

ANNEX M-ISS

Value Proposition Terms and Conditions

The Industrial and Technological Benefits (ITB) Terms and Conditions in Annex F form the basis of the Value Proposition Terms and Conditions. Articles specific for Value Proposition have been developed and listed as a separate terms and conditions below. For all other relevant articles, please refer to the ITB Terms and Conditions.

Definitions

- 1.1 "Market Segments" describes classes of defence industry products or services.
- 1.2 "Value Proposition" (VP) is one method being utilized by Canada to ensure purchases of defence equipment are being leveraged to create jobs and economic growth in Canada.
- 1.3 "Value Proposition Achievement Period" coincides with the ITB Achievement Period in Annex F of the Terms and Conditions.
- 1.4 "Value Proposition (VP) Activity" will take the form of a transaction describing either Direct work on Medium Range Radar project (defined in ITB Terms and Conditions) or work being done in the identified eligible market segments for the MRR project.
- 1.5 "VP Obligation" or "VP Commitment" - means the Contractor's contractual obligation to achieve the CCV for ITB Transactions as set forth in Article 2 (Value Proposition - Statement of Work)
- 1.6 "Committed VP Activity" is an ITB transaction, which has been submitted to the ITB Authority and approved.
- 1.7 "Shortfall" means the amount by which the Contractor's VP Credits are less than the VP Obligation at the end of the VP Achievement Period.

2.0 Value Proposition - Statement of Work (SOW)

- 2.1 Through the implementation of the VP Plan (Appendix 1 to Annex M-ISS) the Contractor shall by the end of the Value Proposition Achievement Period:

- 2.1.1 Achieve XX% (to be inserted from Contractor's proposal) in Canadian Content Value (CCV) of the Contract value in VP Activities, as specified in Appendix 1
- 2.1.2 Identify through Committed VP Activity 50% of the Contractor's VP Obligation as part of its second Annual ITB Report.
- 2.1.3 Identify through Committed VP Activity, 100% of the Contractor's VP Obligation as part of the fourth Annual ITB Report.
- 2.1.4 In the event that the Contract value is increased or decreased, the Contractor's VP Obligation shall be correspondingly either increased or decreased.

3.0 Reporting of VP

- 3.1 The Contractor shall report on their VP achievements through the ITB Annual Report requirement (see Article 3 of the ITB Terms and Conditions). The ITB Authority will verify and monitor VP achievements.

4.0 Performance Guarantees

- 4.1 Failure to achieve any of the commitments in Article 2 by the end of the VP Achievement Period will result in the Contractor paying to Canada as liquidated damages 10% of the Shortfall.

5.0 Changes to the VP Plan

- 5.1 The Contractor may propose revisions to the VP Plan proposed in Appendix 1. Any proposed amendments must be agreed to by the ITB Authority in writing
- 5.2 Changes to the VP Plan will be considered in order to update information in the Plan that has changed and also to revise the summary table of ITB Transactions that will be used to meet the Contractor's VP Commitments.

6.0 VP Activities

- 6.1 VP Activities will be reported and credited through the ITB Annual Report process.

- 6.2 VP Activity can be submitted as:

- 1. Direct Transactions: achieved through the provision of the goods and services required to deliver the Medium Range Radar Project.

2. Market Segments Transactions: achieved through work performed in the two eligible market segments that have been selected for MRR.

6.2.1 The following Market Segments are eligible to the MRR procurement:

6.2.1.1 Electro-Optical, Radar and Sonar Systems and Components and Fire Control, Warning and Countermeasures Systems and Components. This category includes electro-optical systems (e.g. image intensification night-vision systems, thermal imaging systems, lasers), radars, sonar systems, fire-control systems used to aid weapons in target acquisition, tracking and engagement; warning systems (e.g. technologies that detect enemy radars, enemy laser targeting systems, and approaching threats such as missiles); and countermeasures (e.g. electronic jamming equipment, smoke screens, flares to counter heat-seeking missiles).

6.2.1.2 Electronics, Information Technology (including Software), Communications and Navigation Systems and Components. This category includes military communications systems, secure cyber/information systems and other military Information Technologies (including software), avionics, navigation and guidance systems (e.g. Global Positioning System [GPS] based systems, gyroscopes, accelerometers) and other geomatics related systems and services (e.g. geographic information system (GIS) products and services for military applications, remote sensing services for military applications), display technologies, digital control systems; other technologies for the receipt, exchange, analysis and integration of multiple types of data; and other defence electronics not elsewhere specified.

6.2.2 VP Activities which fall outside of the purchase of goods and services (including Consortium, Investments and Technology and Skills Cooperation) will be defined and calculated in the same manner as they are under the ITB policy. Refer to articles 8.5 to 8.10 of the ITB terms and conditions for the complete description.

7.0 Public Communications

7.1 The Contractor and/or VP Recipients are encouraged to be as transparent as possible regarding its VP plans, obligations and specific VP Activities, making them publicly available whenever possible.

7.2 In the above efforts at transparency, the Contractor and the VP Authority will jointly coordinate public communications related to the VP activities associated with the Medium Range Radar Project. The two parties will also collaborate to identify VP impact and success stories associated with VP activities.

- 7.3 The Contractor consents to public announcements regarding the Medium Range Radar Project, made by or on behalf of the Minister of Industry, that are related to i) VP Obligations and ii) those VP Transactions which involve business activities with a signed contract or Memorandum of Understanding between the VP Donor and the VP Recipient. These announcements would include company names, general descriptions of the work being proposed and approximations of CCV. In these cases, the VP Authority will make all reasonable efforts to ensure that the Contractor has the opportunity to participate in the announcement and/or the preparation of any related materials.
- 7.4 For all other public communications regarding the VP activities on the Medium Range Radar Project, drafts of announcements and their publication schedule will be delivered by either party to the other as soon as is reasonably possible, but in any event prior to the proposed release date. Each party will make every effort to inform the other, and seek resolution of, any objections to the content or timing of the proposed announcement.
- 7.5 Nothing in this Article 6 shall be interpreted as preventing the fulfillment by any company involved in a VP obligation or activity of its reporting obligations under applicable Securities laws.