

AMENDED AND RESTATED
STRATEGIC AEROSPACE AND DEFENCE INITIATIVE (“SADI”)
TERMS AND CONDITIONS

(June 1, 2016)

1. PURPOSE

The purpose of this document is to set forth the terms and conditions for the administration of contributions under the Strategic Aerospace and Defence Initiative (SADI) to be administered by Industry Canada.

2. AUTHORITY

- a) Sections 4(1)(a), 5(c), 5(d), 6(c) and 14(1)(c) of the *Department of Industry Act, S.C. 1995, c.1.*
- b) Review of Aerospace and Space Program and Policies Cabinet approval on May 28, 2013;
- c) Economic Action Plan 2013.

3. PROGRAM OBJECTIVES

(a) Statement of the objectives of SADI:

- Encouraging strategic R&D (Eligible Activities) that will result in innovation and excellence in new and improved products, services and processes;
- Enhancing the competitiveness of Canadian A&D companies; and
- Fostering collaboration between research institutes, universities, colleges, and the private sector.

(b) Linkages to departmental and government objectives:

SADI will foster the growth of a competitive, knowledge-based Canadian economy. SADI supports Industry Canada’s strategic outcomes: Advancements in science and technology, knowledge, and innovation to strengthen the Canadian economy. Contributions made under these Terms and Conditions will support the Canadian aerospace, defence, space and security (“A&D”) industries through support to company research and development (“R&D”).

SADI will advance and support government initiatives by contributing strategically to research and development in the A&D industries in order to encourage and further

leverage private sector investment, and so maintain and grow the technology base and technological capabilities of Canadian A&D industries.

As required by Treasury Board Policy, SADI will provide performance measures such as R&D investment leveraged, number of projects that have established a collaborative relationship and the contribution to the achievement of broader technological, economic, environmental and social benefits to Canada.

4. ELIGIBILITY

4.1. Eligible Recipients

Eligible Recipients for funding under SADI are corporations incorporated under Canadian law and that are prepared to:

- Conduct strategic R&D activities in A&D industries; and
- Create opportunities for Canadians to contribute to a highly skilled and knowledge-based workforce.

4.2. Eligible Activities

Eligible Activities are industrial research and pre-competitive development in A&D carried out by Eligible Recipients, in Canada.

Industrial research means planned research or critical investigation aimed at discovery of new knowledge, with the objective that such knowledge may be useful in developing new products, processes or services, or in bringing about a significant improvement to existing products, processes or services.

Pre-competitive development means the translation of industrial research findings into a plan, blueprint or design for new, modified or improved products, processes or services whether intended for sale or use, including the creation of a first prototype which would not be capable of commercial use. It may further include the conceptual formulation and design of products, processes or services and of initial demonstration or pilot projects.

Pre-competitive development does not include:

- a) initial demonstration or pilot projects if these could be converted or used for industrial application or commercial exploitation; or
- b) routine or periodic alterations to existing products, production lines, manufacturing processes, services, and other on-going operations even though these alterations may represent improvements.

Eligible Activities will involve one or more technologies that:

- Support the development of next generation A&D related products, services and processes;
- Build on Canadian strengths in A&D technology development;

- Enable Canadian companies to participate in major platforms and supply chains; or
- Assist the sector in achieving Canada's international obligations (e.g. development programs supported by Canada *such as the Joint Strike Fighter program ("JSF")*).

The commercialization and/or manufacturing of high-value added technologies, derived from SADI funded projects, must take place in Canada, unless otherwise agreed to by the Minister.

4.3. Eligible Costs

Eligible costs will be those costs that are incurred by the Recipient in respect of Eligible Activities and which, in the opinion of the Minister, are reasonable and necessary to carry out the Eligible Activities to which they relate. Eligible costs will be limited to the Recipient's non-recurring costs and may include labour, material, overhead, specialized equipment and other costs, which are attributable to the Eligible Activities. The Minister will only reimburse the Recipient for eligible costs that, in the Minister's opinion, are reasonable and relate directly to the Eligible Activities. Capital costs associated with land and buildings are not eligible costs.

SADI may support retroactive reimbursement of eligible costs incurred prior to the signing of the Contribution Agreement. This is due to the length and complexity of strategic R&D projects in the A&D industries. In such cases, the Minister will not pay for any eligible costs incurred by the Recipient prior to the date on which the Minister acknowledges receipt of that Recipient's complete project application proposal. Costs supported on a retroactive basis will not exceed 20 percent of the total eligible costs of the project. The Minister shall not reimburse an Applicant for eligible costs incurred should the Applicant's proposal be rejected.

5. TYPE AND MAXIMUM AMOUNTS OF CONTRIBUTIONS

Contributions will be in the form of conditionally *and/or* unconditionally repayable contributions. The contribution amount is the amount of assistance that, in the opinion of the Minister, is required by the Recipient to ensure that the Eligible Project proceeds successfully and is deemed to be justified in light of the anticipated benefits to Canada.

There will be no maximum contribution that can be made under SADI for a particular Eligible Project. The Minister may enter into contributions up to a maximum amount of up to \$50 million. The Minister will seek Treasury Board and Cabinet approvals prior to authorizing contributions per project or initiative in excess of \$50 million. This authority expires June 30, 2018.

Under SADI, the contribution to any Eligible Project will normally not exceed 40 percent of eligible costs. Under exceptional circumstances the Minister may approve contributions representing up to 50 percent of eligible costs.

6. STACKING PROVISIONS AND OTHER GOVERNMENT ASSISTANCE

An Eligible Recipient will be required to inform the Minister of any other government (federal, provincial, territorial, municipal) financial assistance it has received or requested for the Eligible Project prior to a recommendation being made to the Minister to approve a contribution under SADI. Furthermore, Contribution Agreements will impose upon the Recipient a continuing disclosure obligation to advise the Minister if it receives further government assistance in respect of the eligible costs supported by the contribution.

The level of assistance from all government sources (federal, provincial, territorial, municipal) to an Eligible Recipient shall not normally exceed 75 percent of eligible costs.

Contribution Agreements will provide for the right of the Minister to either reduce the amount of the contribution in an amount equivalent to any amount over the stacking limit, or require the Recipient to repay the excess amount, which amount would constitute a debt due to the Crown and would be recovered as such.

7. REPAYMENTS

In accordance with Treasury Board Policy on Transfer Payments, contributions will be conditionally and/or unconditionally repayable.

Repayment schedules will be established with the objectives of initiating repayments as soon as possible, normally two years after the completion of the project, and for achieving repayments normally within 15 years after completion of the project.

Conditional repayments will be based on the gross business revenue (GBR) of the Recipient. In some cases, the Minister may accept repayments based on the GBR of a sub-unit of the Recipient (e.g. Business unit, division). Unconditional repayments will take the form of predetermined repayment amounts over the repayment period. Repayments will not be limited to the nominal value of the contribution paid by the Minister.

For JSF Projects Only: *In the case of JSF projects, repayment may be based upon actual JSF-related program revenues, and may be limited to the nominal amount.*

Industry Canada will monitor all provisions of the Contribution Agreements including those relevant to repayments. All Contribution Agreements will include provisions requiring Recipients to submit annual information updates on projected and actual repayments. All Contribution Agreements will include provisions allowing the Minister to disclose the amount of each repayment made by the Recipient at the time it is due or paid or at any time thereafter. If the Recipient fails or neglects to file the requisite documentation to establish the amount due at the appropriate time, the Minister will have the authority to publicly release the projected repayment amount.

As part of its repayment administration process, Industry Canada will ensure interest is charged on overdue repayments, in accordance with the *Interest and Administrative Charges Regulations*.

8. SUPPORTING DOCUMENTATION REQUIRED FROM APPLICANTS

Applicants will be required to submit sufficient information for the Minister to assess the Applicant and its project proposal against the criteria for Eligible Recipients, eligible activities, eligible costs and assessment criteria. This would include at a minimum:

8.1. Organizational Information

- A detailed description of the Applicant (ownership, management, business experience, past and forecasted financial statements for the years covered by the project, technical team's experience and expertise, etc.);
- A detailed demonstration of how the Applicant meets eligibility criteria listed in Section 4 of these Terms and Conditions;
- Representation that the Applicant is in good standing with regard to all federal, provincial, territorial and municipal laws and regulations;
- Corporate documents as the Minister deems necessary (e.g. articles of incorporation, corporate by-laws and related instruments);
- Representation that any person including any consultant or in-house lobbyist who lobbies on its behalf to obtain funding under SADI and who is required to be registered pursuant to the *Lobbying Act* is registered pursuant to that Act;
- Representation that the applicant has not nor has any person on its behalf engaged any person (other than an employee) for the purposes of obtaining SADI funding and paid, or agreed to pay, that person a commission, contingency or success fee or any other consideration (whether monetary or otherwise) that is dependant upon the Applicant receiving SADI funding;
- Representation that any former public servant, that derives benefit from the Contribution Agreement, will be in compliance with the Values and Ethics Code for Public Sector;
- Representation that any former public office holder, that derives a direct benefit from the Contribution Agreement, will be in compliance with the Conflict of Interest and Post-Employment Code for Public Office Holders; and,
- Representation that no Member of the House of Commons or Senate will benefit from the contribution.

8.2. Project Information

- Project proposal, work plan, and budget addressing the overall context/objectives and goals of the project, as well as major activity areas and key project performance milestones as well as the planned schedule of repayments;
- The forecasted total cost (eligible and ineligible costs) of the project, and details of financing;

- The forecasted public policy benefits, including the increase in technological capacity, the planned cooperative agreements with post-secondary institutions and any sustainable development plans which result from the project;
- The amount of any federal, provincial, territorial or municipal assistance or tax credit, received or likely to be received for the project;
- The names of those officers responsible for the project, with details on the qualifications of the key individuals carrying out the proposed work;
- Details on how the project and the Applicant will meet the assessment criteria detailed in Section 9 of these Terms and Conditions; and
- Information on all other funding applications made by the Applicant, including the organizations from which assistance was requested and the amount requested, as well as the outcome of the applications.
- For JSF Projects Only: Projects seeking funding under JSF terms must demonstrate a direct link to the JSF supply chain. Technical Assistance Agreements (TAA), Non Disclosure Agreements, Letters of Interest (LOI), are examples of the types of documents acceptable to establish this link to the program.

9. THE ASSESSMENT CRITERIA

Applications for contributions under SADI will be assessed for their suitability for SADI funding in the context of their relevance to the objectives of SADI. SADI will establish reasonable but high standards for assessing Eligible Project proposals. Project proposals will be assessed against the criteria below. SADI is a contribution program. The Minister may exercise his discretion on whether to fund projects.

9.1. Assessment Criteria

Technology Benefits

- Degree of strategic technology innovation and/or excellence; and
- Feasibility of strategic R&D leading to product/service applications.

Social and Economic Benefits

- Commercialization feasibility and benefits;
- Technology spill-over and diffusion; and
- Collaborations (e.g., with post-secondary institutions or public research institutes)

Company capability to achieve the stated objectives

- Financial resources;
- Management expertise;
- A Business plan to achieve benefits; and

- Technical team's experience and expertise to conduct the research and development.

10. ADMINISTRATION

10.1. General

SADI will be administered in accordance with Canada's international trade agreements. SADI will only support Industrial Research and Pre-competitive Development projects, and the granting of contributions will not be contingent (a), either in law or in fact, upon actual or anticipated export performance or (b) upon the use of domestic over imported goods. However, companies that export will not be precluded from receiving funding for that reason alone.

11. MONITORING

The Recipients will be required to submit periodic reports to the Minister. This information will enable the Minister to assess the progress of the Recipient's Eligible Project, including but not limited to the following: achievement of project objectives, performance milestones and expenditures; a summary of the nature and extent of the commercialization efforts; etc.

Further to completion of the Eligible Project, Recipients will be required to submit annual financial statements (audited if produced), and/or statements of disposition of SADI funds, and annual reports on project benefits as well as fulfillment of the specific commitments in regard to Repayments, to enable the Minister to:

- Carry out the post-disbursement monitoring called for in the Contribution Agreement;
- Administer the repayment provisions of the Contribution Agreement when conditions for repayment are met, including the application of interest charges on overdue repayments; and
- Evaluate the effectiveness of the contribution.

12. METHOD OF PAYMENT TO THE RECIPIENT

Payments to the Recipient will be made on the basis of documented claims for eligible costs incurred which, in the opinion of the Minister, are reasonable, to be submitted by the Recipient not more frequently than monthly. Each claim is to be accompanied by a brief report of the work completed and details of all costs being claimed, and shall be substantiated by such documents as are satisfactory to the Minister. Claims shall be certified by an officer of the Recipient or by such other person that is satisfactory to the Minister.

The Minister, at his expense, may ask that any claim for payment be certified by the Recipient's external auditors or by auditors of his choice. The Minister may request at

any time that Recipients provide satisfactory evidence to demonstrate that all eligible costs claimed have been paid.

13. OFFICIAL LANGUAGES

Communications with the public and delivery of services will be in both official languages, in accordance with the *Official Languages Act*. All the documents developed by the Program will be published in both official languages. The Program will also contribute to Section 41 of the OLA as it will allow official language minority communities to participate fully to the program when applicable.

14. INTELLECTUAL PROPERTY

The Department does not have rights to any intellectual property created through projects funded under these Terms and Conditions.