research; experimental development; profitability analysis and financing; and, launch advertising;
- 1.1.11. “Consortium” or “Consortia” means a public-private partnership established with the intent of undertaking activities related to research and development, and which must meet the criteria set out in Article 8.5 (Consortium Transactions);
- 1.1.12. “Credit” means the written notice by the ITB Authority that an Accepted Transaction has been achieved, in whole or in part, towards meeting an ITB Commitments, as measured in CCV. All Accepted Transactions are subject to annual reporting, verification and approval before Credit is awarded;
- 1.1.13. “Defence Sector” means businesses engaged in the manufacture and delivery of products and services related to the defence sector. It includes: Aircraft Fabrication, Structures and Components; Missiles, Rockets and Drones; Troop Support; Combat Vehicles and Components; Ammunition and Other Munitions; Firearms and Other Weapons; Electro-Optical, Radar and Sonar Systems and Components, and Fire Control, Warning and Countermeasures Systems and Components; Simulation Systems and Components; Naval Shipbuilding and Repair and Maintenance; Naval Ship-borne Systems and Components; Other Electronics, Information Technology (Including Software), Communications and Navigation Systems and Components; Military Aircraft Maintenance, Repair and Overhaul Services; Military Systems Deployed in Space, Space Launch Vehicles, Earth Based Systems for the Operation of Space Launch Vehicles or Systems Deployed in Space and Related Components; and others including the Naval Remote Weapon Station and Remote Weapon Stations;
- 1.1.14. “Designated Regions of Canada” means the following regions which have been designated by the Government of Canada for socio-economic purposes: the Atlantic Region (consisting of the Provinces of Newfoundland and Labrador, Prince Edward Island, New Brunswick and Nova Scotia); the Quebec Region (consisting of the Province of Quebec); the Northern Ontario Region (consisting of that part of the Province of Ontario north of and including Nipissing and Parry Sound Districts); the Southern Ontario Region (consisting of that part of the Province of Ontario south of Nipissing and Parry Sound Districts); the Western Region (consisting of the Provinces of Manitoba, Alberta, Saskatchewan, and British Columbia); and, the Northern Region (consisting of the Territories of Yukon, Northwest Territories and Nunavut);
- 1.1.15. “Direct Transaction” or “Direct Work” means a Transaction or Work that is

entered into for the performance of any part of the Work under this Contract;

- 1.1.16. “Eligibility Criteria” means those criteria outlined in Article 7 (Eligible Criteria for Transactions), which a Transaction and any Unidentified Value Proposition Commitments must meet in order to be an Accepted Transaction;
- 1.1.17. “Eligible Party” means the Eligibility Criteria of the ITB Policy to be a provider (or donor) of a Transaction, as set forth in Article 7 (Eligibility Criteria for Transactions);
- 1.1.18. “Grouped Transaction” means a Transaction that has more than one Recipient. Grouped Transactions may only include activities involving: the purchase of Direct goods or services; Canadian suppliers with similar characteristics of product, size and/or region; and, a total Canadian Content Value of not more than 10% of the total ITB Obligation;
- 1.1.19. “Import Replacement” refers to the production/manufacture of a good or the provision of a service in Canada that was formerly manufactured or provided from off-shore sources of supply;
- 1.1.20. “Incrementality” means the Eligibility Criteria of the ITB Policy which stipulates that an Indirect transaction must involve new work in Canada, as set forth in Article 7 (Eligibility Criteria for Transactions);
- 1.1.21. “Indirect Transaction” or “Indirect Work” means a Transaction that is entered into for a business activity unrelated to the performance of any part of the Work under this Contract;
- 1.1.22. “In-kind Contribution” means a non-monetary contribution, such as services, equipment, Intellectual Property, etc. In-kind Contributions will be valued by an independent third party who possesses a Chartered Business Valuator designation (or other similar acceptable designation) and who complies with all by-laws, code of ethics and practice standards of the organizational body governing their profession. Valuation reports will be detailed, use all standard, generally-accepted report formats and valuation approaches, and arrive at one conclusion regarding valuation which balances all approaches. The Contractor or its Eligible Party will assume all costs associated with obtaining the in-kind valuation report. The in-kind valuation report is valid for twelve (12) months from the date of the in-kind valuation report completion;
- 1.1.23. “Intellectual Property” or “IP” or “IP rights” means legal rights that result from intellectual activity in the industrial, scientific, literary and artistic fields. These rights may take the form of patents, trade-marks, copyright, industrial designs, integrated circuit topographies or plant breeders’ rights;

- 1.1.24. “Investment” means a Transaction which consists of an investment within Canada of a verifiable amount of money which fosters the production of goods or the performance of services by Canadian citizens or permanent residents as defined in the *Immigration and Refugee Protection Act 2001, c.27*, and which meets the criteria set forth in Article 8.8 (General Investment Transactions);
- 1.1.25. “Investment Framework” or “*IF*” means the method of assessing, valuing and calculating Credits associated with innovation-related investments made directly with Canadian SMB, as outlined in Article 8.6 (Investment Framework Transactions).
- 1.1.26. “Investment Framework Business Plan” means a complete and well-supported plan which: includes an executive summary; provides detailed company information and financial statements; describes the proposed *IF* project; details the specific *IF* activities, goals and duration; and, includes key market, risk and due diligence considerations;
- 1.1.27. “ITB Authority” means the Minister of Industry or any other person designated by the Minister of Industry to act on the Minister's behalf. The ITB Authority is responsible for evaluating, accepting, monitoring, verifying and crediting ITB, and for assessing the Contractor's ITB performance under this Contract;
- 1.1.28. “ITB Obligation”, “Obligation” or “ITB Commitment” means the Contractor’s contractual obligation to achieve the CCV for Transactions as set forth in Article 2 (Commitments and Responsibilities).
- 1.1.29. “Major Obligor” means a company that holds contractual commitments for Obligations in Canada in excess of \$1 billion;
- 1.1.30. “Naval Remote Weapon Station” or “NRWS” means the defined as per Volume 2, Annex B - NRWS Statement of Work and its appendices;
- 1.1.31. “Over-achievement” means the amount by which the Contractor's Credits, awarded on an Accepted Transaction during the Achievement Period, are greater than the Commitment for that Transaction;
- 1.1.32. “Plans” means the Contractor- prepared Plans at bid submission which, by reference, form part of this Contract: the Company Business Plan, the ITB Management Plan, the Regional Development Plan, and the Small and Medium Business Development Plan, all dated XXX and all bearing reference number XXX;
- 1.1.33. “Pooling” refers to the act of applying the Credits achieved on a single Transaction to the ITB Obligations associated with two or more projects;
- 1.1.34. “Post-Secondary Institution” means an institution or other organizational entity in

Canada involved in developing and delivering formal education activities and in awarding academic credentials to people for whom the normal entrance requirement is high school completion. The institution should be available to the general public, be recognized by a province or the Canada Student Loans Program, and offer programs leading to degrees and diplomas that are recognized by the academic community in Canada;

- 1.1.35. “Proposed Transaction” means a Transaction which has been proposed by the Contractor to the ITB Authority, but which has not yet been formally accepted in writing by the ITB Authority as meeting the Eligibility Criteria;
- 1.1.36. “Public Research Institution” means a federal or provincial organization in Canada that: is engaged in research, research training and related activities in Canada; has as its primary goals the conduct of research, peer review, and the dissemination of results by way of publication, technology transfer or training; reinvests its profits into its research activities or into the dissemination of results; and, is funded primarily from public resources and has established processes, systems, procedures and controls in place to ensure achievement of public objectives;
- 1.1.37. “Recipient” means the Canadian entity that is the recipient of the business activity outlined in a Transaction;
- 1.1.38. “Remote Weapon Station” or “RWS” means system for remote control of weapon system(s) for remote target acquisition, and, weapon firing for vehicle mounted weapons with weapon stabilization;
- 1.1.39. “Reporting Period” means the annual periods within the Achievement Period upon which the Contractor’s annual reporting will be based. For example, Reporting Period 1 commences on the first day of the Achievement Period and ends one (1) year after Contract award. Subsequent Reporting Periods (Period 2, 3, etc...) will follow in consecutive annual increments until the end of the Achievement Period;
- 1.1.40 “Research and Development (R&D)” or “R&D Activity” means a scientific investigation that explores the development of new goods and services, new inputs into production, new methods of producing goods and services, or new ways of operating and managing organizations. Specific R&D Activities consist of: standard test/measurement/analysis; test/measurement/analysis report; specific thermo-mechanical analysis methodology development projects; product/process design/engineering; customized product/process/ technology development project; related evaluation and feasibility studies; applied research projects for new product concepts, new technology platforms and new test/measurement/analysis; basic scientific research for creating better understanding and insights in new phenomena; research to advance scientific knowledge with or without a specific practical application in view; and, support work in engineering, design, operations

research, mathematical analysis, computer programming, data collection, testing or research;

- 1.1.41 “Semi-processed Goods” means goods converted from their natural state of a raw material through the use of a specialized process into a state of readiness for use or assembly into a final product;
- 1.1.42 “Shortfall” means the amount by which the Contractor’s Credits, awarded on Accepted Transactions during the Achievement Period, are less than the Commitments;
- 1.1.43 “Small and Medium Business” or “SMB” means a Canadian-based, independently-owned and operated manufacturer or service company with fewer than 250 full-time personnel as of the date of entering into an eligible Transaction. Agents and distributors of foreign goods and services, as well as subsidiaries of companies that are the Contractor or Eligible Party on any contract with Obligations, do not qualify as Small and Medium Business;
- 1.1.44 “Strategic Plan” means a document which describes the Contractor’s broad corporate business development plans for Canada and how these plans may translate into strategic Transactions, as set forth in Article 9 (Strategic Plans);
- 1.1.45 “Supplier Development” or “Canadian Supplier Development” means the Contractor or its Eligible Parties undertaking work and investments with Canadian-based suppliers, beyond their own Canadian facilities.
- 1.1.46 “Technology and Skills Cooperation” means the granting of a license and/or the transmission of a usable body of knowledge to a Canadian Company. Technology and Skills Cooperation is assessed and measured for Credit as set forth in Article 8.7 (Technology and Skills Cooperation Transactions);
- 1.1.47 “Tier One Supplier” means a company that takes on a specific portion of the Work under this Naval Remote Weapon Station requirement Contract from the Prime Contractor, producing or servicing a major subassembly or major component that is installed or used in the platform or system being procured under this Contract;
- 1.1.48 “Transaction” means a commercial or business activity that is carried out by means of a contract, including any purchase order, sales agreement, license agreement, letter of agreement or other similar instrument in writing, and which has an identified dollar value, and is measured in CCV;
- 1.1.49 “Unidentified Value Proposition Commitments” or “Unidentified VP Commitments” means the Contractor’s Commitment to achieve CCV for business activities proposed in the Value Proposition and which were not captured in the form of eligible Transactions. Unidentified Value Proposition Commitments will

required to be submitted in the form of eligible ITB Transactions in accordance with Transaction identification timelines and criteria set out in Article 7 (Eligibility Criteria for Unidentified Value Proposition Commitments);

- 1.1.50 “Value Proposition” means the Plans, Commitments, Transactions along with any other information that was submitted in the Contractors ITB proposal at the time of bid.
- 1.1.51 “Value Proposition Criteria” or “VP Criteria” means the areas of business activity that can be proposed to Canada at the time of bid captured in the form of eligible Transactions and Unidentified Value Proposition Commitments. For the export strategy, a written submission is required. Under the Naval Remote Weapon Station requirement, Value Proposition Criteria includes:
- Direct activities related to the Naval Remote Weapon Station Work;
 - Indirect activities related to other Remote Weapon Stations for land and naval applications;
 - Indirect activities related to the Defence Sector (excluding the Naval Remote Weapons Station and other Remote Weapons Stations for land and naval applications);
 - Activities for Canadian-based suppliers within defence and non-defence sectors (excluding work undertaken within the Canadian facilities of the Bidder and Eligible Parties);
 - R&D activity in Canada;
 - R&D with Canadian Post -Secondary Schools;
 - Export Strategy for activities related to NRWS or RWS for land and naval applications;
- 1.1.52 “Venture Capital Fund” or “VCF” means a pooled group of investments directed at assisting the growth of Canadian small businesses, which is managed by a third party and meets the criteria set forth in Article 8.9 (Venture Capital Fund Transactions); and
- 1.1.53 “World Product Mandate” means a long-term supplier relationship between the Contractor or an Eligible Party and a Canadian Company, whereby the Canadian Company has been legally authorized to carry out and has sole responsibility for specific activities including the design, development, Intellectual Property, manufacture and marketing related to the supply of products, components, modules or services destined for the domestic and world markets. The CCV of the product or service is calculated as described in Article 13 (World Product Mandate).

2. COMMITMENTS AND RESPONSIBILITIES

- 2.1. Through the implementation of the Company Business Plan, the ITB Management Plan, the Regional Development Plan and the Small and Medium Business Development Plan, referenced in Appendix 1, the Contractor must by the end of the Achievement Period:
 - 2.1.1. Achieve 100% of the Contract Value in CCV as Transactions, as specified in Appendix 1;
 - 2.1.1.1. Achieve X *(to be inserted from the Contractor's Proposal)* in CCV as Value Proposition Activities, in the form of Transactions, on the NRWS.
 - 2.1.1.2. Achieve X *(to be inserted from the Contractor's Proposal)* in CCV as Value Proposition Activities, in the form of Transactions, for Remote Weapon Station activities involving land and/or naval applications.
 - 2.1.1.3. Achieve X *(to be inserted from the Contractor's Proposal)* in CCV as Value Proposition Activities, in the form of Transactions, in the Defence Sector.
 - 2.1.1.4. Achieve X *(to be inserted from the Contractor's Proposal)* in CCV as Value Proposition Activities, in the form of Transactions, involving Research and Development.
 - 2.1.1.5. Achieve X *(to be inserted from the Contractor's Proposal)* in CCV as Value Proposition Activities, in the form of Transactions, involving Supplier Development.
 - 2.1.2. Achieve the following percentages in CCV *[to be inserted from Contractor's Proposal]*, as Transactions in the Designated Regions of Canada:
 - 2.1.2.1. Atlantic: *[to be inserted from Contractor's Proposal]*
 - 2.1.2.2. Quebec: *[to be inserted from Contractor's Proposal]*
 - 2.1.2.3. Northern Ontario: *[to be inserted from Contractor's Proposal]*
 - 2.1.2.4. Southern Ontario: *[to be inserted from Contractor's Proposal]*
 - 2.1.2.5. West: *[to be inserted from Contractor's Proposal]*
 - 2.1.2.6. North: *[to be inserted from Contractor's Proposal]*
 - 2.1.3. Achieve not less than 15% of the Contract Value in CCV for Small and Medium Business Development Transactions, as specified in Appendix 1;

- 2.1.4. Carry out the Export Strategy as provided in the Contractor's Proposal, as specified in Appendix 1 .
- 2.1.5. Carry out each and every Transaction as per the Transaction Sheet list attached at Appendix 1;
- 2.1.6. Submit to the ITB Authority, one (1) year after Contract award, eligible Transactions which are detailed, fully described and which bring the cumulative total of identified eligible Transactions to not less than 60 % of the contract value, including any options, measured in CCV;
- 2.1.7. Submit to the ITB Authority, two (2) years after the Contract award, eligible tranche 3 Transactions which are detailed, fully described and which bring the cumulative total of identified eligible Transactions to not less than 100 % of the contract value, including any options, measured in CCV;
- 2.2. The Contractor must submit to the ITB Authority, through the Contracting Authority, annual reports based on the performance achieved during the Reporting Periods defined in this Contract. These reports must be submitted sixty (60) calendar days after the end of the annual Reporting Period. The Contractor is encouraged to use the format and template outlined in Article 3 (Annual Reporting);
 - 2.2.1. As evidence of the Contractor's achievement of ITB Commitments, the Contractor must provide, appended to the annual reports, a Certificate of Compliance, as set forth in Appendix 3 to this Contract, signed by the senior company comptroller in respect to the Transactions for which there was activity in that Reporting Period. This Certificate of Compliance also applies to those achievements of the Contractor's Eligible Parties.

3. ANNUAL REPORTING

- 3.1. Each annual report must consist of five parts, as outlined in the following sub-paragraphs and in the format template attached in Appendix 3:
 - 3.1.1. Part A must include:
 - 3.1.1.1. An overview and status of the Work on the Naval Remote Weapon Station requirement;
 - 3.1.1.2. A list of all the progress payment requests or invoices (broken down by Reporting Period and including the amount, date submitted and payment status) which have been submitted by the Contractor to the Contracting Authority for Work completed since Contract award;
 - 3.1.1.3. A description of any changes to the ITB Management Plan.

3.1.1.4. An update regarding developments impacting the Contractor's execution of the International Export Strategy. This should include any highlights or notable developments over the previous twelve (12) month period. This update should also include information pertaining to Target Markets and Export Capacity criteria that the Contractor identified in its Proposal. If it formed part of the Proposal, the Contractor must also provide details and evidence, on an annual basis, that it or its Eligible Parties continue to possess the capacity to export from Canada.

The Capacity to Export must be demonstrated by providing details and evidence that the Contractor or its Eligible Parties have:

- The decision-making authority to export from Canada, specifically the following:
 - The signing authorities in place to pursue international sales; and
 - Details illustrating the extent of the decision-making authority with regard to pursuing export contracts.
- Access to the Intellectual Property rights needed to export from Canada, specifically the following:
 - Copy of a transfer and/or licensing agreement for the Intellectual Property;
 - Proof of access to the Intellectual Property; and
 - Registration number of the Intellectual Property.
- A World Product Mandate, specifically the following:
 - Contract or certification or other documentation to illustrate that they have a World Product Mandate for a product or service with exclusive authority to export outside of Canada.
- An appropriate management team in place to pursue international sales.
- Set aside sufficient human and financial resources to pursue international market opportunities.

3.1.1.5. An update and on the efforts undertaken to identify eligible Transactions for Unidentified Value Proposition Commitments. This reporting requirement must remain in effect until all Commitments have been identified in the form of eligible Transactions, within two (2) years following Contract award.

3.1.1.6. A list of the Transactions accepted throughout the Reporting Period (include an updated list and tabular chart of Transactions).

3.1.2. Part B must include, for each Transaction being reported:

- 3.1.2.1. An update on any changes to Transaction details, such as the CCV percentage or company contact information;
- 3.1.2.2. A description of significant achievements and activities; and
- 3.1.2.3. A description of any delays, problems or achievement shortfalls, along with a plan of action to resolve.
- 3.1.3. Part C must include, for each Transaction being reported:
 - 3.1.3.1. The CCV value of the achievement claimed for the current Reporting Period.
- 3.1.4. Part D must include, for each Transaction reported:
 - 3.1.4.1. The CCV value of the achievement claimed to date in all the Reporting Periods since the beginning of the Achievement Period.
- 3.1.5. Part E must include:
 - 3.1.5.1. A description of Small and Medium Business and Regional development activities undertaken during the Reporting Period;
 - 3.1.5.2. A list of Transactions which have been cancelled, added or substantially altered during the Reporting Period with the approval of the ITB Authority, and their status vis-à-vis contract amendment;
 - 3.1.5.3. A Certificate of Compliance related to the Contractor's achievements, signed by the senior company comptroller in respect of the Transactions for which there was activity in that Reporting Period. This Certificate of Compliance also covers any achievements of the Contractor's Eligible Parties; and
 - 3.1.5.4. A Certificate of Compliance related to the Lobbying Act, signed by the senior company official with the authority to bind the Contractor. This Certificate of Compliance also covers any lobbying activities of the Contractor's sub-contractors and/or Eligible Parties.

4. CONTRACT PRICE CHANGES

- 4.1. In the event that the Contract Value is increased or decreased, the Contractor's Commitments in Article 2.1 must be correspondingly either increased or decreased to reflect this change.
- 4.2. If the Contract Value increases after the third year following Contract award, the Contractor will submit to the ITB Authority Proposed Transactions valued at 100% of the increase within one year of the date of the increase.

5. OVERACHIEVEMENT

- 5.1. The Contractor may achieve a CCV for any Commitment in excess of the value stated in the Transactions without prior approval. When an Overachievement occurs in a Transaction Commitment, subject to the prior written approval of the ITB Authority, the Overachievement may be applied against the Shortfall or unidentified portion of the Transactions, as long as the overall Contractor's Value Proposition Commitment is maintained and Regional and Small and Medium Business Commitments are achieved. An Overachievement in one Region will not be applied to reduce a Shortfall in another Region.

6. CANADIAN CONTENT VALUE (CCV)

- 6.1. The CCV of any Direct and Indirect Transaction must be determined by the Net Selling Price Method or the Cost Aggregate Method.
 - 6.1.1. Net Selling Price Method: A product or service which bears a substantiated selling price may have its CCV calculated as follows:
 - 6.1.1.1. Begin with the total selling price of the product or service;
 - 6.1.1.2. Subtract the applicable customs duties, excise taxes and applicable Goods and Services Taxes (GST), Harmonized Sales Taxes (HST) and all provincial sales taxes; and
 - 6.1.1.3. Subtract any costs incurred as set out in Article 6.2.
 - 6.1.2. Cost Aggregate Method: Any product or service that cannot be assigned a substantiated selling price may have its CCV calculated as the aggregate of the following:
 - 6.1.2.1. The cost of parts produced in Canada, and the cost of materials to the extent that they are of Canadian origin, that are incorporated in the equipment in the factory of the manufacturer in Canada;
 - 6.1.2.2. The cost of parts or materials which the ITB Authority can verify as being

of Canadian origin, in that they have been exported from Canada and subsequently imported into Canada as parts or finished goods;

- 6.1.2.3. Transportation costs, including insurance charges incurred in transporting parts and materials from a Canadian supplier or frontier port of entry to the factory of the manufacturer in Canada for incorporation in the equipment, to the extent that such costs are not included in the foregoing paragraph; and
- 6.1.2.4. Such part of the following costs (not including GST, HST, all provincial sales taxes, excise taxes, royalties and license fees paid outside of Canada) as are reasonably attributable to the production or implementation of the equipment, service or activity:
 - 6.1.2.4.1. Wages and salaries paid for direct and indirect production and non-production labour in Canada paid to Canadians or to permanent residents as defined in the *Immigration and Refugee Protection Act 2001*, c.27;
 - 6.1.2.4.2. Materials used in the Work but not incorporated in the final products;
 - 6.1.2.4.3. Light, heat, power and water;
 - 6.1.2.4.4. Workers compensation, employment insurance and group insurance premiums, pension contributions and similar expenses incurred with respect to labour referred to above in Article 6.1.2.4.1;
 - 6.1.2.4.5. Taxes on land and buildings in Canada;
 - 6.1.2.4.6. Fire and other insurance premiums relative to production inventories and the production plant and its equipment, paid to a company authorized by the laws of Canada or any province to carry on business in Canada or such province;
 - 6.1.2.4.7. Insurance purchased specifically from a company authorized by the laws of Canada or any province to carry on business in Canada or such province;
 - 6.1.2.4.8. Rent of factory or office premises paid to a registered owner in Canada;
 - 6.1.2.4.9. maintenance and repairs to buildings, machinery and equipment used for production purposes that is executed in Canada;
 - 6.1.2.4.10. Tools, dies, jigs, fixtures and other similar plant equipment items of a non-permanent nature that have been designed, developed or manufactured in Canada;

- 6.1.2.4.11. Engineering and professional services, experimental work and product or process development work executed and completed in Canada;
- 6.1.2.4.12. Pertinent miscellaneous factory and office expenses, such as: administrative and general expenses; depreciation with respect to production machinery and permanent plant equipment and the installation costs of such machinery and equipment; and, a capital allowance not exceeding five (5) percent of the total capital outlay incurred for buildings in Canada owned by the producer of the work;
- 6.1.2.4.13. Personal travel expenses, including Canadian carriers, accommodations and meals, for travel associated with Direct Transactions in this Naval Remote Weapon Station Contract;
- 6.1.2.4.14. Fees paid for services not elsewhere specified; and,
- 6.1.2.4.15. Pre-tax net profit upon which Canadian taxes are paid or are payable.
- 6.2. Costs or Business Activities that are ineligible for Credit:
 - 6.2.1. The value of materials, labour and services imported into Canada;
 - 6.2.2. In the case of an Indirect Transaction, the value of raw materials and Semi-Processed Goods exported from Canada;
 - 6.2.3. The value of any living, relocation costs and remuneration paid to non-Canadians for work on the Project;
 - 6.2.4. The amount of all Canadian Excise Taxes, Import Duties, Federal and Provincial Sales Taxes, GST, HST and other Canadian duties;
 - 6.2.5. The value of goods and services with respect to which Credits has been received or is being claimed by the Contractor or its Eligible Parties as a Transaction to Canada under any other Obligation or agreement;
 - 6.2.6. Any proposal or bid preparations costs;
 - 6.2.7. All transportation or travel costs not covered under Articles 6.1.2.3 or 6.1.2.4.13;
 - 6.2.8. Obligations of the Federal Government (e.g. government furnished equipment);
 - 6.2.9. License fees paid by the Canadian Recipient and any on-going royalty payments;
 - 6.2.10. Transactions claimed by a Contractor that pertain to its influence or that of one of its Eligible Parties over any country's purchasing agent/department;

- 6.2.11. Interest costs associated with letters of credit or other financial instruments to support Transactions;
- 6.2.12. Fees paid to lobbyists (as per the *Lobbying Act*); and
- 6.2.13. Fees paid to third-party consultants or agents for work related to obtaining Credit against this Contract. This includes, but is not limited to, providing advice on the ITB Policy, preparation of Transactions and/or reports, representing the interests of the Contractor to the ITB Authority, and/or searching for potential recipient Companies.

7. ELIGIBILITY CRITERIA FOR TRANSACTIONS

- 7.1. Causality - each Transaction must be one which was brought about by either the Contractor or one of its Eligible Parties, due in part to a current or anticipated Obligation to Canada. It must not be one which probably would have been entered into if an Obligation had not existed or been anticipated. Causality may be demonstrated to a specific project or more broadly to a company's Obligation in general.
 - 7.1.1. The Contractor or its Eligible Party must demonstrate Causality by providing a detailed statement on Causality, which outlines the steps and timelines involved in its decision about a procurement or investment activity and which clearly shows the link between the steps and decision on a business activity and Canada's ITB or IRB Policy.
 - 7.1.2. The Contractor or its Eligible Parties must provide evidence of Causality in support of its detailed statement referred to in Article 7.1.1. Evidence of Causality is written documentation and may include, but not be limited to: sub-contract documentation, correspondence, meeting documents, corporate presentations, etc.
 - 7.1.3. The Contractor or its Eligible Party should provide as much detailed documentary evidence as possible, at the time of submitting a Proposed Transaction to the ITB Authority. Failure to provide sufficient evidence of Causality may result in the Transaction being rejected.
 - 7.1.4. Further guidance on Causality is available on the ITB website at www.ic.gc.ca/ITB.
- 7.2. Timing - Transactions must be implemented within the Achievement Period, as defined in Article 1.1.3.
 - 7.2.1. Transactions, or substitute Transactions, that are identified after the date of Contract award must meet the Eligibility Criteria and they must only involve work occurring after the date of identification of the Transaction to the ITB Authority.

7.3. Incrementality –Transactions must involve new work in Canada.

7.3.1. Should a Transaction involve the purchase of goods or services from an existing Canadian supplier to the Contractor or its Eligible Party, the incremental method of calculating the Credits will apply, as follows:

7.3.1.1. A three-year average of previous purchases is calculated, based on the three years immediately preceding the date of identification of the Transaction to the ITB Authority;

7.3.1.2. Credit will be awarded only on those purchase amounts which exceed the three year average, in each of the Reporting Periods.

7.3.2. The incremental method of calculation outlined in Article 7.3.1 does **not** apply in cases where the product or service being purchased in the Transaction:

7.3.2.1. Involves Direct Work;

7.3.2.2. Is substantially different than what was previously purchased;

7.3.2.3. Involves a different end use (market sale, application, etc.) than what was previously purchased; or,

7.3.2.4. Follows a competitive process to re-select the Canadian supplier.

7.4. Eligible Party - Transactions must be undertaken by an Eligible Party as defined and named in the Contract.

7.4.1. An Eligible Party is the Contractor, its parent corporation, and all of the parent's subsidiaries, divisions and subdivisions; and, the Contractor's Tier-One suppliers related to the performance of the Work under this Contract, their parent corporations and all of the parent's subsidiaries, divisions and subdivisions.

7.4.2. For proposed Eligible Parties that are Canadian Companies with less than 500 employees, Contractors must clearly demonstrate that the Canadian Company has the capacity to undertake Obligations with respect to this Contract. Capacity includes factors such as: company size, product offerings, market conditions, corporate ownership, management processes, level of Canadian content, etc.

7.4.3. The Contractor must be fully responsible to Canada for all ITB Commitments related to this Contract, regardless of flow down arrangements with Eligible Parties.

7.4.4. A list of approved Eligible Parties for the Naval Remote Weapon Station requirement is found in Article 25.

7.5. Validation of Eligibility

- 7.5.1. Wherever Possible, the ITB Authority will confirm Transaction eligibility prior to a Proposed Transaction being accepted into the Contract. As Contractors plan, negotiate and conclude Proposed Transactions, they are encouraged to retain and submit all of the records and documentation necessary to demonstrate eligibility.
- 7.5.2. Contractors should note that all Transactions are subject to annual reporting, verification and approval before Credits are confirmed. Should new information arise during verification that seriously calls into question the eligibility of a Transaction, the ITB Authority will review and investigate as soon as possible.

7.6 Eligibility for Unidentified Value Proposition Commitments

- 7.6.1 Unidentified Value Proposition Commitments provided in the Contractor's Value Proposition must meet the Eligibility Criteria.
- 7.6.2 For an Unidentified Value Proposition Commitment to be deemed as eligible it must meet the following:
 - 7.6.2.1 Submitted at the time of bid by the Contractor;
 - 7.6.2.2 Identification of the relevant Value Proposition Criteria;
- 7.6.3 The Contractor should note that for Unidentified Value Proposition Commitments provided in its Value Proposition, subsequent eligible Transactions must also be submitted in accordance with the Commitment towards the identification of eligible ITB transactions as set out in Article 2 as well as subject to the Eligibility Criteria for Transactions as set out in Article 7.
- 7.6.4 Credit for Unidentified Value Proposition Commitments will not be awarded until the activity has been submitted by the Contractor and accepted by the ITB Authority as an eligible Transaction.

8. TRANSACTIONS

8.1. Direct Transactions

- 8.1.1. Direct Transactions are those achieved through the provision of the goods and services required to deliver the Naval Remote Weapon Station requirement.
- 8.1.2. Canadian resources should be utilized to the maximum extent possible to develop, produce, integrate and deliver the Naval Remote Weapon Station requirement.

8.2. Indirect Transactions

- 8.2.1. Indirect Transactions are those achieved through business activities not related to the Naval Remote Weapon Station requirement.
- 8.2.2. Indirect Transactions must involve a level of technology that is generally the same or higher than that of the Naval Remote Weapon Station requirement, with applications in Canadian advanced technology industries.
- 8.2.3. Indirect Transactions must have a Canadian Content Value (CCV) of no less than 30% of the total value of the Transaction.
- 8.2.4. It is the responsibility of the Contractor to clearly describe for each Indirect Transactions submitted in Value Proposition how it aligns with the Value Proposition Criteria as identified Article 1.1.51. The Contractor or its Eligible Party should provide details and documentation in support of the alignment with the Value Proposition Criteria.
- 8.2.5. Even though a Transaction may be counted towards meeting a Value Proposition Commitment, this does not negate the need for the Transaction to meet all of the Eligibility Criteria, including those related to Causality and Incrementality.

8.3. Small and Medium Business (SMB) Transactions

- 8.3.1. A Transaction where an SMB is the Recipient, and the SMB's product or service has a CCV of at least seventy (70) percent, will have its Credit awarded as follows:
 - 8.3.1.1. The portion of the Transaction's CCV value that is equal to or less than \$1,000,000 will be deemed to have one-hundred (100) percent CCV for reporting and verification purposes;
 - 8.3.1.2. Any portion of the Transaction's CCV value that is over \$1,000,000 will use the actual CCV as calculated using Article 6 (Canadian Content Value).

8.4. Post-Secondary and Public Research Institution Transactions

- 8.4.1. A multiplier of five (5) is permitted on Transactions involving: cash contribution input to Canadian universities for university research or the establishment of university chairs; investments in advanced technology skill development through publicly operated Post-Secondary Institutions; and, collaborative research undertaken with Public Research Institutions.

8.5. Consortium Transactions

- 8.5.1. In any instance where the Contractor or its Eligible Party invests in research and development through a Consortium, the method of crediting such investments will be as detailed in this Article.
- 8.5.2. Scope: A Consortium must consist of:
 - 8.5.2.1. The Contractor or its Eligible Party;
 - 8.5.2.2. A minimum of one (1) Canadian Company, and;
 - 8.5.2.3. A minimum of one (1) Canadian Post-Secondary Institution or Public Research Institution.
 - 8.5.2.4. Involvement of non-Canadian companies in the Consortium must be permitted. The combined total investment from non-Canadian companies must not exceed fifty (50) percent of the Consortium value.
 - 8.5.2.5. The Contractor must not be able to claim its Consortium members as Eligible Parties to this Contract.
 - 8.5.2.6. In cases where an existing Eligible Party to the Contract participates in the same Consortium as the Contractor, separate Transaction sheets must be submitted that describes both the Contractor's and the Eligible Party's involvement in the Consortium. Both the Contractor and the Eligible Party may only claim the Credits associated with the contributions that each has leveraged into the Consortium. At no time must the Contractor and Eligible Party be able to claim for the same contribution(s).
 - 8.5.2.7. Contributions to the Consortium may take the form of cash or in-kind contributions. In the case of in-kind contributions, the value of these must be determined by an assessment to be undertaken by a Third Party to this Contract solely at the cost of the Contractor.
 - 8.5.2.8. The future sales that may arise from the Consortium will not be counted for Credit within the Consortium Transaction. Should the Contractor procure goods and services from the Consortium, the purchase will be considered as a separate Transaction and no multiplier will be applied.
 - 8.5.2.9. When a Consortium Transaction is submitted, the Contractor must identify the manner that it proposes to calculate the regional distribution. The Contractor may opt to make regional commitments based on where funding for the Consortia originates as a proportion of the total Canadian funding. Alternatively, the Contractor may opt to make regional commitments based on where the work associated with the Consortium is taking place. In either

situation, once a Contractor selects a regional calculation, the Contractor will be held to this selection.

- 8.5.2.10. In addition to demonstrating that its investment in the Consortium meets all of the Eligibility Criteria, the Contractor must also be responsible for demonstrating how its involvement in the Consortium leveraged the investments from the other parties involved. In order to receive Credit for funds invested by other companies, the Contractor must demonstrate that the additional funds invested into the Consortium were the result of the Contractor's participation. The Contractor will not receive any Credit for contributions already existing in the Consortium prior to their participation.
- 8.5.2.11. The Contractor will not receive any Credit on any contributions leveraged by other parties and applied to other Obligations. In cases where multiple Contractors with obligations are involved in the same Consortium, each of these Contractors may be eligible to receive Credit for their own contribution and that of the members they can demonstrate they attracted to the Consortium.
- 8.5.3. Valuation for Credit Purposes:
 - 8.5.3.1. An initial value will first be calculated, and must be the sum of the following:
 - 8.5.3.1.1. The value of cash contributions from the Contractor to the Consortium; and,
 - 8.5.3.1.2. The value of cash contributions from other eligible participants, up to a maximum value equal to that of the Contractor's contribution, which have been demonstrably leveraged by the Contractor's participation in the Consortium.
 - 8.5.3.2. Once the initial value is established, the Contractor must receive a five (5x) times multiplier on it.
 - 8.5.3.3. The value of any in-kind contributions would then be added. In-kind contributions are not eligible for a multiplier.
- 8.5.4. Timing:
 - 8.5.4.1. Credit can be claimed when both the Contractor and the member(s) make their contributions to the Consortium.
 - 8.5.4.2. All Consortium-related Credits claimed by the Contractor are subject to annual reporting, verification and written approval by the ITB Authority before Credits are approved.

- 8.5.5. The following will not be eligible for Credit:
- 8.5.5.1. Contributions made to the Consortium by Post-Secondary Institutions or Public Research Institutions; and,
 - 8.5.5.2. Direct contributions into the Consortium made by any level of government.
- 8.5.6. Performance Guarantees:
- 8.5.6.1. Transaction sheets related to a Consortium should be stated in the multiplied value of the proposed contributions. This multiplied value is part of the Contractor's total ITB Commitment and, as such, is subject to the performance guarantees stipulated in this Contract.
 - 8.5.6.2. If the Contractor fails to achieve an Accepted Transaction involving a Consortium, the full multiplied value of its ITB Commitment must be made up with other Transactions that meet the Eligibility Criteria. Substitute Transactions will not automatically be subject to a multiplier.
- 8.6. **Investment Framework (IF) Transactions**
- 8.6.1. Transactions may involve R&D or Commercialization investments made directly by the Contractor with a Canadian SMB. The methods of assessing, valuing and crediting these investments are detailed in this Article.
 - 8.6.2. Proposed *IF* activities will be reviewed, approved and awarded by the ITB Authority using the following gate process:
 - 8.6.2.1. Gate 1 - Term Sheet Eligibility
 - 8.6.2.2. Gate 2 - Investment Valuation
 - 8.6.2.3. Gate 3 - Determination of Credits and Transaction Sheet Approval
 - 8.6.2.4. Gate 4 - Monitoring and Award of Credit
 - 8.6.3. Gate 1, Term Sheet Eligibility - Proposed *IF* activities must meet all six of the following eligibility criteria:
 - 8.6.3.1. Investment must be linked to Research and Development (R&D) and/or Commercialization activities, as defined in this Contract;
 - 8.6.3.2. Investment must be with a Canadian SMB, as defined in this Contract;
 - 8.6.3.3. Investment must meet the Eligibility Criteria, as defined in this Contract;

- 8.6.3.4. Investment must be an Allowable *IF* Investment, as defined in this Contract;
- 8.6.3.5. *IF* activity must have a duration of at least five (5) continuous years, beginning at the date the investment is made; and,
- 8.6.3.6. A complete *IF* Business Plan, as defined in this Contract, must be submitted to the ITB Authority.
- 8.6.4. Gate 2, Investment Valuation – Eligible *IF* activities will be valued, using the following methods:
- 8.6.4.1. Eligible cash investments will be taken at face value.
- 8.6.4.2. Eligible in-kind investments will be valued by an independent third party, as outlined in Article 1.1.22.
- 8.6.5. Gate 3, Determination of Credits – The following multipliers will be applied to the value of the eligible *IF* investment:
- 8.6.5.1. Cash for R&D Activities; or, License for IP – nine (9)
- 8.6.5.2. Cash to purchase, or in-kind transfer of, Equipment – seven (7)
- 8.6.5.3. In-kind transfer of Knowledge and/or Marketing/Sales Support – four (4)
- 8.6.6. Gate 4, Monitoring and Award of Credits –
- 8.6.6.1. The multiplied Credits resulting from an *IF* activity will be awarded along the following timeline:
- Fifty (50) percent up front, once the investment activity is made according to the *IF* Business Plan, reported to the ITB Authority, and verified by the ITB Authority;
 - Fifty (50) percent apportioned over the remaining years of the *IF* project, as annual *IF* reporting requirements are met.
- 8.6.6.2. The Contractor will be deemed as having met each year’s annual *IF* reporting requirements once the Contractor:
- Reports on its *IF* activities through the established annual reporting requirements outlined in Article 3, “Annual Reporting”; and,

- Includes in its Annual Report each year a specific and complete *IF* activity report, using the template provided in Appendix 5 of this Contract, “Annual *IF* Activity Report.”

- 8.6.7. The total issued Credits associated with *IF* activities cannot exceed five (5) percent of the total Obligation value in this Contract.
- 8.6.8. The investment must be made within 12 months from the date of either: the final Transaction approval from the ITB Authority (cash investment); or, the third party valuation report (in-kind investment).
- 8.6.9. The investment must remain with the SMB for at least five (5) continuous years and be used for the purposes outlined in the *IF* Business Plan.
- 8.6.10. Credits may be disallowed or revoked by the ITB Authority in any of the following circumstances:
- 8.6.10.1. Failure to provide a detailed, complete and accurate “Annual *IF* Activity Report” in each year of the *IF* project;
- 8.6.10.2. Removal, in whole or in part, of the *IF* investment from the SMB prior to the end of five continuous years; or
- 8.6.10.3. Use of the *IF* investment for purposes other than those outlined in the *IF* Business Plan.
- 8.6.11. A “Guide for Applicants” is available on the ITB Website (www.ic.gc.ca/itb), which provides additional details on the *IF* processes, timelines and deliverables. The Guide also provides the templates to be used by the Contractor or its Eligible Party during the *IF* submission process.

8.7. Technology and Skills Cooperation Transactions

- 8.7.1. Transactions may take the form of direct Technology and Skills Cooperation and must meet the following criteria:
- 8.7.1.1. Technology must be in a form that is sufficiently complete to allow the Recipient to apply the knowledge to existing or new products or processes;
- 8.7.1.2. Technology must be proprietary, current and at a level of technology equivalent to or higher than that used on the Naval Remote Weapon Station requirement;
- 8.7.1.3. All required licenses or permits to facilitate the sale of products/services domestically or for export must be included;

- 8.7.1.4. The transferor must make available all engineering and technical advice and assistance required to exploit and keep current the transferred technology and all related information (drawings, methods of application, etc.);
- 8.7.1.5. The Canadian Company must have access to domestic and foreign markets and have the resources to exploit the technology in these markets;
- 8.7.1.6. The technology must be exploitable in terms of the capability (financial and technical) of the Canadian Company to use and keep it current; and
- 8.7.1.7. The Contractor must make available, upon request by the ITB Authority, the licensing agreement with the Recipient. Failure to do so may result in the Technology and Skills Cooperation Transaction being rejected.
- 8.7.2. The Technology and Skills Cooperation must be measured in Canadian Content Value of the future sales, export sales or Import Replacement, of goods or services by the Canadian Company as a result of the Technology and Skills Cooperation. In addition, the Contractor may be credited for reasonable costs incurred as a result of the Technology and Skills Cooperation once the achievement in future sales surpasses the cost of the Technology and Skills Cooperation. Reasonable costs incurred include:
 - 8.7.2.1. Training costs;
 - 8.7.2.2. Set-up of infrastructure needed to exploit the technology; and
 - 8.7.2.3. Any others as deemed reasonable by the ITB Authority.
- 8.7.3. Transactions in the form of Technology and Skills Cooperation with Canadian Companies may include, but not be limited to, activities such as:
 - 8.7.3.1. Participation in the design, development and manufacture of new or improved systems;
 - 8.7.3.2. The provision of new process technologies that will enhance Canadian industry by improving their capabilities in present product lines and enhance their export potential; and
 - 8.7.3.3. The provision of licenses which will allow Canadian Companies to manufacture new or existing components of major systems for export sale and Import Replacement.

8.8. General Investment Transactions

- 8.8.1. Transactions can involve activities such as investment in Canada. These investments must meet the Eligibility Criteria and must be made by the Contractor

or its Eligible Party and placed directly with a Recipient.

- 8.8.2. The Contractor will be credited the CCV of future sales achieved by the Recipient as a result of the specific investment. In addition, the Contractor will also be credited for the amount of the investment itself, once the Recipient's future sales achievement surpasses the amount of the initial investment. The credited future sales will be prorated by multiplying the applicable sales to the ratio of the Contractor's own direct investment in the Canadian Company relative to the Canadian Company's Capitalization at the time the investment was made once the accepted Credits surpasses the amount of the total investment.
- 8.8.3. Credited Future Sales =
- $$\text{Applicable Sales} \times \frac{\text{Contractor's own direct investment in Recipient}}{\text{Recipient's Capitalization at the time the investment was made}}$$
- 8.8.4. The investment must not be in the form of a loan or for the purchase of debentures.
- 8.8.5. The investment made by the Contractor or its Eligible Parties must remain placed with the Recipient for a minimum of three (3) years, starting from the date the investment is placed with the Recipient. Failure to do so will result in the immediate clawback of all approved Credits for the Transaction by the ITB Authority. No further Credits will be approved for that particular Transaction.
- 8.8.6. In the event the Contractor or an Eligible Party invests in its own Canadian facilities, the investment and the incremental sales resulting from that investment may be eligible for Credit, assuming the investment meets the Eligibility Criteria. Consideration will be given to whether the investment results in a benefit to Canada and that it does not result in overcapacity, shutdowns of existing companies or losses of prospective sales by existing companies in Canada.
- 8.8.7. The capital associated with the purchase of a Canadian Company that is considered a "going concern" is not an eligible investment for ITB purposes. If the investment is for a Canadian Company that has availed itself of the Canadian bankruptcy laws, then the investment can be considered for ITB purposes.

8.8.8. Investment Transactions may also include:

8.8.8.1. The establishment or enhancement of a Canadian facility or project which will develop Canada's advanced technology industries, and provide a capability that does not already exist in Canada. Consideration will be given to whether the Transaction results in overcapacity, shutdowns of existing companies or losses of prospective sales by existing companies in Canada;

8.8.8.2. The development of joint ventures with Canadian Companies, which will contribute to their long-term viability and increase sales in both domestic and international markets.

8.9. Venture Capital Fund Transactions

8.9.1. In any instance where the Contractor or its Eligible Party is not placing an investment directly with a Recipient, and is utilizing a third party to manage such investments, the method of crediting such investments will be as detailed in this Article. Any organization which manages investments such as, but not limited to banks, trust companies, Venture Capital Funds, and investment companies, will not be an Eligible Party to the Contract, but will be deemed a third party. A portion of a Contractor's investment may come from the placement of funds into a Venture Capital Fund (VCF) directed at assisting the growth of Canadian small businesses through their development and exploitation of new technologies. The multiplied Credit related to these investments must not exceed five (5) percent of the ITB Commitment value. Contributions in support of Canadian small business are permitted within the following parameters:

8.9.2. Timing:

8.9.2.1. Credit can be claimed when:

8.9.2.1.1. The Contractor makes a financial contribution to a qualifying VCF. Only the face value of the contribution, measured in Canadian dollars, can be sought as Credit at this time; and,

8.9.2.1.2. The VCF manager invests funds with a Canadian small business and the funds remain placed with the Recipient for a minimum of three (3) years, starting from the date the funds are placed. Failure to do so will result in the immediate clawback of all Credits claimed or approved for the Transaction by the ITB Authority.

8.9.2.2. All VCF related Credits claimed by the Contractor are subject to verification and approval by the ITB Authority before Credits are awarded.

8.9.3. Scope:

- 8.9.3.1. (Privately held) small business Recipients of the VCF investment must have 50 employees or less (service based industries) or 100 employees or less (manufacturing based industries) at the commencement of the investment.
- 8.9.3.2. Initial investments by the VCF manager, including co-investments, in eligible small businesses cannot exceed \$1,000,000.
- 8.9.3.3. Small business Recipients will generally be involved in the development, manufacture or commercialization of a technologically advanced product or service in one of the following sectors:
- Life sciences (biotechnology, medical devices and pharmaceuticals)
Health
 - Advanced materials
 - Advanced manufacturing
 - Environment
 - Information and communications technologies, and
 - Aerospace and defence
- 8.9.3.4. Only Canadian registered and managed VCFs (or third parties) which support the above industrial sectors will be acceptable. The Contractor will have to provide evidence that a high percentage of a chosen fund's investment activity is with companies that are in the above sectors.
- 8.9.4. Multiplier for Credit purposes:
- 8.9.4.1. The multiplier for Credit purposes is 5:1. The Credit will be given for the initial contribution at the time of the deposit to the VCF by the Contractor. The Credit that makes up the remaining multiples will be offered when the VCF manager or third party investment manager assigns the funds to a Canadian small business and the funds remain placed with the Recipient for a minimum of three (3) years, starting from the date the funds are placed. The maximum multiplied Credit for the Project is five (5) percent of the ITB Commitment value.
- 8.9.5. Limitation to Venture Capital Funds
- 8.9.5.1. Once a small business reaches the initial public offering stage, no further Credit will be granted by the ITB Authority for further VCF investment to the Canadian small business.
- 8.9.6. Performance Guarantees
- 8.9.6.1. Transaction sheets related to qualifying VCF Transactions are stated in the multiplied value of the proposed contributions to the VCF. This multiplied

value is part of the Contractor's total ITB Commitment, and as such is subject to the performance guarantees stipulated in this Contract.

- 8.9.6.2. If the Contractor fails to achieve an Accepted Transaction involving a VCF, the full "multiplied" value of its ITB Commitment must be made up with other Transactions that meet the Eligibility Criteria. Substitute Transactions will not be subject to the multiplier.

9. STRATEGIC PLANS

- 9.1. Major Obligors to Canada are required to submit a Strategic Plan to the ITB Authority;
- 9.2. The Contractor and the ITB Authority will meet regularly to update, review and discuss the Contractor's Strategic Plan. Representatives at senior levels of both the Contractor's corporation and ITB Authority will be available for these meetings.
- 9.3. The Contractor's Strategic Plan should include:
- 9.3.1. A description of the Contractor's broad corporate plans and overarching strategic vision for Canada over the medium-term (3-5 years) and long-term (5+ years);
 - 9.3.2. How these corporate plans and vision may translate into Transactions;
 - 9.3.3. An overview of the Contractor's current and anticipated Obligations to Canada;
 - 9.3.4. ITB partnerships with Tier-one Suppliers or other Eligible Parties; and,
 - 9.3.5. Notice of potential Transactions that will request Pooling.
- 9.4. Contractors with multiple Obligations totaling less than \$1 billion may also submit a Strategic Plan to the ITB Authority. However, neither the ITB Authority, nor the Contractor will be required to meet to discuss the Strategic Plan.
- 9.5. Contractors with a Strategic Plan may be permitted to pool high value, strategic Transactions.
- 9.6. Pooled Transactions must meet the following criteria:
- 9.6.1. Meet all of the Eligibility Criteria as described in Article 7 (Eligibility Criteria for Transactions);
 - 9.6.2. Have a value of over \$100 million, measured in CCV; and
 - 9.6.3. Have strategic and long term impacts on the Recipient, including but not limited to: R&D support; first purchase of innovative Canadian technologies; unique market leadership; World Product Mandate; global value chain activities;

Consortia activities; Small and Medium Business activities; and/or technology advancement.

- 9.7. The Contractor must clearly describe and document how any Proposed Transaction for Pooling meets the criteria in Article 9.6.
- 9.8. The receipt, storage and protection of corporate business information included in a Strategic Plan is governed by applicable federal laws and processes, such as the *Access to Information Act*, the *Privacy Act* and the *Library and Archives of Canada Act*.

10. VALID ORDERS

- 10.1. The extent to which each Transaction will qualify will be based on and limited to valid orders and/or contracts delivered by the end of the Achievement Period.

11. BANKING

- 11.1. Banked Transactions may comprise a total of 50% of the ITB Commitment value.
- 11.2. The entire CCV of a Banked Transaction, not a portion thereof, must be applied to a single Transaction under the Contract.
- 11.3. Each Transaction must clearly state that it is a Banked Transaction. The Banked Transaction must contain the exact information as submitted to the Bank.
- 11.4. Trading and/or transfer between companies of Banked Transactions is not permitted.

12. IMPORT REPLACEMENT

- 12.1. Import replacements due to the transference of work into Canada will be counted for ITB purposes.

13. WORLD PRODUCT MANDATE

- 13.1. If a product designed, developed and manufactured by a Canadian Company is the subject of a World Product Mandate, where it is a long term relationship between the Contractor or an Eligible Party and a Canadian Company, whereby the Canadian Company has been contractually authorized to carry out the aforementioned specific activities, and is identified as such in an Indirect Transaction, and where the CCV of the product is verified to be seventy (70) percent or greater, the full contract value of the Transaction will be deemed to be CCV.

14. PUBLIC COMMUNICATIONS

- 14.1. The Contractor, its Eligible Parties and/or Recipients are encouraged to be as transparent as possible regarding its Plans, Commitments and specific Transactions,

making them publicly available whenever possible.

- 14.2. In the above efforts at transparency, the Contractor and the ITB Authority will jointly coordinate public communications related to the Transactions associated with the Naval Remote Weapon Station requirement. The two parties will also collaborate to identify impact and success stories associated with specific Transactions.
- 14.3 The Contractor consents to public announcements regarding the Naval Remote Weapon Station requirement, made by or on behalf of the Minister of Industry that are related to ITB Commitments. These announcements would include company names, general descriptions of the work being proposed and approximations of CCV. In these cases, the ITB Authority will make all reasonable efforts to ensure that the Contractor has the opportunity to participate in the announcement and/or the preparation of any related materials. The Contractor also consents to allow Industry Canada to publish and openly disclose the Contractor's track record in fulfilling its Obligations, in a manner that respects commercial confidentiality.
- 14.4 For all other public communications regarding the Transactions on the Naval Remote Weapon Station requirement, drafts of announcements and their publication schedule will be delivered by either party to the other as soon as is reasonably possible, but in any event prior to the proposed release date. Each party will make every effort to inform the other, and seek resolution of, any objections to the content or timing of the proposed announcement.
- 14.5 Nothing in this Article must be interpreted as preventing the fulfillment by any company involved in an obligation or activity of its reporting obligations under applicable securities laws.

15. TRANSACTION ALTERATIONS

- 15.1. The Contractor must not alter the Transactions listed in Appendix 1 unless:
 - 15.1.1. The Contractor has submitted a proposal to the ITB Authority through the Contracting Authority, with respect to the alteration; and,
 - 15.1.2. The ITB Authority through the Contracting Authority has given written approval to the Contractor and requested the Contracting Authority to amend the Contract accordingly.
- 15.2. The Contractor may propose alterations to or substitutions for any of the Transaction(s) listed in Appendix 1, and the ITB Authority may accept these requests provided that in the judgment of the ITB Authority:
 - 15.2.1. The circumstances requiring the change are exceptional and likely to result in undue hardship upon the Contractor if a change is not made;

- 15.2.2. The ITB Obligations of this Contract are maintained (i.e. the overall ITB, VP, Regional and Small Business Commitments);
- 15.2.3. The proposed alterations or substitutions meet the Eligibility Criteria stated in this Contract;
- 15.2.4. The proposed substitute Transaction is not less than the Transaction to be replaced both as to the level of technological sophistication of the work to be performed and the CCV;
- 15.2.5. Proposed substitutions for Transactions submitted under the Value Proposition must fall within the same Value Proposition Criteria and be of equal CCV in dollar value.
- 15.2.6. Canadian industry will receive the maximum high-quality, Direct Transactions associated with the delivery of the Work; and
- 15.2.7. Canadian industry will receive high-quality, Indirect Transactions of the same level of technology as the Direct Transactions.
- 15.3. Mutual Abatement and Trading
 - 15.3.1. Mutual Abatement means a reduction of the Contractor's Obligation in exchange for the reduction of a Canadian Company's Obligations to a foreign offset authority.
 - 15.3.2. Mutual Abatement is not permitted.
 - 15.3.3. Trading Obligations, or of Credits, is not permitted.

16. VERIFICATION AND ACCESS TO RECORDS

- 16.1. The Contractor must implement the procedures and practices as described in the ITB Management Plan. Any changes to the ITB Management Plan are subject to approval by the ITB Authority.
- 16.2. The Contractor must keep proper records and all documentation relating to the Transactions attached to this Contract, including invoices, proof of payments, etc. The Contractor must not, without the prior written consent of the ITB Authority, dispose of any such records or documentation until the expiration of two (2) years after final payment of this Contract, until settlement of all outstanding claims and disputes, or the end of the Achievement Period, whichever is later. All such records and documentation must at all times during the aforementioned retention period be open to verification, inspection and examination by the ITB Authority or his/her delegate, who may make copies thereof and take extracts there from.

- 16.3. In addition, the ITB Authority may request the Contractor provide copies of all such information be sent to him/her via mail or courier for a random sample of Transactions, as he/she may from time to time request.
- 16.4. If the ITB Authority determines that the information contained in the annual report and certified by the Certificate of Compliance will be verified, the Contractor will undertake to provide the ITB Authority with access, at all reasonable times, and within sixty (60) calendar days of being notified, to its accounts and records relating thereto and will, by obtaining similar undertakings in the subcontracts of all Eligible Parties, arrange for the same in respect of any subcontracts and suppliers carrying out the work.
- 16.5. Where, subsequent to the verification action taken pursuant to this Article, the ITB Authority determines that the records are insufficient to verify the Contractor's achievements in respect of any ITB Commitment, the Contractor must provide such additional information as may be required by the ITB Authority.
- 16.6. Where it cannot be verified that a Transaction has provided the benefits claimed, that portion of the Transaction which cannot be verified will be considered as not having been achieved and the ITB Authority will give notice to the Contractor of the Shortfall through the Contracting Authority.
- 16.7. If the ITB Authority determines that a significant Shortfall in the Contractor's total ITB Commitment exists and if the ITB Authority believes that the Contractor will not meet its total ITB Commitment, the ITB Authority may give, through the Contracting Authority, notice to the Contractor and request the Contractor to submit a proposal showing how the Contractor plans to correct such deficiencies. The Contractor will submit its proposal within sixty (60) calendar days of receipt of such notice. If the proposal is not acceptable to the ITB Authority, the ITB Authority may request the Contracting Authority to terminate the Contract.

17. INFORMATION MANAGEMENT

- 17.1. The Contractor's overall, aggregate information related to Obligations, Transactions and achievements is considered by the ITB Authority to be information available to Parliament and the public.
- 17.2. The receipt, storage and protection of the Contractor's specific corporate and transactional business information, which is provided to the ITB Authority in the context of this Contract and/or through a Strategic Plan, is governed by applicable federal laws and processes, such as the *Access to Information Act*, the *Privacy Act* and the *Library and Archives of Canada Act*.
 - 17.2.1. This data may be used by the ITB Authority for internal policy analysis purposes. Certain relevant information may also be shared, subject to applicable laws and processes, with other government organizations with whom the ITB Authority collaborates in the administration of the ITB Policy, such as the Regional

Development Agencies.

18. CONFLICT RESOLUTION

- 18.1. The ITB Authority and the Contractor acknowledge that they have entered into a long-term relationship, with the goal that the Contractor achieves the Obligations stated herein, delivers long-term economic benefits to Canada and effectively carries out the ITB Terms and Conditions of this Contract.
- 18.2. Guiding this long-term relationship are common values and approaches, such as mutual accountability, open communication, mutual respect and effective collaboration. The relationship will involve officials at the project level (i.e. ITB and contract managers) and at the management level (i.e. Departmental and Executive officials). Discussions will be frequent and ongoing over the life of the Contract.
- 18.3. In the event that a disagreement arises between the ITB Authority and the Contractor regarding an ITB matter, each party will bring their concerns forward to the other for discussion and resolution. Parties are encouraged to raise concerns first at the project level. Should discussions at the project level fail to resolve the issue, the parties are then encouraged to engage at the management level while also notifying the Contracting Authority.

19. PERFORMANCE GUARANTEES

- 19.1. The long-term relationship between the Contractor and ITB Authority is supported by several processes aimed at promoting regular, ongoing engagement between the two parties. These processes include the Transaction identification schedule outlined in Article 2 and the annual reporting process outlined in Article 3. Taken together, these and other monitoring measures are aimed at encouraging positive engagement, use of best practices and the successful completion of the Contractor's ITB Obligations in this Contract.
- 19.2. In the event that the Contractor fails to meet its Obligations under this Contract, the following performance guarantees are in place:
 - 19.2.1. Holdback/Stop Payment
 - 19.2.1.1. If the Contractor has failed to meet the requirement in Article 2.1.6, by twelve (12) months after Contract award, the ITB Authority must notify the Contractor of such deficiency and Canada may apply a holdback of ten percent (10%) of subsequent claims for payments will be withheld until such time as the requirements as stated in Article 2.1.6 are confirmed as having been met by the Contractor.
 - 19.2.1.2. With respect to the holdback outlined in Article 19.2.1.1, a grace period of sixty (60) calendar days, beginning on the date of failure notification by the

ITB Authority, must pass before the holdback takes effect. Within this period, the Contractor may take corrective action by providing to the ITB Authority a plan to remedy.

- 19.2.1.3. If the Contractor has failed to meet the requirement in Article 2.1.7, by twenty-four (24) months after Contract award, the ITB Authority must notify the Contractor of such deficiency and Canada may apply a holdback of ten percent (10%) of subsequent claims for payments will be withheld until such time as the requirements as stated in Article 2.1.7 are confirmed as having been met by the Contractor.
- 19.2.1.4. With respect to the holdback outlined in Article 19.2.1.3, a grace period of sixty (60) calendar days, beginning on the date of failure notification by the ITB Authority, must pass before the holdback takes effect. Within this period, the Contractor may take corrective action by providing to the ITB Authority a plan to remedy.
- 19.2.1.5. Holdbacks in Article 19.2.1.1 and 19.2.1.3 shall be released progressively as the ITB Transactions are identified towards Article 2.1.6 and 2.1.7 to extinguish the deficiency, whichever is the reason for the deficiency. During this holdback period, the ITB Authority shall confirm the amount of ITB Transactions identified within a reasonable amount of time from when the ITB Transactions are submitted by the Contractor.
- 19.2.2. Liquidated Damages:
 - 19.2.2.1. In respect of the failure to achieve any of the Commitments in Articles 2.1.1 to 2.1.5 (Commitments and Responsibilities) by the end of the Achievement Period, the Contractor must pay to Canada as liquidated damages 10% of the Shortfall.
 - 19.2.2.2. In the event that liquidated damages arise under more than one of the Commitments, the Contractor will be liable only under the Commitment which results in the highest liquidated damages.
 - 19.2.2.3. Included in the total Commitment values are the Unidentified Commitments.
- 19.3. In the event that the Contract is terminated for default pursuant to Articles X and X of the NRWS Acquisition and Repair and Overhaul Contracts (Default by the Contractor), the Contractor will immediately pay to Canada an amount equal to the liquidated damages that would be payable under Article 19.2.2.1 based on the Shortfall in regard to those Commitments that, according to Appendix 1 (Plans, Transactions, Unidentified VP Commitments and International Export Strategy), were to be achieved by the date of termination. In the event of such payment, the Contractor will have no further liabilities in regard to the ITB requirements of the Contract.

- 19.4. In the event that this Contract is terminated for convenience pursuant to Articles X and X of the NRWS Acquisition and Repair and Overhaul Contracts (Termination for Convenience), the Contractor will have no further liabilities. In the event of partial termination of the Contract, the Contractor will be released from the terminated portions of its Commitments and from the provisions of Article 2 (Commitments and Responsibilities) as it relates to such terminated portions.
- 19.5. If, during the progress of the Contract, a change in the Work is initiated by Canada which results in the Contractor no longer being able to source from a Canadian Company and, as a consequence, Commitments within Article 2 may not be met, the Contractor must immediately notify the ITB Authority through the Contracting Authority. The Contractor must fully describe the issue, provide all supporting data, including a complete record of attempts to purchase from Canadian sources and Canadian suppliers' responses, together with an analysis of specific technical, commercial or other factors which result in the inability to source from Canada.
- 19.6. In the event the withholding of a milestone payment described in Article 19.2.1 has not been released at the end of the Achievement Period, and the Contractor has also failed to achieve its Commitment (i.e. there is a Shortfall), then the parties agree that the holdback must be deemed to be liquidated damages and retained by Canada, and no additional liquidated damages must be payable for the Shortfall.
- 19.7. The obligation of the Contractor to pay liquidated damages pursuant to articles 19.2.2.1 will be triggered by notice executed by the Contracting Authority to the Contractor, stating that the Contractor is in default under the Contract for failure to achieve the ITB Commitments within the Achievement Period and that Canada is demanding payment of Liquidated Damages in accordance with the liquidated damages Article.
- 19.8. Letter of Credit: The Contractor must, prior to being entitled to receipt of the final milestone payment from Canada following the completion of the Work, provide Canada a guarantee in the form of a letter of credit, covering the amount of monies that would be owing by way of liquidated damages pursuant to the liquidated damages Article should the Contractor not achieve any further Credits after the date of the final milestone payment. The letter of credit must be:
- 19.8.1. Issued by a financial institution which is a member of the Canadian Payment Association;
- 19.8.2. In form and substance satisfactory to the Minister;
- 19.8.3. Solely at the cost of the Contractor;
- 19.8.4. Abated as set forth below;
- 19.8.5. Unconditional and irrevocable; and

- 19.8.6. Subject to the Uniform Customs and Practice for Documentary Credits, as set out in Publication No. 600, July 2007.
- 19.8.7. The letter of credit must remain in force until the earliest of:
- 19.8.7.1. The achievement of the Commitments; and
- 19.8.7.2. Six months following the submission of the final annual report at which time the letter of credit will be abated in full and will be returned by Canada to the Contractor.
- 19.8.8. The obligation of the financial institution to pay under the letter of credit will be triggered by notice executed by either the Minister or the Deputy Minister of Public Works and Government Services Canada to the issuing bank stating that the Contractor is in default under the Contract for failure to achieve the Commitments within the Achievement Period, that Canada has made a demand by notice for payment of liquidated damages in accordance with the liquidated damages Article and that the Contractor has failed to pay Canada liquidated damages in accordance with the liquidated damages Article. No other event will trigger payment under the letter of credit.
- 19.9. The Contracting Authority in accordance with this Article, will have the right to holdback, drawback, deduct and set off from and against the monies owing at any time by Canada to the Contractor, any damages owing under this Contract equal to ten percent (10%) of the Shortfall amount.
- 19.10. Nothing in this Article will be interpreted as limiting the rights and remedies which the Contracting Authority may otherwise have in relation to any breach of this Article by the Contractor, including the right to terminate the Contract for default.
- 19.11. Actual damages which would be sustained by Canada in the event of a breach by the Contractor of the CCV Commitment provisions of this Contract would be commercially impracticable or extremely difficult to compute or ascertain and, therefore, the provisions for liquidated damages are agreed to be a fair and reasonable best estimate of such actual damages, and the manner provided herein for the enforcement and collection of liquidated damages is agreed to be fair and reasonable.

20. CHANGES TO THE PLANS

- 20.1. Any Contractor proposed revisions to the Plans must be agreed to by the ITB Authority in writing. Revisions will be incorporated into this Contract by administrative amendment, issued by the Contracting Authority.

21. RESPONSIBILITIES OF THE PARTIES

- 21.1. The Parties to this Contract acknowledge and agree that:

- 21.1.1. Canada has responsibility to set in place programs and policies which foster a growing, competitive, knowledge-based Canadian economy and to establish ITB Objectives which include:
 - 21.1.1.1. The long-term creation and exploitation of capabilities, knowledge, advanced technologies and markets of lasting impact on Canadian industry;
 - 21.1.1.2. The enhancement of Canadian capability to undertake other work of a similar nature and make a positive contribution to the continuing viability, growth, innovation, export growth and development of the Recipient and the Canadian defence sector.
 - 21.1.1.3. Value Proposition Activities with Canadian Companies that involve Direct work or are in the identified Value Proposition Criteria outlined in Article 1.1.51. Value Proposition Criteria should strengthen the Canadian defense sector, involve Research and Development, exploit export market potential and/or involve high-value activities that will have a long-term positive economic impact.
 - 21.1.1.4 Encouraging the participation of Canadian Companies in the Designated Regions of Canada, assisting with long-term quality improvements to their capability, capacity, international competitiveness and growth potential.
 - 21.1.1.5 Encouraging the participation of SMB as suppliers on major federal procurements and to increase their competitiveness and export market access.
- 21.1.2. The award of this Contract to the Contractor resulted from a procurement process in which the Contractor committed to fulfill its ITB Commitment as an Obligation set out in Article 2, Commitments and Responsibilities; and
- 21.1.3. It is the responsibility of the Contractor to ensure that it can complete the Transactions and that these are not limited by applicable laws, regulations, policies or standards.

22. GOVERNMENT ORGANIZATIONS

- 22.1. It is the responsibility of the Contractor to be familiar with Government departments and agencies, including the following, which are responsible for regional and industrial development: Industry Canada; Western Economic Diversification Canada (WD); Federal Regional Development Organization for Northern Ontario (FedNor); Federal Economic Development Agency for Southern Ontario (FedDev Ontario); Canada Economic Development for Quebec (CED-Q); Atlantic Canada Opportunities Agency (ACOA); and, Canadian Northern Economic Development Agency (CanNor).

23. COMPLIANCE WITH THE *LOBBYING ACT*

- 23.1. The Contractor and its Eligible Parties each represents, warrants and undertakes:
- 23.1.1. That it has filed all *Lobbying Act* returns to be filed in respect of persons employed by it who communicate and/or arrange meetings with public office holders as part of their employment duties, and that it will continue to do so;
 - 23.1.2. That it has not contracted with any person to communicate and/or arrange meetings with public office holders for remuneration that is or would be contingent in any way upon success of such person arranging meetings with public office holders, or upon the approval and granting of Credit under this Contract;
 - 23.1.3. That it will not contract with any person to communicate and/or arrange meetings with public office holders for remuneration that is or would be contingent upon the success of such person arranging meetings with public office holders, or upon the approval and granting of Credit under this Contract;
 - 23.1.4. All persons who are or have been contracted by it to communicate and/or arrange meetings with public office holders in respect to this Contract are in full compliance with the registration and other requirements of the *Lobbying Act*;
 - 23.1.5. It must at all times ensure that any persons contracted to communicate and/or arrange meetings with public office holders in respect of this Contract are in full compliance with the requirements of the *Lobbying Act*.
- 23.2. When submitting each annual report, the Contractor and its Eligible Parties must provide the ITB Authority with a Certificate of Compliance related to Lobbying, signed by the senior officer of the corporation who is authorized to bind the company. The Certificate of Compliance template is contained in Appendix 3.

24. CONTINGENCY AND/OR SUCCESS FEES

- 24.1. The Contractor must not make or agree to make any payment to an individual, company or entity that is contingent on the approval of Credit by the ITB Authority under this Contract or upon the entity's success in arranging meetings with public office holders.

25. LIST OF APPROVED ELIGIBLE PARTIES

- 25.1. The Eligible Parties to this Contract include the companies and coordinates listed below:
- 25.1.1. *[List to be included at Contract award]*

APPENDIX 1
PLANS, TRANSACTIONS, UNIDENTIFIED VP COMMITMENTS AND
INTERNATIONAL EXPORT STRATEGY

Plans – to be referenced from Contractor’s Value Proposition

Transactions – a detailed list and tabular chart to be attached based on the Contractor’s Value Proposition and then updated throughout the Achievement Period.

Unidentified Commitments – Attachment of Appendix 2 outlining the overall Commitment to achieve Transactions for Unidentified Commitments provided in the Value Proposition.

International Export Strategy – to be referenced from Contractor’s Value Proposition.

APPENDIX 2

VALUE PROPOSITION COMMITMENT SHEET TEMPLATE

(Please refer to Bidder Instructions for guidance on completing a Sheet for Unidentified Commitments)

Value Proposition Criteria	Total Dollars expended in Value Proposition Transactions Identified	Percentage of Bid Price in Value Proposition Transactions Identified [(A) / Bid Price] x 100 (A)	Total Dollars expended in Unidentified Value Proposition Commitments	Percentage of Bid Price in Unidentified Value Proposition Commitments [(B) / Bid Price] x 100 (B)	Total Commitment [(A) + (B)] = (C) (C)
Defence Sector (1) - Direct activities related to the Naval Remote Weapon Station requirement	_____	_____	_____	_____	_____
Defence Sector (2) - Indirect activities related to other Remote Weapon Station products within land and naval applications.	_____	_____	_____	_____	_____
Defence Sector (3) - Indirect activities related to the Defence Sector, excluding Defence Sector (1) and (2).	_____	_____	_____	_____	_____
Canadian Supplier Development	_____	_____	_____	_____	_____
R&D (please state in \$)	_____	_____	_____	_____	_____

* The Bidder should note that although Unidentified VP Commitments and identified Transactions are rated distinctly from one another and are to be expressed as a percentage of the bid price (excluding Applicable Taxes and including any Contract options), it will be the sum total of both the identified Transactions and Unidentified VP Commitments provided by the Bidder that will form the Bidder's Commitment for the specified Value Proposition Criteria which will be captured under Article 2 of the ITB Terms and Conditions.

Protected B (when completed

GENERAL INFORMATION	
Project Name:	
Contractor Name:	
Reporting Period:	
Date of Report:	
IC ITB Manager:	

PART A
Overview and Status of Work on the Project:
Progress Payments: <i>(list all invoices to date, the amount, the date submitted and the status of payment)</i>
Changes to the ITB Management Plan:
Status Update on the International Export Strategy:

Status update and progress report on the efforts undertaken to identify eligible Transactions for Unidentified Commitments provided in the Value Proposition.
List of Transactions accepted throughout the Reporting Period <i>(include an updated list and tabular chart of Transactions)</i>

PART B - For each Transaction being reported, describe:
Any changes to the Transaction details (such as CCV % or company contact info)
Significant achievements and activities
Any delays, problems or achievements shortfalls, with a plan of action to resolve

--

PART C – For each Transaction being reported, include:

The achievement claims for the CURRENT Reporting Period, with appropriate totals and subtotals for Direct, Indirect, SMB, Value Proposition, and each of the Designated Regions. The Contractor may use the chart format of their choice.
--

PART D – For each Transaction reported, include:

The achievement claims SINCE THE START OF THE ACHIEVEMENT PERIOD , with appropriate totals and subtotals for Direct, Indirect, SMB, Value Proposition, and each of the Designated Regions. The Contractor may use the chart format of their choice.
--

PART E

Description of activities undertaken related to SMB and regional development
--

List of Transactions that have been cancelled or substantially altered (with previous ITB Authority approval)

Certificate of Compliance for Achievements (template attached)
--

Certificate of Compliance for the Lobbying Act (template attached)
--

CERTIFICATE OF COMPLIANCE - ACHIEVEMENTS
For Annual Reporting Purposes

WHEREAS Her Majesty the Queen in right of Canada as represented by the Minister of Public Works and Government Services Canada (referred to herein as the Minister) on the ____ day of ____ has entered into contract with _____ for the Contract.

AND WHEREAS Such Contract requires that, as evidence of the achievement of Canadian Content Value of Transactions and Commitments, the Contractor must submit a Certificate of Compliance to that effect to the ITB Authority;

NOW THEREFORE, The Contractor declares and certifies as follows:

- i) The information contained in the documents appended herewith, which applies to the reporting of the Transaction periods, is to the best of our knowledge and ability complete, true and correct;
- ii) The information contained in the documents appended herewith is compliant with information contained in Certificates of Compliance submitted to the Contractor by other Eligible Parties;
- iii) The Canadian Content Values shown in documents appended herewith have been determined in accordance with Article 6 (Canadian Content Value) of the Contract;

IN WITNESS THEREOF THIS CERTIFICATE OF COMPLIANCE HAS BEEN SIGNED
THIS _____ DAY OF _____ BY THE SENIOR COMPTROLLER
WHO IS DULY AUTHORIZED IN THAT BEHALF.

SIGNATURE

NAME AND TITLE OF SENIOR COMPTROLLER

AT:_____

CERTIFICATE OF COMPLIANCE – LOBBYING ACT
For Annual Reporting Purposes

WHEREAS Her Majesty the Queen in right of Canada as represented by the Minister of Public Works and Government Services Canada (referred to herein as the Minister) on the ____ day of ____ has entered into contract with _____ for the Contract.

AND WHEREAS Such Contract requires that, as evidence of the contractor's compliance with the Lobbying Act, the Contractor must submit a Certificate of Compliance to that effect to the ITB Authority;

NOW THEREFORE, The Contractor declares and certifies as follows:

- i) that it has filed all *Lobbying Act* returns to be filed in respect of persons employed by it who communicate and/or arrange meetings with public office holders as part of their employment duties, and that it will continue to do so;
- ii) that it has not contracted with any person to communicate and/or arrange meetings with public office holders for remuneration that is or would be contingent in any way upon success of such person arranging meetings with public office holders, or upon the approval and granting of Credit under this Contract;
- iii) that it will not contract with any person to communicate and/or arrange meetings with public office holders for remuneration that is or would be contingent upon the success of such person arranging meetings with public office holders, or upon the approval and granting of Credit under this Contract;
- iv) all persons who are or have been contracted by it to communicate and/or arrange meetings with public office holders in respect to this Contract are in full compliance with the registration and other requirements of the *Lobbying Act*; and
- v) it must at all times ensure that any persons contracted to communicate and/or arrange meetings with public office holders in respect of this Contract are in full compliance with the requirements of the *Lobbying Act*.
- vi) it must not make or agree to make any payment to an individual, company or entity that is contingent on the approval of Credit by the ITB Authority under this Contract or upon the entity's success in arranging meetings with public office holders.

IN WITNESS THEREOF THIS CERTIFICATE OF COMPLIANCE HAS BEEN SIGNED
THIS _____ DAY OF _____ BY THE SENIOR OFFICIAL WHO IS
DULY AUTHORIZED IN THAT BEHALF.

SIGNATURE

NAME AND TITLE OF SENIOR OFFICIAL
AT: _____

APPENDIX 4 TRANSACTION SHEET TEMPLATE

(Please refer to Bidder Instructions for guidance on completing a Transaction Sheet)

Protected B (when completed)

1. OBLIGOR INFORMATION	
Canadian Procurement Project:	
Company Name:	
ITB Contact Name:	
Email:	
Telephone:	
Address:	
City:	
Province/State:	
Country:	
Postal Code:	

2. TRANSACTION DETAILS	
Title:	
Number:	
Date of Submission:	
Tranche:	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3
Transaction Type: <input type="checkbox"/> Direct <input type="checkbox"/> Indirect	
VP Criteria: (yes or no) – (Note: For the Value Proposition, only activities within the specified Value Proposition Criteria for the NRWS requirement will be subject to evaluation) <input type="checkbox"/> Yes <input type="checkbox"/> No	
Defence Sector: <input type="checkbox"/> Yes (Please indicate whether activity is Direct, Indirect RWS or Indirect Defence) <input type="checkbox"/> No	
R&D Activity: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Supplier Development Activity: <input type="checkbox"/> Yes <input type="checkbox"/> No	
SMB Activity:	

- ☐ Yes
☐ No

Describe how the proposed activity aligns with the Value Proposition Criteria for the Naval Remote Weapon Station requirement. Attach any supporting documentation.

Activity Type:

- ☐ Purchase
☐ Consortium
☐ Post-Secondary Institution Investment
☐ Investment Framework
☐ General Investment
☐ Technology Transfer
☐ VCF

Business Activity Type:

- | | | | | | |
|-----------------------------------|----------------------------------|---|--|--|--|
| <input type="checkbox"/> Aircraft | <input type="checkbox"/> C4ISR | <input type="checkbox"/> CBRNE | <input type="checkbox"/> Castings/
Machining | <input type="checkbox"/> Cyber
Security | <input type="checkbox"/> Electronics |
| <input type="checkbox"/> ISS | <input type="checkbox"/> IT | <input type="checkbox"/> Manufact-
uring | <input type="checkbox"/> Munitions | <input type="checkbox"/> Power/
Propulsion/
Transmission | <input type="checkbox"/> Prof.
Services |
| <input type="checkbox"/> Ships | <input type="checkbox"/> Space | <input type="checkbox"/> Soldier
Systems | <input type="checkbox"/> Steering/
Navigation | <input type="checkbox"/> Systems/
Integration | <input type="checkbox"/> Training/
Simulation |
| <input type="checkbox"/> Vehicles | <input type="checkbox"/> Weapons | Other: | | | |

Federal Supply Class (FSC) Code:

(See FSC Website: <http://www.dlis.dla.mil/H2/search.aspx>)

Description of Transaction:

Government Assistance or Participation in Transaction:

3. TRANSACTION DONOR
Company Name:
ITB Contact Name:
Email:
Telephone:
Address:
City:
Province/State:
Country:
Postal Code:
NAISC Code :
(See NAICS website - http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVDP&Page1&TVD=118464)
Description of Core Capabilities:
Tier Level:

4. TRANSACTION RECIPIENT
Company Name:
ITB Contact Name:
Email:
Telephone:
Address:
City:
Province:
Country:
Postal Code:
NAICS code:
Description of company and core capabilities:
Description of impact on recipient:
Number of Employees:
Small and Medium Business (yes/no):
Tier Level:

5. CONSORTIUM MEMBER (if applicable)
Company Name:

ITB Contact Name:
Email:
Telephone:
Address:
City:
Province/State:
Country:
Postal Code:

6. ELIGIBILITY CRITERIA

Causality:
Eligible Party:
Incrementality:
Timing:
Other – CCV Overview:
Other – Level of Technology (Indirect):

7. QUALITY OF TRANSACTION

--

8. LIST OF SUPPORTING DOCUMENTATION

Nature of Document	Relevance

9. VALUATION AND TIME PHASING

Total Value of Transaction (or initial investment)	
Canadian Content Value (CCV) % of Recipient	
Estimated Future Sales, if applicable	
Multiplier, if applicable	

Total CCV \$ of Transaction	
-----------------------------	--

(CCV\$)

Period	SMB	Atl	Que	NOnt	Ont	West	Total CCV
1							
2							
3							
4							
5							
6							
7							
8							
Totals							

APPENDIX 5 TEMPLATE FOR ANNUAL IF ACTIVITY REPORT

Protected B (when completed)

ANNUAL <i>IF</i> ACTIVITY REPORT (Please complete entire form)
<i>IF</i> Transaction Number:
<i>IF</i> Transaction Title:
<i>IF</i> Investor:
SMB Recipient:
Date of this Report:
<p><u>PART A – FIRST <i>IF</i> REPORT</u></p> <p>At a minimum, the Contractor’s first Annual <i>IF</i> Activity Report must contain and address the items listed below:</p> <p>1. Documentation confirming <i>IF</i> investment:</p> <p>For cash investments, attach the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A certified copy of the cheque or wire transfer to the SMB <input type="checkbox"/> Written reconfirmation from the SMB of their anticipated use of the cash investment <input type="checkbox"/> A copy of the final signed legal agreement (or similar signed document) between the ITB Obligor and the SMB outlining the terms and conditions of the investment. <p>For in-kind investments, attach the following:</p> <p>For tangible assets</p> <ul style="list-style-type: none"> <input type="checkbox"/> written confirmation that the transfer of the asset has taken place <input type="checkbox"/> written confirmation from the SMB of its receipt <input type="checkbox"/> written reconfirmation from the SMB of its expected use. <p>For intangible assets (licenses, knowledge, marketing and sales)</p> <ul style="list-style-type: none"> <input type="checkbox"/> written confirmation from the SMB identifying the contribution, confirming its receipt and reconfirming its expected use. <input type="checkbox"/> a copy of the final signed legal agreement (or similar signed document) between the <i>IF</i> Investor and the SMB, outlining the terms and conditions of the investment, including the final value of the transfer.
<p><u>PART B – ENSUING <i>IF</i> REPORTS</u></p> <p>Once <i>IF</i> activities begin, each of the Contractor’s Annual <i>IF</i> Activity Reports must, at a minimum, contain and address the items listed below:</p>

1. Overview of the *IF* investment and how it is to be used:

2. Current, overall status of the *IF* project:

3. Confirmation of the SMB's full-time equivalent employees and ownership structure:

Number of Full time equivalent employees _____

Ownership structure _____

4. Confirmation that the *IF* investment remains with the SMB and is being used as intended:

☐ Yes

☐ No

Details:

5. Description of the specific activities undertaken during the reporting year:

Challenges associated with *IF* activities?

☐ Yes

☐ No

Details:

Successes associated with *IF* activities?

☐ Yes

☐ No

Details:

Opportunities associated with *IF* activities?

☐ Yes

☐ No

Details:

6. Description of the evolving industry and market conditions related to the *IF* project:

7. Update on the financial status of the Canadian SMB:

Attach the most recent audited financial statements (balance sheet, income statement, statement of change in equity, statement of cash flows).

8. Status of the business relationship and collaboration between the Obligor and Canadian SMB:

Overview:

☐ Successes related to relationship/collaboration?

☐ Yes

☐ No

Details

☐ Challenges related to relationship/collaboration?

☐ Yes

☐ No

Details

☐ Future opportunities related to relationship/collaboration?

☐ Yes

☐ No

Details:

☐ Links to other partners or sectors

☐ Yes

☐ No

Details:

☐ Other information

☐ Yes

☐ No

Details:

9. Description of the impact of the *IF* project to date:

Impact on Innovation

☐ High

☐ Moderate

☐ Low

Details:

Impact on Competitiveness

☐ High

☐ Moderate

☐ Low

Details:

Impact on Delivering Broader Benefits to Canada

☐ Technology

☐ Economy

☐ Environment

☐ Social

- ☐ Security
- ☐ Other

Details:

10. Major Changes

Changes have occurred to the *IF* project in the following area(s):

- ☐ Company bankruptcy
- ☐ Changes in SMB ownership or size
- ☐ New *IF* activities
- ☐ Other _____
- ☐ Not applicable

Details regarding nature and magnitude of change, plus its impact on *IF* project:

11. Signatures

By signing this *IF* Activity Report, the undersigned parties attest that the information included in and attached to this document is complete, accurate and can be relied up on by the ITB Directorate for the purposes of monitoring the *IF* investment. Ultimate responsibility for the completeness, accuracy and reliability of this *IF* Activity Report rests with the Contractor and the *IF* Donor.

Please see the “Required Signatures” section of the *IF* Applicant Guide.

Contractor

Signature

Date

Name (please print)

Title

IF Donor

Signature

Date

Name (please print)

Title

IF Recipient (Canadian SMB)

Signature

Date

Name (please print)

Title
