



Industry
Canada

Industrie
Canada

Industrial
Technologies
Office

Office des
technologies
industrielles

Technology Demonstration Program



Project Proposal Application Guide



This publication is also available online in HTML at http://oti.ic.gc.ca/eic/site/ito-oti.nsf/eng/h_00841.html.

To obtain a copy of this publication or an alternate format (Braille, large print, etc.), please contact: Industrial Technologies Office

Permission to Reproduce

Except as otherwise specifically noted, the information in this publication may be reproduced, in part or in whole and by any means, without charge or further permission from Industry Canada, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that Industry Canada is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of, Industry Canada.

For permission to reproduce the information in this publication for commercial purposes, please contact the:

Web Services Centre
Industry Canada
C.D. Howe Building
235 Queen Street
Ottawa, ON Canada
K1A 0H5

Telephone (toll-free in Canada): 1-800-328-6189

Telephone (Ottawa): 613-954-5031

Fax: 613-954-2340

TTY (for hearing-impaired): 1-866-694-8389

Business hours: 8:30 a.m. to 5:00 p.m. (Eastern Time)

Email: info@ic.gc.ca

© Her Majesty the Queen in Right of Canada,
represented by the Minister of Industry, 2013
Cat. No.lu159-7/2014E-PDF
ISBN 978-1-100-24713-7

Aussi offert en français sous le titre

Programme de démonstration de technologies (PDT) - Guide de proposition de projet

Introduction

This guide has been developed to assist in the completion of a Project Proposal. It provides guidance on the information required for a Project Proposal to be deemed complete and it provides information on the evaluation criteria in Annex 1, against which proposals will be assessed.

Following the evaluation of the Statements of Interest, selected applicants will be invited to submit a Project Proposal. The applicant may use the same information, if unchanged, as provided in the Statement of Interest and supplement with additional information where required. Proposals should not exceed 50 pages (8 ½ x 11 paper with 12 font size), excluding annexes.

Applicants are required to submit the Project Proposal by the specified due date, as indicated in a letter provided to each applicant and can also be found on the website at: www.ito.ic.gc.ca.

Late submissions will not be accepted. A complete submission consists of one electronic version and one paper copy (unbound). It is acceptable to submit an electronic version by the specified due date and a paper copy thereafter to the address listed below:

Industrial Technologies Office
235 Queen Street, 8th floor, East Tower
Ottawa, Ontario K1A 0H5
Attention: Project and Claims Officer
Email: TDP-PDT@ic.gc.ca

Additional information on the program may be found in the Program Guide, available at <http://www.ito.ic.gc.ca> or by contacting the Industrial Technologies Office (ITO) at 1-800-266-7531 (Fax: 613-954-5649).

Confidentiality of Applicant's Information

Any information in the Project Proposal that, in the applicant's opinion, is of a proprietary or confidential nature should be clearly marked "PROPRIETARY" or "CONFIDENTIAL" on each relevant item or page or in a statement covering the entire proposal. In addition, the text, Protected B, should be present on each page of the document, preferably in the top right corner of the header.

Section 1 - Applicant

The lead corporation (applicant) will be the legal entity with which the Crown enters into a contribution agreement. The applicant will be responsible for developing the project, assembling members, managing the project and reporting on results.

The information submitted under this section will be used to assess the **management and technological capability** of the applicant and its members to successfully undertake the project (evaluation criterion #5).

- Provide general information on the applicant including legal name, address, incorporation status, public or privately held status, total number of employees, number of employees in Canada, and details on corporate structure including parent and subsidiaries.
- Describe the organization and its history (how long it has been in existence, growth over time, area of specialization, presence in Canada, share of key markets, etc.).
- Provide information to demonstrate that the applicant is an Original Equipment Manufacturer (OEM) or a Tier 1 company (supplying directly to an OEM).
- Describe the applicant's history in performing research and development (R&D): annual level of gross and net R&D investment over the past ten years in absolute terms and as a percent of sales, outcome of past R&D, and number of employees performing R&D in Canada. Describe the applicant's historical track record as it relates to technological development to demonstrate that it has the capability to undertake the project.
- Provide a point of contact for the proposal including name, title, phone, email and preferred language of communication.

Section 2 – Project

The Technology Demonstration Program (TDP) provides non-repayable contributions in support of demonstration projects that are expected to include activities up to the achievement of Technology Readiness Level (TRL 6). See Annex 2 for a description of the TRL scale. Demonstration projects cannot generally be directly commercialized upon project completion as further technological development and investment are required to tailor, adapt, test and validate results for specific product/service applications.

The information submitted under this section will be used to assess the project's **economic and broader benefits to Canada** (evaluation criteria #1 and #2), degree of **innovation** (evaluation criterion #4) and **management and technological capability** (evaluation criterion #5). Applicants must provide sufficient detail to enable independent scientific/technical reviews of the proposal by experts in the field. Describe the proposed project, including:

- The need for the project (technical problem that needs to be solved, competitive pressures, market opportunities, etc.).
- The objectives, expected outcomes and key indicators of success.
- The novelty of the technology and how it is advancing the state of the art relative to commercially available technologies.
- The duration of the project, including proposed start and end dates.
- The project locations.

Discuss the feasibility of the project and demonstrate how the project can reasonably be expected to result in a new technological capability.

- Describe previous research and technology development and results to reach this current stage.
- Describe the stage of technological development planned for the project and the technologies to be validated and demonstrated.
- Indicate the scientific rationale and key assumptions for the proposed project with references to key scientific and technical literature.
- Identify any relevant competitive solutions or alternative technologies.
- Discuss any similar R&D plans and strategies led by competitors and the potential implication for the project.

Describe in detail the technical risks involved, including technological uncertainties, and mitigation strategies for addressing the technical risks identified.

Provide a detailed project plan that describes the major project activities, typically less than ten (10), to be performed by the applicant and project members along with a Gantt chart showing the project schedule. The project activities and expected outcomes should reflect the entire scope of work to be undertaken. For each major activity describe the work to be undertaken, including:

- objective
- scientific/technical challenges
- experimental procedures or research methods to be employed
- project members involved in each task and their role
- expected duration of the activity
- indicators of success and completion criteria (objectively verifiable)
- expertise required
- milestones and deliverables

Describe the major equipment required for the project and whether it will become part of an infrastructure hub available for use by all project members and possibly others after the project is complete.

Describe the accountability framework that will be used to effectively manage a multi-disciplinary, multi-institutional, and national or multi-national project including:

- The key individuals who will manage the project; state their specific expertise and experience.
- The project management plan, including the accountabilities of each member of the management team.
- The process for identifying risks and evaluating progress.
- The mechanisms for communicating among project members.
- The strategy for coordinating activity.
- The mechanism for making critical decisions regarding the overall R&D direction, including go-no-go decisions.
- The process for managing changes to the project.

Discuss the general approach to Intellectual Property (IP) that you propose to take in consultation with your project members and the extent to which you have advanced this issue with them. An IP agreement is a pre-disbursement condition of the program, which will be satisfied upon receipt of an agreement endorsed by all major project members that identifies IP ownership and rights sharing arrangements that will enable project members to exploit the IP in a manner that will enable achievement of the benefits articulated in the proposal.

Describe the economic benefits for Canada that the project is expected to generate, including how this technology is expected to address the areas listed below:

1. The project is expected to be the basis for the next generation of manufacturing and/or services in Canada.
2. The project is expected to enable the applicant to remain or become an internationally competitive OEM or Tier 1 company.
3. The project is expected to enable private sector project members to be more innovative, productive and competitive.
4. The project is expected to lead to spill-over economic benefits to other corporations in the aerospace, defence, space and security sectors, improving their competitiveness.
5. The project is expected to lead to spill-over economic benefits to other sectors of the Canadian economy, improving their competitiveness.

Describe any other anticipated benefits to Canada that the project is expected to generate, including social, environment, health, security and defence related benefits.

Discuss anticipated benefits to non-industrial project members, including university and college students.

Section 3 - Collaboration

Project members include organizations that undertake R&D and/or contribute financially to the R&D project. This section should clearly identify the members and their respective contribution to the project. Members will be expected to attest to their role and financial contribution to the project as described in the Project Proposal. Project members may change over the life of the project subject to meeting the eligibility criteria.

The information submitted under this section will be used to assess whether members meet the **collaboration** requirements of the program (evaluation criterion #3) and, together with the applicant, possess the **management and technological capability** to successfully undertake the project (evaluation criterion #5).

- For each industrial member provide: legal name, address, incorporation status, public or privately held status, total number of employees and number of employees in Canada. Describe the organization, its area of specialization, and presence in Canada.
- For each Canadian academic and research institution project member provide: legal name, location, description of the organization, and area of specialization.
- Describe in detail the role and responsibilities that the applicant and each project member will make to the project. Demonstrate that the project members have the management and technological expertise and track record to fulfil their respective roles.
- In the event that there will be R&D undertaken outside of Canada (ineligible project costs), describe the R&D contribution that foreign based project members will make to the project.
- In the event that you are seeking limited TDP funding to support R&D that will be performed outside of Canada, identify the proposed recipient and provide a justification for funding the R&D outside of Canada (e.g. a lack of availability of the required expertise in Canada, security requirements, etc.).

Section 4 – Financial Information

The Technology Demonstration Program will award a non-repayable contribution to support large scale projects with significant potential to benefit Canada. The program will cover 50% of total eligible project costs over the multi-year life of a project, up to a maximum of \$54 million. Refer to Annex 3 for a description of eligible costs and costing principles.

The information provided in this section will be used to assess whether the applicant has the **financial capability** to complete the project and whether significant private sector investment will be **leveraged** by the project (evaluation criterion #6).

The applicant is required to ensure that each project member has the financial capability to complete the project. ITO reserves the right to request additional financial information on the applicant and its project members, as may be required.

Provide the following information for the applicant:

- Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or Chief Financial Officer - certified).
- Most recent quarterly statements showing year to date results.
- Forecast annual income statements and cash flows for the R&D phase (hard copy and Excel spreadsheet).
- The top 5 customers in terms of revenue and the % of total revenue that each customer represents.
- Describe any contingent liabilities and any off balance sheet liabilities.
- Provide the value of the current sales backlog and of the revenues of the largest product segment.
- Describe any subsequent events not included in the submitted financial statements which would have a material impact on the information provided.

Describe the key assumptions underlying the financing plan including the assumptions related to the company's financial operating and cash flow forecasts, including revenue/market projections.

Describe the financial risks and mitigation strategies (e.g. credit risk – accounts receivable, exposure to major customers, inventory; interest rate exposure and protection; foreign currency exposure; hedging strategies; financing plan risks, litigation etc.).

Provide information on the project's costs as indicated in the following tables:

Project Costs	
Total Eligible Costs (A)	\$
Total Ineligible Costs (B)	\$
Total Project Costs (C) (A+B)	\$

Eligible Project Costs	
Applicant (D)	\$
Project Member 1 (E)	\$
Project Member 2 (E)	\$
Project Member 3 (E)	\$
Total Eligible Project Costs (A)	\$

Project Sources of Funding	
Applicant Funding (D)	\$
Project Members Funding (E)	\$
Other Government Support (F)	\$
Total tax credits (applicant & members)(G)	\$
TDP Assistance (H)	\$
Total Funding (I) (D+E+F+G+H)	\$
Note: Total funding (I) equals total project cost (C)	

Identify the TDP assistance that the applicant will contractually commit to provide to the project members. The program target is for 50% of the TDP assistance to be allocated by the applicant to the project members.

TDP Assistance to Project Members		
Applicant	\$	%
Project Member 1	\$	%
Project Member 2	\$	%
Project Member 3	\$	%
Total TDP Assistance (H)	\$	100%

Provide a break-down of the total Eligible Project Cost (A).

Eligible Project Costs by Category							
	Direct Labour	Direct materials	Subcontractor	Equipment	Other Direct	Overhead	Total
Year 1							
Year 2							
Year 3							
Year 4							
Year 5							
Total							
Notes: Subcontractor is not a Project Member. Overhead is 75% of direct labour costs.							

Provide the applicant's plan to finance the Total Project Cost (C).

Project Financing Plan										
	Opening Cash Balance	Cash from Operations	Opening Unused Lines of Credit	New Debt / Equity	Project Member Funding (E)	Federal Tax Credits	Prov. Tax Credits	Other Govt Support (F)	TDP (H)	Total Source of Funds
Year 1										
Year 2										
Year 3										
Year 4										
Year 5										
Total										

Section 5 – Post Project Commitment

The information provided in this section will be used to assess whether the applicant and its members have a credible plan to undertake the follow-on investment required, after project completion, to achieve the anticipated benefits of the project.

The information submitted under this section will be used to assess the adequacy of **post-project commitment** (evaluation criterion #7).

- Describe the key R&D activities, time and financial commitment that the applicant and project members are prepared to undertake, if the project is successful, to develop products, services and processes for commercial exploitation.
- If the project involves an investment in infrastructure that will need to be maintained after the project is complete, identify which organization plans to assume the longer-term operating costs associated with this investment. Identify the estimated annual financial obligation this will entail.

Section 6 - Declaration

The applicant certifies that:

- The information provided in this proposal is accurate and complete.
- Eligible project costs are eligible expenditures as described in Annex 3.
- It is in full compliance with all current obligations, financial and otherwise, to federal, provincial and municipal governments.
- The execution of the proposed project will not prevent the applicant from continuing to meet existing obligations in other agreements; and existing obligations in other agreements will in no way preclude the applicant from fulfilling its obligations under the proposed project.
- The work to be performed by the applicant will be performed in accordance with the requirements of all regulatory bodies that have jurisdiction over the applicant on this project.
- It possesses an accounting system that accurately tracks and records project costs (particularly hours of direct labour) associated with the performance of the project and it shall be able to demonstrate in sufficient detail the allocation of time spent on different projects.
- It is in full compliance with the *Lobbying Act*.
- It and the project members either own the background IP or hold sufficient rights in the same to permit the project to be carried out and the project IP to be exploited.
- All federal, provincial or municipal government assistance received, requested, or anticipated as related to this project has been identified in this proposal (except for scientific research and experimental development tax credits, deductions or allowances).

Confidentiality Considerations

The applicant understands that no commercially confidential information provided in this proposal and attachments will be disclosed other than:

- to other Canadian government departments or agencies involved in the governance, funding or assessment of the proposal;
- as required to be released or disclosed by law or in a judicial or other governmental investigation or proceeding;
- if the information is generally known or in the public domain at the time of the Applicant's disclosure;
- if the information subsequently becomes a matter of public knowledge through no fault of the Minister; or
- if the information is required to be released by the Minister of Industry to an international or internal trade panel for the purposes of the conduct of a dispute in which Canada is a party or a third-party intervener.

By submitting a proposal, the applicant agrees that Industry Canada may disclose any information received from the applicant within Industry Canada and the Government of Canada or to non-government parties for the following purposes:

- To reach a decision on an application;
- To administer and monitor the implementation of the project or program;
- To evaluate the results of the initiative;
- As part of an audit.

Prior approval from the applicant will be sought before providing non-government parties with commercially confidential information, including the Project Proposal.

Once funding is approved, information such as the amount of funding, the purpose for which the funds were provided, descriptive information about the project, and the name of the organizations receiving the funding are considered public information and will be published by Industry Canada.

The applicant understands that the TDP is a discretionary program subject to available funding, and that submission of a complete proposal, meeting any or all of the assessment criteria, or responding to requests from TDP officers for further information in respect of the proposal, does not mean that assistance will be granted. All applicants whose projects are approved for TDP assistance will be so notified in writing.

By signing below, the applicant attests to each of the certifications outlined above.

Full Corporate Name of applicant

Name of Authorized Signing Authority

Signature of Authorized Signing Officer

Title of Authorized Signing Officer

Date

Complete Proposal

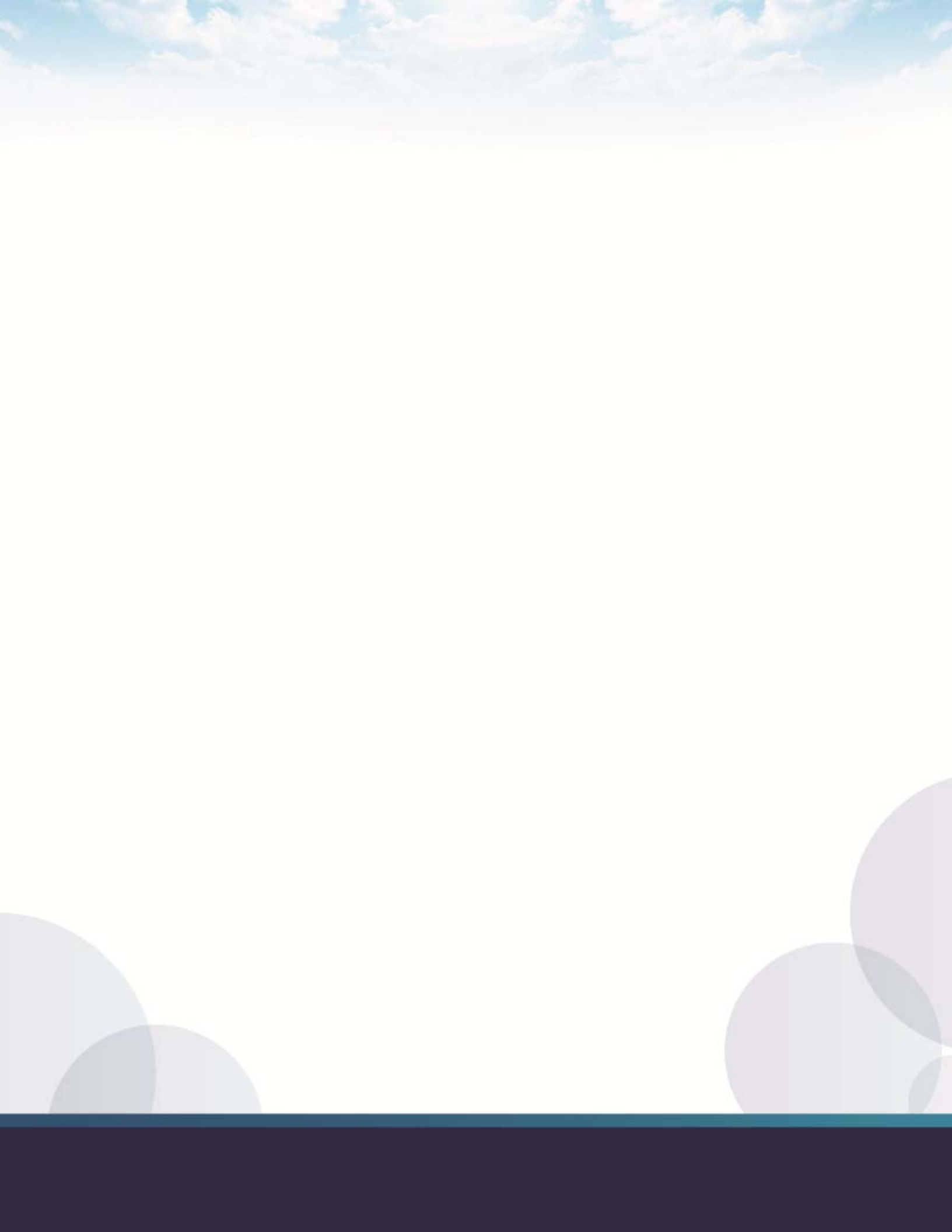
Industry Canada will only assess your Project Proposal if it satisfies the eligibility requirements and includes the required information listed below:

Eligibility Requirements

1. Proposal is received no later than the specified due date.
2. Proposal conforms to the guidelines described herein.
3. Applicant is an OEM or a Tier 1 company supplying directly to an OEM.
4. Applicant is a for-profit corporation, incorporated pursuant to the laws of Canada and carrying on business in Canada.
5. At least one small or medium-sized enterprise Canadian enterprise (fewer than 500 employees), incorporated pursuant to the laws of Canada and carrying on business in Canada, is confirmed as a project member.
6. At least one accredited Canadian university, college or affiliated research institute is confirmed as a project member.

Required Information

1. Letter of commitment from each project member indicating that it agrees with its proposed role and financial contribution in the project.
2. Financial information for the applicant. It is not necessary to resubmit the financial information, if unchanged from the information provided in the Statement of Interest.
 - Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or CFO-certified).
 - Most recent quarterly statements showing year to date results.
 - Forecast annual income statements and cash flows for the R&D phase (hard copy and Excel spreadsheet).
 - The cost and financial information tables as per Section 4 of this guide.
3. Lobbying Act Documents (www.ocl-cal.gc.ca)
 - List of employees and consultants who are representing the applicant in discussions with Government of Canada officials about the proposal.
 - Printout from the Lobbyist Registration System confirming registration of employees and consultants who must be registered under the *Lobbying Act*.
 - Explanation of why employees and consultants representing the applicant in discussions and who are not included on the printout of registered lobbyists do not need to be registered.
4. A Gantt chart of the project.



Annex 1 – Evaluation Criteria

1. Economic Benefits to Canada

- The applicant must demonstrate that the project is expected to benefit the lead corporation and each of the members of the project, be the basis for the next generation of manufacturing and/or services in Canada, and generate material economic benefits for Canada in the longer term.

2. Broader Benefits to Canada

- The applicant must demonstrate whether the project is expected to generate social, environmental, health, security or other benefits to Canada.

3. Collaboration

- The project must be led by an OEM or a Tier 1 company.
- The project must include at least one Canadian-based small or medium-sized enterprise and one accredited Canadian university, college or affiliated research institute.

4. Innovation

- The applicant must demonstrate that the project is technologically feasible; that it can reasonably be expected to result in new technological capabilities that are essential to achieving the proposed benefits.

5. Management and Technological Capability

- The applicant must demonstrate that the lead corporation and the project members have the required managerial and technological capability and track record to successfully undertake the project.

6. Financial Capability

- The applicant must show that the lead corporation and its members have the financial capability to complete the project.
- The applicant must demonstrate that funding by the Technology Demonstration Program will lever incremental private sector investment in R&D.

7. Post-Project Commitment

- The applicant must show a commitment on the part of the lead corporation and its project members to further develop the technology for potential commercialization and sustain the infrastructure after project completion.

Annex 2 – Technology Readiness Level (TRL) Scale

Technology Readiness Level	Description
TRL 1 Basic principles observed and reported	Lowest level of technology readiness. Scientific research begins to be translated into applied research and development (R&D). Examples might include paper studies of a technology's basic properties.
TRL 2 Technology concept and/or application formulated	Once basic principles are observed, practical applications can be invented. Applications are speculative, and there may be no proof or detailed analysis to support the assumptions. Examples are limited to analytic studies.
TRL 3 Analytical and experimental critical function and/or characteristic proof of concept	Active R&D is initiated. This includes analytical studies and laboratory studies to physically validate that the analytical predictions are correct. These studies and experiments should constitute proof of concept validation of the applications/concepts formulated at TRL 2.
TRL 4 Component and/or breadboard validation in laboratory environment	Basic technological components are integrated to establish that they will work together. This validation is relatively "low fidelity" compared with the eventual system. Examples include integration of "ad hoc" hardware in the laboratory.
TRL 5 Component and/or breadboard validation in relevant environment	Fidelity of breadboard technology increases significantly. The basic technological components are integrated with reasonably realistic supporting elements so they can be tested in a simulated environment. Examples include "high-fidelity" laboratory integration of components.
TRL 6 System/subsystem model or prototype demonstration in a relevant environment	Representative model or prototype system, which is well beyond that of TRL 5, is tested in a relevant environment. Represents a major step up in a technology's demonstrated readiness. Several to many new technologies might be integrated into the demonstration. Examples include testing a prototype in a high-fidelity laboratory environment or in a simulated operational environment.
TRL 7 System prototype demonstration in an operational environment.	Prototype near or at planned operational system. Represents a major step up from TRL 6 by requiring demonstration of an actual system prototype in an operational environment (e.g., in an aircraft, in a vehicle, or in space).
TRL 8 Actual system completed and qualified through test and demonstration.	Technology has been proven to work in its final form and under expected conditions. In almost all cases, this TRL represents the end of true system development. Examples include developmental test and evaluation (DT&E) of the system in its intended system to determine if it meets design specifications.
TRL 9 Actual system proven through successful mission operations.	Actual application of the technology in its final form and under mission conditions, such as those encountered in operational test and evaluation (OT&E). Examples include testing the system under operational mission conditions.

Source: Based on the NASA TRL system.

Annex 3 – Cost Principles and Eligible and Non- Eligible Costs

1. GENERAL PRINCIPLE

The Eligible Costs of the Project must be the sum of the applicable direct and indirect costs which, in the opinion of the Minister, are or must be reasonably and properly incurred and/or allocated, in the performance of the Project. These costs must be determined in accordance with the Recipient's cost accounting practices as accepted by the Minister and applied consistently over time.

2. REASONABLE COSTS

A cost is reasonable if the nature and amount do not exceed what would be incurred by an ordinary prudent person in the conduct of a competitive business.

In determining the reasonableness of a particular cost, consideration will be given to:

- whether the cost is of a type generally recognized as normal and necessary for the conduct of the Recipient's business or performance of the Project;
- the restraints and requirements by such factors as generally accepted sound business practices, arm's length bargaining, federal, provincial and local laws and regulations, and Agreement terms;
- the action that prudent business persons would take in the circumstances, considering their responsibilities to the owners of the business, their employees, customers, the Government and public at large;
- significant deviations from the established practices of the Recipient which may unjustifiably increase the Eligible Costs; and
- the specifications, delivery schedule and quality requirements of the particular Project as they affect costs.

AFFILIATED PERSONS

In the case of Eligible Costs incurred with an Affiliated Person, the amount of the costs incurred must be adjusted as follows:

- The cost of those goods or services must not exceed their Fair Market Value;
- If there is no Fair Market Value for the applicable goods or services, the Fair Market Value of Similar Goods must be used;
- If there is no Similar Good, Cost Plus Method (as described below) must be used to determine the cost.

The Cost Plus Method means the sum of applicable direct and indirect costs, as described below in sections 4 and 5, all as determined and measured consistently in accordance with the International Financial Reporting Standards (IFRS) that were

reasonably incurred or allocated in the performance of the Statement of Work plus Profit, as determined below.

Once the sum of those direct and indirect costs is determined ("Total Cost"), profit is calculated at five percent (5%) of the Total Cost.

Accordingly, the Cost Plus Method is equal to Total Cost plus Profit of five percent (5%).

3. METHODOLOGY TO DETERMINE THE DIRECT AND OVERHEAD COSTS

The Eligible Costs of the Project are those direct and indirect (overhead) costs, which, in the opinion of the Minister, are reasonably and properly incurred and allocated, to the performance of the Project.

4. DIRECT COSTS

There are four categories of direct costs:

Direct Labour Costs meaning the costs of the portion of gross wages or salaries incurred for activities which can be specifically identified and measured as having been incurred or to be incurred in the performance of the Project and which are so identified and measured consistently by the Recipient's cost accounting practices as accepted by the Minister.

Direct Materials Cost meaning the cost of materials which can be specifically identified and measured as having been used or to be used in the performance of the Project and which are so identified and measured consistently by the Recipient's cost accounting practices as accepted by the Minister.

These materials may include, in addition to materials purchased solely for the performance of the Project and processed by the Recipient, or obtained from subcontractors, any other materials issued from the Recipient's general stocks.

Materials purchased solely for the performance of the Project or subcontracts must be charged to the Project at the net laid down cost to the Recipient, before any discounts for prompt payment.

Materials issued from the Recipient's general stocks must be charged to the Project in accordance with the method as used consistently by the Recipient in pricing material inventories.

Other Direct Costs meaning those applicable costs, not falling within the categories of direct material or direct labour, but which can be specifically identified and measured as having been incurred or to be incurred in the performance of the Project activities and which are so identified and measured consistently by the Recipient's cost accounting practices as accepted by the Minister.

Equipment Costs means equipment, including ancillary systems, instrumentation, or special test equipment that is purchased, leased, manufactured or otherwise acquired for the purposes of the Project.

5. INDIRECT COSTS (OVERHEAD)

Indirect Costs (overhead) meaning those costs which, though necessarily having been incurred during the period of the performance of the Project activities for the conduct of the Recipient's business, in general, cannot be identified and measured as directly applicable to the performance of the Project. **Indirect costs shall be calculated at a rate of 75% of Direct Labour Costs.**

These Indirect Costs may include, but are not necessarily restricted to, such items as:

- indirect materials and supplies (For supplies of similar low-value, high-usage items the costs of which meet the above definition of Direct Material Costs but for which it is economically expensive to account for these costs in the manner prescribed for direct costs, then they may be considered to be indirect costs for the purposes of the Project);
- indirect labour;
- fringe benefits;
- public services expenses: expenses of a general nature such as power, heat, light, operation and maintenance of general assets and facilities;
- fixed/period charges: recurring charges such as property taxes, rentals and reasonable provision for depreciation costs;
- general and administrative expenses: including remuneration of executive and corporate officers, office wages and salaries and expenses such as stationery, office supplies, postage and other necessary administration and management expenses;

6. NON-ELIGIBLE COSTS

Despite that the following costs may have been or may be reasonably and properly incurred by the Recipient in the performance of the Project, they are considered non-eligible costs to the Project:

- (a) allowance for interest on invested capital, bonds, debentures, bank or other loans together with related bond discounts and finance charges;
- (b) legal, accounting and consulting fees in connection with financial reorganization, security issues, capital stock issues, obtaining of licenses and prosecution of claims against the Minister;
- (c) losses on investments, bad debts and expenses for the collection charges;
- (d) losses on other projects or contracts;

- (e) federal and provincial income taxes, goods and services taxes, excess profit taxes or surtaxes and/or special expenses in connection with those taxes;
- (f) provisions for contingencies;
- (g) premiums for life insurance on the lives of officers and/or directors where proceeds accrue to the Recipient;
- (h) amortization of unrealized appreciation of assets;
- (i) depreciation of assets paid for by the Minister;
- (j) fines and penalties;
- (k) expenses and depreciation of excess facilities;
- (l) unreasonable compensation for officers and employees;
- (m) product development or improvement expenses not associated with the work being performed under the Project;
- (n) advertising, except reasonable advertising of an industrial or institutional character placed in trade, technical or professional journals for the dissemination of information for the industry or institution;
- (o) entertainment expenses;
- (p) donations except those to charities registered under the *Income Tax Act*;
- (q) dues and other memberships other than regular trade and professional associations;
- (r) fees, extraordinary or abnormal for professional advice in regard to technical, administrative or accounting matters, unless approval from the Minister is obtained;
- (s) any cost relating to land or buildings;
- (t) selling and marketing expenses associated with the products or services or both being developed under the Agreement.

Notwithstanding section 6(b) above, legal, accounting and consulting fees in connection with the obtaining of patents and statutory protection of other elements of the Intellectual Property are Eligible Costs.

