



Technology Demonstration Program



Project Proposal Application Guide



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Web Services Centre
Innovation, Science and Economic Development 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

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

Introduction

Following the evaluation of the Statements of Interest, selected applicants will be invited to submit a Project Proposal. The Project Proposal is the official document of the second phase of the Technology Demonstration Program (TDP) application process, in which applicants are to include a more comprehensive project proposal as detailed in this guide. The guide was developed to assist in the completion of a Project Proposal and provide guidance on the information required for a Project Proposal to be deemed complete. Applicants may supplement the information provided in the Statement of Interest as required. Annex 1 provides information on the evaluation criteria, against which proposals will be assessed. A due diligence review of each proposal will be conducted and will include internal and external expert reviews, site visits and meetings with the applicants.

Proposals should not significantly exceed 100 pages (8 ½” x 11” paper with 12 point font), excluding financial information, Lobbying Act documents and the Gantt chart.

Applicants are required to submit the Project Proposal together with the TDP Project Proposal Workbook by the specified due date, as indicated in a letter provided to each applicant and found on the ITO 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 to send 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: ic.tdp-pdt.ic@canada.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 by the Applicant as “PROPRIETARY” or “CONFIDENTIAL” on each relevant item or page or in a statement covering the entire proposal.

Section 1 – Lead Applicant

A TDP application must be submitted by a group of applicants comprised of a Lead Applicant and Partner Applicants, all of which must be Canadian entities. The Lead (normally an Original Equipment Manufacturer [OEM] or Tier 1 supplier) and Partner Applicants will be responsible for submitting a Project Proposal. The Lead Applicant will manage the project and the Partner Applicants will work with the Lead Applicant to complete the project. The group of applicants, together, will report on results.

The information submitted under this section will be used to assess the **management and technological capability** of the Lead Applicant to successfully undertake the project (evaluation criterion #5 – see Annex 1).

- Provide general information on the Lead 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 Lead Applicant is an OEM or a Tier 1 company (supplying directly to an OEM), if possible.
- Describe the Lead Applicant's history in performing research and development (R&D): annual level of gross and net R&D investment, over the past three years if possible, 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 Lead 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

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 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 project description should provide a clear understanding of the need for the project, its key elements and potential benefits. The project should be described in non-technical terms.

The information submitted under this section will be used, to the extent applicable, 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). The group of 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 with respect to advancing the state of the art compared to commercially available technologies.
- The duration of the project, including proposed start and end dates.
- The project locations. (Generally, Eligible Costs must be incurred in Canada. However, limited funding from the program may support R&D outside Canada when necessary for the project's success and when the R&D cannot otherwise be undertaken in Canada. In the event that there will be R&D undertaken outside Canada, describe the R&D contribution that a foreign based entity will make to the project.)

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 fewer than ten (10), to be performed by the group of applicants 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
- Lead and Partner Applicants 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 how any proposed infrastructure will support innovation activity by the group, 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 (Lead and Partner Applicants) of the management team.
- The process for identifying risks and evaluating progress.
- The mechanisms for communicating among the group of applicants.
- 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 the group of applicants proposes to take. An IP agreement that identifies IP ownership and rights sharing arrangements that will enable the group of applicants to exploit the IP in a manner that will enable achievement of the benefits articulated in the proposal is a condition of the program.

Describe the economic benefits for Canada that the project is expected to generate, including:

- How this technology is expected to be the basis for the next generation of manufacturing and/or services in Canada.
- How the Lead Applicant is expected to use the technology to remain or become an internationally competitive OEM or Tier 1 company, if applicable.
- How other private sector Partner Applicants are to become more innovative, productive and competitive.

- The anticipated spill-over economic benefits to other corporations in the aerospace, defence, space and security sectors, improving their competitiveness.
- Any expected 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.

Identify anticipated benefits to non-industrial Partner Applicants, and to university and college students.

Section 3 - Collaboration

Partner Applicants are Canadian organizations that undertake R&D for the project. Note that Partner Applicants may be added to the project during the work phase of the project, subject to meeting the TDP eligibility criteria and approval of the Minister. This section should clearly identify the initial Partner Applicants and their respective contribution to the project.

The information submitted under this section will be used to assess and weigh whether and to what extent the initial Partner Applicants meet the **collaboration** requirements of the program (evaluation criterion #3) and possess the **management and technological capability** (evaluation criterion #5) to successfully undertake the project.

- Provide general information on each of the industrial Partner Applicants, including the legal name, address, incorporation status, public or privately held status, total number of employees and number of employees in Canada and details on corporate structure including parent and subsidiaries. Describe the organization, its area of specialization, and presence in Canada.
- Provide general information on each Academic Institution, including the legal name, location, description of the organization, and area of expertise.
- Describe in detail the role and responsibilities that each of the Partner Applicants and Academic Institutions will make to the project. Demonstrate that the Partner Applicants have the financial resources, the management and technological expertise and track record to fulfil their respective roles. ITO reserves the right to request additional information on the Partner Applicants, as may be required.
- In the event that you are seeking limited TDP funding to support R&D that will be performed outside Canada, identify the proposed recipient and provide a justification for funding the R&D outside Canada (e.g. a lack of availability of the required expertise in Canada, security requirements, etc.).

Please note that federal research institutes such as the National Research Council or Defence Research and Development Canada, being government entities, may not be direct recipients of TDP funding but may participate in TDP projects as sub-contractors of an applicant, who may claim eligible sub-contract costs under the contribution agreement.

Section 4 – Financial Information

TDP will award a non-repayable contribution to support one or more projects with significant potential to benefit Canada. Under TDP, the contribution to any eligible project will not exceed 50 percent of total Eligible Costs. Refer to Annex 3 for a description of the eligible costs and costing principles.

The information provided in this section and in the corresponding TDP Project Proposal Workbook will be used to assess and weigh whether the group of applicants has the **financial capability** to complete the project and whether significant private sector investment will be **leveraged** by the project (evaluation criterion #6).

For the Lead Applicant, provide the following information:

- Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or review engagement or Chief Financial Officer certified).
- Most recent quarterly statements showing year to date results in the same format as historical financial statements (if most recent financial statements are older than 6 months).
- Forecast annual income statements and cash flows for the R&D phase (hard copy and Excel spreadsheet) including all forecast assumptions comprised of revenue/market projections in the same format as historical financial statements.
- A description of the financial risks (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.) and mitigation strategies.
- The top 5 customers in terms of revenue and the % of total revenue that each customer represents.
- A description of any contingent liabilities and any off balance sheet liabilities.
- The value of the current sales backlog (details by fiscal year and by customer) and of the revenues of the largest product segment.

- A description of any subsequent events not included in the submitted financial statements which would have a material impact on the information provided.
- Whether the applicant will have a financial guarantor.

For all other partners (excluding Academic Partners), provide the following information:

- Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or review engagement or Chief Financial Officer certified).
- Most recent quarterly statements showing year to date results in the same format as historical financial statements (if most recent financial statements are older than 6 months).
- Forecast annual income statements and cash flows for the R&D phase (hard copy and Excel spreadsheet) including all forecast assumptions comprised of revenue/market projections in the same format as historical financial statements, if available.
- A description of the financial risks (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.) and mitigation strategies, if available.
- The top 5 customers in terms of revenue and the % of total revenue that each customer represents, if available.
- A description of any contingent liabilities and any off balance sheet liabilities, if available.
- The value of the current sales backlog (details by fiscal year and by customer) and of the revenues of the largest product segment, if available.
- A description of any subsequent events not included in the submitted financial statements which would have a material impact on the information provided, if available.
- Whether the applicant will have a financial guarantor.

For all Academic Partners incurring eligible costs, provide the following information:

- Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or review engagement or Chief Financial Officer certified).

- Most recent quarterly statements showing year to date results in the same format as historical financial statements (if most recent financial statements are older than 6 months), if available.

For any guarantor, provide the following information:

- Last three years of annual financial statements: income statements, cash flow statements and balance sheets, with notes (audited or review engagement or Chief Financial Officer certified).

ITO reserves the right to request additional financial information on the Lead and Partner Applicants, as may be required during the due diligence review.

Section 5 – Post Project Plan

The information provided in this section will be used to assess whether the group of applicants has 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 group of applicants is 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 (e.g. if/how the infrastructure will be made available after the project, etc.)

Section 6 - Declaration

Each applicant certifies that:

- Its information provided in this Project Proposal is accurate and complete.
- Its 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 it from continuing to meet existing obligations in other agreements; and existing obligations in other agreements will in no way preclude it from fulfilling its obligations under the proposed project.
- The work to be performed by it will be performed in accordance with the requirements of all regulatory bodies that have jurisdiction over it 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 owns the Background Intellectual Property or holds sufficient Background Intellectual Property Rights to permit its Project work to be carried out and the Project Intellectual Property 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 deductions or allowances).

Confidentiality Considerations

The group of applicants 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 Innovation, Science and Economic Development 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 group of applicants agrees that Innovation, Science and Economic Development Canada may disclose any information received from the group within Innovation, Science and Economic Development 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 group of applicants 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 Innovation, Science and Economic Development Canada.

The group of applicants 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 program officers for further information in respect of the Project Proposal, does not mean that assistance will be granted. All Applicants whose projects are approved for assistance will be so notified in writing.

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

Full Corporate Name of Lead Applicant

Name of Authorized Signing Authority

Title of Authorized Signing Officer

Signature of Authorized Signing Officer

Date

Full Corporate Name of Partner Applicant

Name of Authorized Signing Authority

Title of Authorized Signing Officer

Signature of Authorized Signing Officer

Date

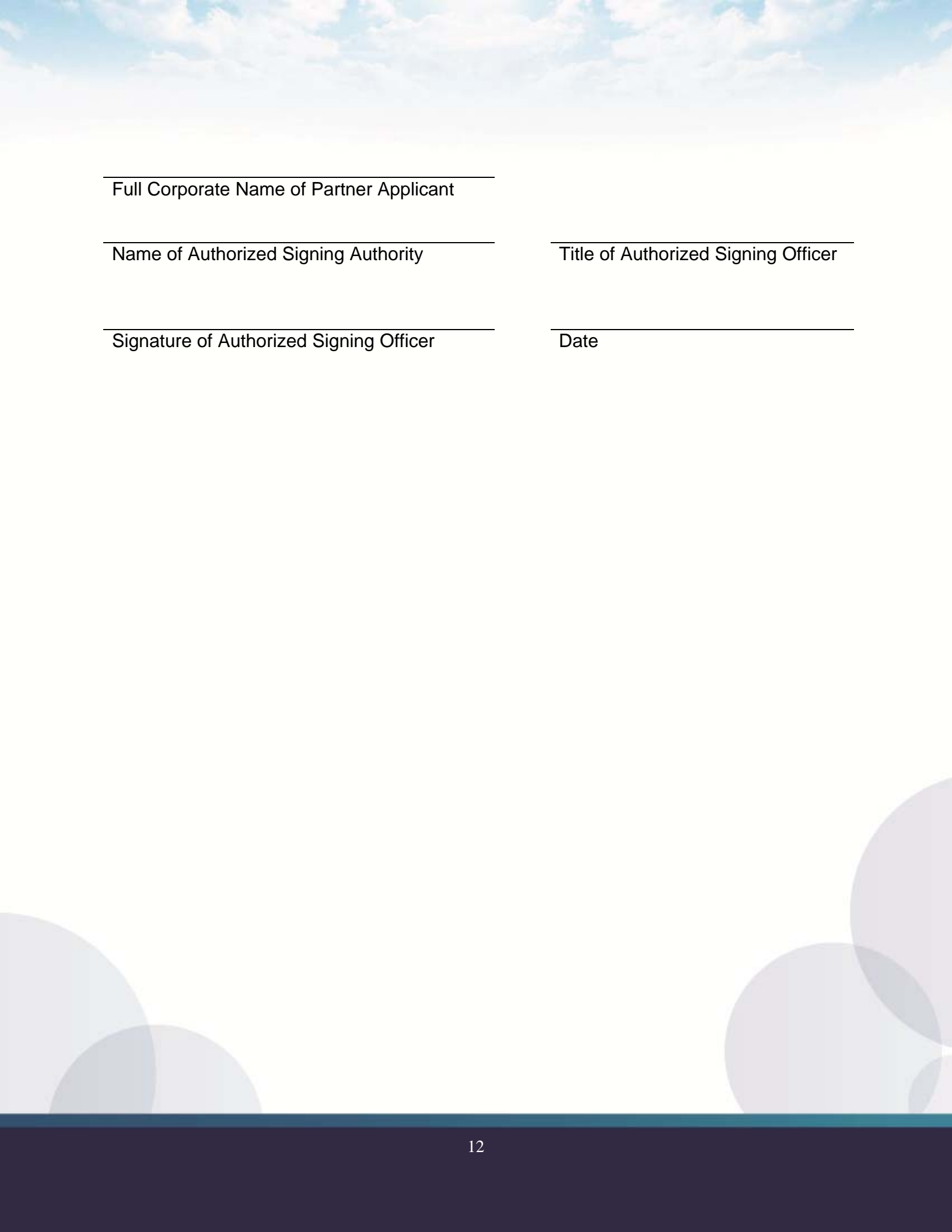
Full Corporate Name of Partner Applicant

Name of Authorized Signing Authority

Title of Authorized Signing Officer

Signature of Authorized Signing Officer

Date



Full Corporate Name of Partner Applicant

Name of Authorized Signing Authority

Signature of Authorized Signing Officer

Title of Authorized Signing Officer

Date

Complete Project Proposal

Innovation, Science and Economic Development 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. The Lead Applicant is a Canadian corporation, incorporated pursuant to the laws of Canada and carrying on business in Canada.
3. At least one small or medium-sized Canadian enterprise (fewer than 500 employees), incorporated pursuant to the laws of Canada and carrying on business in Canada, is among the Partner Applicants.
4. At least one Academic Institution (accredited Canadian universities, colleges or affiliated research institutes) is among the Partner Applicants.

Required Information

1. A proposal that conforms to the guidelines described herein.
2. Financial information for the Lead and Partner Applicants, as required in Section 4 above. It is not necessary to resubmit the financial information, if unchanged from the information provided in the Statement of Interest.
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 project 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 degree to which the Applicant demonstrates that the project is expected to benefit all parties involved in 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 degree to which the Applicant demonstrates that the project is expected to generate social, environmental, health, security or other benefits to Canada.

3. Collaboration

The degree to which the Applicant consists of a significant group of corporate and academic partners working collaboratively to achieve mutually beneficial outcomes.

4. Innovation

The degree to which the Applicant demonstrates that the project is technologically feasible and 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 demonstrates the required managerial and technological capability and track record to successfully undertake the project.

6. Financial Capability

The Applicant demonstrates the financial capability to complete the project and the degree to which funding by the Technology Demonstration Program will leverage incremental private sector investment in R&D.

7. Post-Project Commitment

The Applicant demonstrates a commitment to further develop the technology for potential commercialization and to sustain any 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 – TDP Project Cost Principles

1. GENERAL PRINCIPLE

The Eligible Costs of the Project are the sum of the applicable direct costs and indirect costs which, in the opinion of the Minister, are, or must reasonably and properly be, incurred and/or allocated in the performance of the Project by the Eligible Recipients. These costs must be determined in accordance with the Eligible 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:

- (a) whether the cost is of a type generally recognized as normal and necessary for the conduct of the business of the Eligible Recipients, or performance of the Project;
- (b) 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;
- (c) the action that prudent business persons would take in the circumstances, considering their responsibilities to the owners, employees and customers of the business, the Government of Canada and the public at large;
- (d) significant deviations from the established practices of the Eligible Recipients which may unjustifiably increase the Eligible Costs; and
- (e) the specifications, delivery schedule and quality requirements of the particular Project as they affect costs.

2.1 AFFILIATED PERSONS

In the case of Eligible Costs for goods or services incurred with an Affiliated Person, the amount of the costs incurred must:

- (a) not exceed their Fair Market Value; or
- (b) in the case of a good or service for which there is no Fair Market Value, the amount must not exceed the Fair Market Value of Similar Goods; or

- (c) in the case of a good or service for which there is neither a Fair Market Value nor Similar Goods, the amount must not exceed one hundred and five percent (105%) of the sum of the applicable Direct Costs and Indirect Costs (representing the total applicable Eligible Costs, plus 5% profit), all as determined and measured consistently in accordance with International Financial Reporting Standards, that were reasonably incurred or allocated for the good or service in the performance of the Statement of Work.

3. DIRECT COSTS

Direct Costs are the following, when identified and measured consistently using the cost accounting practices of the Eligible Recipients as accepted by the Minister:

- (a) the costs of materials, whether or not procured in Canada, which can be specifically identified and measured as having been used or to be used in the performance of Project Activities carried out in Canada (“Direct Material Costs”). For the purposes of calculating Direct Material Costs:
 - (i) materials may include, in addition to materials purchased solely for the performance of the Project and processed by the Eligible Recipients or obtained from subcontractors, any materials issued from the Eligible Recipients’ general stocks solely for the performance of the Project;
 - (ii) materials purchased solely for the performance of the Project must be charged to the Project at the net laid down cost to the Eligible Recipients, before any discounts for prompt payment; and
 - (iii) materials issued from the general stocks of the Eligible Recipients must be charged to the Project in accordance with the method as used consistently by the Eligible Recipients in pricing its material inventories.
- (b) the costs of the portion of gross wages or salaries incurred for work which can be specifically identified and measured as having been incurred in the performance of the Project (“Direct Labour Costs”);
- (c) costs not falling within the definitions of Direct Material Costs or Direct Labour Costs, but which can be specifically identified and measured as having been incurred in the performance of Project Activities (“Other Direct Costs”);
- (d) the costs of equipment, including, but not limited to, ancillary systems, instrumentation, or special test equipment that is purchased, leased, manufactured or otherwise acquired for the purposes of the Project (“Equipment Costs”); and

- (e) the costs of subcontracts or consultants incurred for work or services which can be specifically identified and measured as having been incurred in the performance of the Project (“Subcontracts or Consultants Costs”).

4. INDIRECT COSTS (OVERHEAD)

Indirect Costs, also called Overhead, are those costs which, though necessarily having been incurred during the period of the performance of the Project for the conduct of the business in general of the Eligible Recipients cannot be identified and measured as directly applicable to the performance of the Project.

Indirect Costs include:

- (a) indirect materials and supplies (including, but not limited to, supplies of low-value, high-usage items which could meet the definition of Direct Material Costs but for which it is commercially unreasonable, in the context of the Project, to account for their costs in the manner prescribed for Direct Costs);
- (b) indirect labour;
- (c) fringe benefits;
- (d) public utilities expenses of a general nature, including, but not limited to, power, HVAC, lighting, and the operation and maintenance of general assets and facilities;
- (e) expenses such as property taxes, rentals and depreciation costs; and
- (f) general and administrative expenses including, but not limited to, the remuneration of executive and corporate officers, general office wages and salaries, clerical expenses related to the administration and management of the Project, such as processing claims and reporting, and expenses such as stationery, office supplies, postage and other necessary administration and management expenses.

Notwithstanding the definition of Indirect Costs, Overhead shall be calculated at a fixed rate of 75% of Direct Labour Costs.

5. INELIGIBLE COSTS

Certain costs are not included in the definitions of Direct Costs and Indirect Costs and are not eligible for reimbursement (“Ineligible Costs”), regardless of whether they are reasonably and properly incurred by the Eligible Recipients in the performance of the Project.

Ineligible Costs include:

- (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 Eligible Recipients;
- (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;
- (q) dues and other memberships other than regular trade and professional associations;

- (r) extraordinary or abnormal fees 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; and
- (t) selling and marketing expenses associated with the products or services or both being developed under the Agreement.

Notwithstanding item (b) above, legal, accounting and consulting fees incurred in connection with obtaining patents or other statutory protection for Project Intellectual Property are Eligible Costs.