

RECIPIENT AGREEMENT

Recipient Agreement No. ##AGREEMENT_NUMBER##

THIS AGREEMENT is made effective as of the 1st day of April, 2017.

BETWEEN:

FORESTRY INNOVATION INVESTMENT LTD., a British Columbia company having an office at 1200 – 1130 Pender Street West, Vancouver, British Columbia, V6E 4A4

(“**FII**”)

AND:

##ASSOCIATION_NAME##, with an office at ##ADDRESS##, ##CITY##,
##PROVINCE##,##POSTAL_CODE##

(the “**Recipient**”)

BACKGROUND:

A. The Province of British Columbia established FII (a Provincial Crown Corporation) to, among other things, fund various initiatives for the benefit of the provincial forestry sector generally; and

B. The Recipient and FII wish to enter into this Agreement to set forth the terms and conditions by which FII will advance FII Project Funding to the Recipient for the completion of the Work described in the Project Proposal, the requirement for the Recipient to obtain Third-Party Project Funding to pay for a portion of the Work (unless otherwise agreed to by FII), and the manner in which the FII Project Funding will be reduced if the Recipient obtains Additional Outside Funding relating to the Project Proposal.

IN CONSIDERATION of the premises and the mutual covenants and agreements contained in this Agreement, and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each party), the parties covenant and agree as follows:

1. INTERPRETATIONS AND GENERAL PROVISIONS

1.1 Definitions and Interpretation. This Agreement will be interpreted and construed in accordance with the provisions set forth in **Schedule 1** (*Definitions and Interpretation*).

1.2 Schedules. This Agreement includes the following schedules which are incorporated into and form an integral part of this Agreement:

Schedule 1 - Definitions and Interpretation

Schedule 2 - Project Proposal, Budget and Reporting

Schedule 3 - Terms of Payment
Schedule 4 - Eligible Cost Rules
Schedule 5 – Administration Allowance

2. FUNDING

2.1 FII Project Funding. Subject to the terms and conditions of this Agreement, FII will provide the Recipient with an amount of money not to exceed **##TOTAL_FII_FUNDING##** (the “**FII Project Funding**”) being **##FII_FUNDING_PERCENTAGE##** of the total funds required under the Budget to complete the Work as described in the Project Proposal.

2.2 Third-Party Project Funding. FII’s obligation to provide the FII Project Funding to the Recipient is subject to the Recipient providing or otherwise obtaining the Third-Party Project Funding for the remaining **##REMAINING_FUNDING_PERCENTAGE##** of the Budget required to complete the Work described in the Project Proposal. If the Recipient does not provide or otherwise obtain the Third-Party Project Funding, then FII reserves the right to modify the amount of the FII Project Funding under this Agreement in the manner contemplated in **Schedule 2** (*Project Proposal, Budget and Reporting*). FII will only be responsible for its stated contributions at the cost sharing agreed to in this Agreement. Any other liabilities or expenditures will be the sole responsibility of the Recipient.

2.3 Payment Terms. FII will provide the FII Project Funding to the Recipient in the manner contemplated in **Schedule 3** (*Terms of Payment*) in respect of the Eligible Costs incurred by the Recipient as described in **Schedule 4** (*Eligible Cost Rules*) and in respect of the Administration Allowance contemplated in **Schedule 5** (*Administration Allowance*). For greater clarification, the payment of Eligible Costs and Administration Allowance forms part of the FII Project Funding and is not in addition to the FII Project Funding. For greater clarification, the amounts included as Administration Costs in **Schedule 2** are the maximum amounts payable by FII and the actual amounts payable will be as contemplated in **Schedule 5**.

2.4 Accountable Advances. FII will pay Accountable Advances to the Recipient in the manner contemplated in **Schedule 2** (*Project Proposal, Budget and Reporting*), all of which are part of the FII Project Funding. Wherever practicable, the Recipient will maintain a separate bank account for all Accountable Advances. The Recipient will record any interest earned on the Accountable Advances separately, as contemplated in Section 4.1 below, and all such interest will be and remain the property of FII.

2.5 Additional Outside Funding. Within 30 days of receipt of any Additional Outside Funding, the Recipient will provide FII with written notice stating the source, amount and date of receipt of the Additional Outside Funding. Upon receipt of such notice, FII may do one or both of the following (by written notice to the Recipient):

(a) set forth options for reallocating the FII Project Funding to expand the scope of the Work without increasing the FII Project Funding, but taking into account the use of the Additional Outside Funding; or

(b) reduce the amount of the FII Project Funding by an amount proportionate to FII's share of the total funding used in completing the Work, in which case, and upon written request from FII, the Recipient will return to FII any overpayment of FII Project Funding previously paid to the Recipient by the date specified by FII. If the Recipient fails to return the overpayment to FII by the date specified by FII, then the amount of the overpayment will be subject to the provisions of Section 4.2 (*Return of Overpayments*) below.

2.6 Proportionate Reduction. In the event that the Province provides less than \$17.3 million in program funding to FII in 2017/18, FII may reduce the amount specified in Section 2.1 (FII Project Funding) in proportion to the amount by which the funding to FII from the Province is less than \$17.3 million.

2.7 Release of Information. The Recipient authorizes FII to release Project Information to other parties who are funding, or who are thinking about funding, the Work described in the Project Proposal ("**Third Parties**").

2.8 Project Information. The Project Information consists of information relating to the Work, the Budget and the Project Proposal including, without limitation, the following:

(a) the terms and conditions of the Third Party's agreement with the Recipient (the "**Third-Party Agreement**") and the related funding commitments and reporting requirements under the Third-Party Agreement;

(b) the deliverables under the Third-Party Agreement and all results, reports, studies, activities or other Material provided by the Recipient to the Third Party pursuant to the Third-Party Agreement;

(c) any circumstances or situations that come to the attention of the Third Party under the Third-Party Agreement that affect the Project Proposal, the Work or the Budget; and

(d) such other matters that are requested by FII and agreed to in writing by the Recipient.

2.9 Funding Confirmation. Within 10 Business Days of the conclusion of each Interim Period, the Recipient will provide FII with written confirmation of all:

(a) FII Project Funding received by the Recipient;

(b) Third-Party Project Funding and any Outside Funding received by the Recipient; and

(c) expenditures incurred by the Recipient in connection with the Work for the applicable Interim Period, allocated among the FII Project Funding, the Third-Party Project Funding and any Additional Outside Funding received by the Recipient.

3. MODIFICATIONS TO THE AGREEMENT

3.1 Request for Modification. Recipients may request changes to the budget and workplan covered in **Schedule 2** of the Agreement. To request a change, the Recipient will contact FII in writing (or via the online funding management system reporting process) with the requested changes for FII's review. All requests for modifications to the budget and workplan governed by the Agreement will be reviewed by FII. FII retains sole discretion over the decision to approve or reject changes requested by the Recipient. Approval of the change by Third-Party Funding bodies does not constitute approval from FII, or obligate FII in any way to accept the change.

3.2. Approval of Modification Request. If FII agrees with the proposed change to the workplan or budget it will advise the Recipient via approval in the online funding system. When the Recipient clicks "Submit Application" in the online funding management system this constitutes the Recipient's agreement to the proposed changes. When FII changes the status of the application to "Approve", this constitutes FII's agreement to the proposed changes.

3.3. Confirmation of the Modification. Following approval of the modification request in the online funding management system, FII will send the Recipient a Confirmation Letter detailing the approved changes and appending a revised copy of the budget and workplan which will confirm the update to **Schedule 2** of the Recipient Agreement. The Recipient will have 15 days from receipt of the Confirmation Letter to raise any concerns with FII regarding the confirmed changes.

3.4. FII maintains the online funding management system as part of its audit record for the Recipient Funding Program and submission and approval of data in the online funding management system constitute part of the Agreement between the parties.

4. RETURN OF AMOUNTS OWING TO FII

4.1 Interest on Accountable Advances. The Recipient will record any interest earned on the Accountable Advances separately from the Recipient's other records. Unless otherwise provided for in this Agreement, on the earlier of 30 calendar days of a request from FII to do so, or upon submission to FII of the annual statement (as described in **Schedule 2** (*Project Proposal, Budget and Reporting*)), the Recipient will return to FII:

- (a) any unexpended FII Project Funding that has been advanced to the Recipient; and
- (b) all interest accrued or earned on the Accountable Advances.

4.2 Return of Overpayments. Notwithstanding any other provision of this Agreement, if upon the expiry or earlier termination of this Agreement FII determines that:

- (a) the claims made by the Recipient for Eligible Costs are less than the aggregate amount of all Accountable Advances made to the Recipient by FII; or
- (b) the Recipient owes money to FII under this Agreement for any other reason;

then FII will give written notice of the applicable circumstances to the Recipient, and the Recipient will repay the amount owing to FII and as specified in the notice, including any interest that may have accrued on the Accountable Advances that has not already been repaid to FII. The Recipient will repay such amounts owing to FII on the same date the Reconciliation Statement and Certification of Project Expenditures (as described in **Schedule 2** (*Project Proposal, Budget and Reporting*)) is due or as may be specified in the notice contemplated in this Section 4.2.

4.3 Interest on Overdue Amounts. Any amounts that are owing by the Recipient to FII that are not paid to FII by the date required will be subject to interest at a rate equal to the prime rate of interest charged by the HSBC Bank Canada for loans denominated in Canadian funds, plus 4% per annum, calculated monthly and not in advance, accrued from the date the money becomes due until the actual date of payment.

4.4 Early Termination. If this Agreement is terminated before the Recipient completes the Work, then the Recipient will be permitted to claim as Eligible Costs only those expenses relating to the portion of the Work completed up to the effective time of termination for Work that was completed to the satisfaction of FII in accordance with this Agreement.

5. DUTIES OF THE RECIPIENT

5.1 Completion of Work. The Recipient will carry out and complete the Work described in **Schedule 2** (*Project Proposal, Budget and Reporting*) and the Project Proposal to the satisfaction of FII, as determined in FII's sole and absolute discretion.

5.2 Reporting. In accordance with **Schedule 2** (*Project Proposal, Budget and Reporting*), the Recipient will provide FII with three (3) interim reports (one for each Interim Period) and one (1) annual report (for the period beginning April 1, 2015, and ending on the Termination Date), as well as the various required statements in the format and within the timeframes as described in **Schedule 2** (*Project Proposal, Budget and Reporting*), and in accordance with any other reporting guidelines which FII may provide to the Recipient from time to time.

5.3 Insurance. The Recipient will:

(a) throughout the Term, and without limiting its obligations or liabilities under this Agreement and at its own expense, obtain and maintain the following insurance, or such other insurance as FII may specifically require, with insurers licensed in British Columbia or in the country where the Recipient maintains an office (e.g. China, South Korea, Japan);

(i) Comprehensive General Liability insurance with limits of not less than \$1,000,000.00, inclusive of defence costs for bodily injury, death and property damage arising from any one accident or occurrence and including liability assumed under contract; and

(ii) Automobile Liability insurance providing Third-Party liability and accident benefits insurance coverage for all vehicles required by law to be licensed that are owned, leased or rented by the Recipient or any Subcontractor and are used in the performance of the Work

contemplated by this Agreement, with limits of not less than \$1,000,000.00 for vehicles owned, leased or rented by the Recipient or any Subcontractor for using private vehicles for business purposes. The Recipient will ensure that adequate coverage is in place before authorizing the use of a privately owned vehicle in the performance of the Work;

(b) upon FII's request, provide FII with a completed Certificate of Insurance issued by the Recipient's insurance agent indicating that all of the insurance required by this Agreement to be obtained and maintained by the Recipient has been obtained, is valid and in good standing, and that any premiums owing are paid. If requested by FII, the Recipient will provide FII with certified copies of all insurance policies required to be maintained by the Recipient under this Agreement; and

(c) notify FII before cancelling or modifying any insurance required to be maintained under this Agreement, and promptly notify FII if any such insurance is cancelled or modified by an insurer.

5.4 Primary Insurance. The Recipient will ensure that all the insurance required to be maintained by the Recipient under this Agreement is primary insurance and not excess to any insurance maintained by FII or any other additional named insured's, and does not require the sharing of any loss by FII, or by any insurance of FII.

6. REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Recipient Covenants. The Recipient will:

The Work

(a) prudently perform the Work, ensure that the Work is completed on time in accordance with the Budget and to a high standard of quality and in accordance with the terms and conditions of this Agreement, and take all reasonable steps necessary to ensure that the results of the Work are for the benefit of the provincial forestry sector generally;

(b) not make any material alterations to the scope of the Work, the Project Proposal, the principal personnel as outlined in the Project Proposal or the Budget without the prior written consent of FII;

Funding

(c) use its best efforts and act prudently at all times to ensure that the FII Project Funding is used in a cost-effective manner applied directly against the Eligible Costs in accordance with the terms and conditions of this Agreement;

(d) provide or otherwise obtain the Third-Party Project Funding;

(e) not apply funds from one Budget Item as detailed in Schedule 2 (such as travel) to another Budget Item (such as catering) without receiving FII's prior written approval to do so;

Records & Audit

(f) maintain proper progress, personnel and financial records regarding the Work, the Project Proposal, the Budget (including at Budget Item level) and the receipt and use of the Accountable Advances, the Third-Party Project Funding and any Additional Outside Funding, which records will include, without limitation:

(i) actual expenditures at the Budget Item level in accordance with Schedule 2;

(ii) the Work Files, and all revenues generated from and spent in respect of the Work, the Project Proposal and the Budget;

(iii) a clear separation of the receipt and amount of the Accountable Advances, the Third-Party Project Funding and any Additional Outside Funding;

(iv) the details of the use and spending of the Accountable Advances, the Third-Party Project Funding and any Additional Outside Funding; and

(v) where staffs of the Recipient are claiming time as part of the Work; retain auditable records of time spent for each staff member on a project-by-project basis;

(g) retain, in a safe and accessible location, all records of whatever nature or kind relating to the Work for a period of five (5) years;

(h) provide all information as and when requested by FII for the purpose of allowing FII to evaluate the Work and the Recipient's (or any Subcontractor's) progress in completing the Work, and to allow FII (or its representatives) to carry-out and complete the Audit Program;

Publications

(i) in all publications and other forms of communication pertaining to the Work or the Project Proposal acknowledge, as appropriate, the assistance provided by the Province through the Program and consult with FII on the guidelines to follow prior to using the name and logo of FII;

Compliance with Laws

at its own expense:

(j) comply with all applicable FII policies and guidelines (including the Eligible Cost Rules) and all applicable laws, by-laws, rules and regulations;

(k) remedy any condition, circumstances or situation that arises during the course of conducting the Work that must be addressed under all applicable laws, by-laws, rules and regulations; and

(l) remedy any defaults or any legislative infractions under this Agreement caused by the Recipient, its agents, employees or Subcontractors;

(m) comply with the requirements of the *Workers Compensation Act* (British Columbia) and its regulations, pay for all assessments and levies associated with the Work and, upon request, provide FII with proof of such compliance;

(n) ensure that the required WorkSafe BC coverage is provided for the Recipient and all its employees and Subcontractors, if necessary, including the Subcontractors and other individuals employed or engaged in carrying out the Work within the Province of British Columbia, and for the purposes of the *Workers Compensation Act* (British Columbia) be the “Principal Contractor” as described in the regulations to the *Workers Compensation Act* and carry out the duties described in that Act; and

Subcontractors

(o) ensure that all Subcontractors comply with this Agreement in performing the applicable Subcontract, and the Recipient irrevocably acknowledges and agrees that no Subcontract, whether consented to by FII or not pursuant to Article 8 (*Subcontracting*), relieves the Recipient from any of its obligations under this Agreement.

6.2 Recipient Acknowledgements. The Recipient acknowledges and agrees that the Recipient is fully responsible for:

(a) all costs incurred in carrying out the Work, including those costs in excess of the aggregate of the FII Project Funding and the Third-Party Project Funding; and

(b) ensuring the health and safety of all of its employees and Subcontractors, including the Subcontractors and other individuals employed or engaged in carrying out the Work, in accordance with all applicable health and safety legislation and any other legislation governing any aspect of the employment or contractual relationship.

6.3 Recipient Representations. The Recipient makes the following representations and warranties to FII as of the date of this Agreement, with the intention that FII will rely on such representations and warranties in entering into this Agreement, and which representations and warranties will survive the execution and delivery of this Agreement and related documents:

(a) the Recipient is duly created and is validly existing under the laws of its jurisdiction of incorporation;

(b) the Recipient has the power, capacity and authority to own its assets and enter into this Agreement and to do all acts and things and execute and deliver all other documents or instruments as are required to be done, observed or performed by it pursuant to the provisions of this Agreement;

(c) the Recipient does not know of any fact that materially adversely affects, or could materially adversely affect, its properties, assets, condition (financial or otherwise), business or operations or its ability to fulfil its obligations under this Agreement;

(d) the Recipient is not aware of any breach of, or any default under all applicable laws, by-laws, rules and regulations that apply to or are binding on the Recipient, that materially affects or could materially affect the Recipient's ability to fulfil its obligations under this Agreement;

(e) this Agreement is binding upon and enforceable against the Recipient; and

(f) all matters, statements, representations, warranties and covenants set out in the Project Proposal were true at the time the Project Proposal was submitted to FII and are true as of the date of this Agreement, and the Recipient will be bound by all commitments made in the Project Proposal.

7. AUDIT

7.1 Audit Program. FII will develop a program of financial and performance audits and reviews of the Recipient and the Work performed by the Recipient (and any Subcontractors) (the "**Audit Program**"). The Audit Program will be designed in combination with ongoing monitoring activities of the Recipient (and any Subcontractors) to achieve a sufficient level of assurance that the Recipient:

(a) meets or exceeds the Performance Measures;

(b) performs the Work with expected outcomes, in a manner consistent with the objectives of the Program;

(c) completes the Work to a high standard in accordance with the Project Proposal, the Budget and the Performance Measures; and

(d) only claims for Eligible Costs in performing the Work.

7.2 FII Audit Rights. As part of the Audit Program, FII and its employees, Subcontractors, agents and advisors (the "**FII Group**") will have the right at any time during the Term of this Agreement and for a period of five (5) years after the Termination Date to audit, inspect, copy, make extracts from and retain:

(a) all Work Files for the purpose of monitoring or confirming the Recipient's performance and compliance with the terms and conditions of this Agreement and with the Project Proposal and Budget; and

(b) the Recipient's receipt and use of the Third-Party Project Funding and any Additional Outside Funding to ensure compliance with the terms and conditions of this Agreement.

7.3 Access Rights. The Recipient irrevocably grants (or will cause to be granted) to the FII Group, during normal business hours and upon reasonable prior notice, access to the offices of the Recipient, the sites where the Work is being conducted, the Work and all Work Files, and will provide the FII Group with such reasonable assistance in accessing such locations and

materials as may be requested by the FII Group from time to time for the purposes of conducting the Audit Program.

8. SUBCONTRACTING

8.1 Subcontracts Up To \$25,000. The Recipient may, but is not obligated to, use a competitive selection process prior to entering into a Subcontract if the applicable Subcontract has a value of \$25,000 or less, or if the applicable Subcontract will keep the cumulative value of all Subcontracts to the same Subcontractor to less than \$25,000.

8.2 Subcontracts greater than \$25,000 and less than \$100,000. The Recipient must use a competitive selection process prior to determining the Subcontractor the Recipient proposes to award a Subcontract to if the applicable Subcontract has a value greater than \$25,000 and less than \$100,000. The Recipient, under such competitive selection process, must either (i) collect at least three quotes for the services to be acquired under the proposed Subcontract, or (ii) follow a formal competitive selection process such as a Request for Qualifications or a Request for Proposals. The Recipient will document the selection process and the criteria used to determine the Subcontractor. Prior to entering into any Subcontract which was not included or specially identified (including the specification of the consultants to be used under such Subcontract) in the Project Proposal and which Subcontract has a proposed value between \$25,000 and \$100,000, the Recipient will obtain the written approval of FII.

8.3 Subcontracts Of \$100,000 or Greater. Unless otherwise agreed to in writing by the parties, all Subcontracts with a value of \$100,000 or more, including cumulative Subcontracts made or proposed to be made with the same Subcontractor during the Term, will be awarded using a competitive selection process. If a competitive selection process is not possible, for any reason, then FII reserves the right to request that the proposed Subcontractor submit a separate proposal to FII for consideration and evaluation in accordance with FII's request for proposal process.

8.4 Subcontracts Value. The Recipient, irrespective of whether a competitive selection process was used, will retain evidence sufficient to demonstrate that the amount charged by the Subcontractor and the rates used by the Subcontractor to determine the value of the Subcontract are within the acceptable range for similar services provided in the open market. No subcontract, whether consented to or not, relieves the Recipient from any obligations under this Agreement. The Recipient will be fully responsible for remunerating its subcontractors for all Services performed by the Recipient's subcontractors. The Recipient will ensure that any subcontractor retained by The Recipient fully complies with this Agreement in performing the subcontracted obligations. Subcontractors must send the Recipient a detailed invoice with a description of the deliverables completed in accordance with the approved budget and workplan as outlined in Schedule 2. If the approved budget and work plan detail hours and rates then the subsequent invoices should contain details of hours expended and rates charged. FII will only reimburse the Recipient for actual costs incurred by the Recipient when using subcontractors to perform services under this agreement.

9. APPLICATION OF THE GOODS AND SERVICES TAX (GST).

FII will pay GST where applicable. If GST is applicable, the Recipient must provide an invoice including the Recipient's GST registration number to support the amount of GST charged to FII.

10. INDEMNITY

The Recipient will indemnify and hold harmless FII, its employees, agents, officers and directors (collectively, the "**Indemnified Persons**") from and against any and all losses, claims (including any claim by a third party), damages, actions, causes of action, costs and expenses of whatsoever nature or kind that any of the Indemnified Persons may incur, suffer or be put to either before or after the expiration or termination of this Agreement, by reason of any act or omission of the Recipient, its employees, officers, directors, shareholders or agents, or any Subcontractors or supplier of materials or services to the Recipient, and any of their employees, officers, directors, shareholders or agents, as a result of or in any way arising out of this Agreement, except where and to the extent that the loss, claim, damage, action, cause of action, cost or expense arises from the negligence or willful misconduct of FII. The indemnification provided in this Section 10 will survive the expiry or earlier termination of this Agreement.

11. OWNERSHIP OF MATERIAL

11.1 Ownership of Material. As between FII and the Recipient, all Material produced, received or acquired by the Recipient in connection with the Work and the Project Proposal is the exclusive property of the Recipient, other than Material to which a third party holds intellectual property rights and Material which FII provides to the Recipient or any Subcontractor.

11.2 Incidental Use. As incidental to this Agreement, the Recipient acknowledges that FII may use, copy, modify or distribute the Material produced, received or acquired by the Recipient in connection with the Work and the Project Proposal, and may make the information contained in such Material (other than software) available to the public for the benefit of the forestry sector generally (collectively, the "**Incidental Use**"). The Recipient hereby consents to any such Incidental Use by FII, and releases and waives any claims that the Recipient may have against FII, now or in the future, in respect of any such Incidental Use.

12. CONFIDENTIALITY AND FREEDOM OF INFORMATION

12.1 FOIPPA. The Recipient acknowledges and agrees that all Material, information and reports provided to FII pursuant to this Agreement may be subject to disclosure in accordance with the *Freedom of Information and Protection of Privacy Act* (British Columbia).

12.2 Confidentiality. Notwithstanding Section 12.1 above, the Recipient will have in place procedures satisfactory to FII, in its sole and absolute discretion, to identify the information and Material developed or obtained in the course of carrying out the Work that may be confidential in nature. The Recipient will treat such information as confidential and will not, without the prior written consent of FII, disclose or permit such information to be disclosed either before or after the expiry or earlier termination of this Agreement, except where:

(a) the Recipient is required to disclose such information under applicable law, provided that the Recipient first provides FII with reasonable prior written notice of such requirement before making any such disclosure; or

(b) such information is readily available to the public other than as a result of a disclosure by the Recipient or any of its employees, agents, officers and directors in breach of this Agreement.

13. EVENTS OF DEFAULT

13.1 Event of Default. The occurrence of any one or more of the following events will constitute an “**Event of Default**” under this Agreement:

(a) the Recipient fails to perform or comply with any of the terms or conditions of this Agreement;

(b) the Recipient fails to either commence, make satisfactory progress, or substantially complete the Work within the time required by this Agreement or the Project Proposal;

(c) the Recipient fails to satisfy the Performance Measures;

(d) the results of the Audit Program show, in the sole opinion of FII, that the Recipient is not complying with the terms and conditions of this Agreement or that the Recipient is failing to meet the objectives of the Program;

(e) any of the representations or warranties made by the Recipient in Section 6.3 above or by the Recipient in any document or certificate given pursuant to this Agreement being untrue or incorrect in any material respect;

(f) any information, statement, certificate, report or other document given by or on behalf of the Recipient pursuant to or as a result of this Agreement being untrue or incorrect in any material respect;

(g) any change occurring with respect to any one or more, or all of the properties, assets, conditions (financial or otherwise), business or operations of the Recipient which, in the sole opinion of FII, materially adversely affects the ability of the Recipient to fulfil its obligations under this Agreement;

(h) the Recipient admits its inability to, or FII otherwise determines that the Recipient is unable to, pay its debts generally as they become due, or the Recipient makes a general assignment for the benefit of creditors, or commits any other act of bankruptcy or insolvency under applicable law of any jurisdiction in which it is incorporated or resident); or

(i) a bankruptcy petition is filed or presented against, or a proposal for creditor protections is made by the Recipient under any applicable laws.

13.2 Remedies for Events of Default. If an Event of Default occurs, then FII may give written notice of such Event of Default to the Recipient and FII may, subject to Section 13.3 below, do any or all of the following:

- (a) require the Recipient to cure the Event of Default within 10 calendar days at the Recipient's own cost;
- (b) immediately terminate this Agreement;
- (c) withhold or suspend payment of all or a portion of the FII Project Funding;
- (d) require the Recipient to repay to FII all or a portion of the FII Project Funding in accordance with Article 3;
- (e) use the FII Project Funding withheld or repaid in accordance with this Section 13.2 to remedy the Event of Default;
- (f) disallow the Eligible Costs associated with the Work;
- (g) reduce any or all of the Eligible Costs as set out in the Budget;
- (h) request a written report be prepared by a representative of the Recipient acceptable to FII, and in a form and with content satisfactory to FII, which report will evaluate the financial status and condition of the Recipient and will be delivered to FII within 25 calendar days of such request;
or
- (i) take any other action that FII considers in its sole and absolute discretion to be appropriate in the circumstances.

13.3 Curing period. Save and except where amounts are owing to FII by the Recipient or where Sections 13.1(b), 13.1(h) or 13.1(i) apply, the Recipient will have 10 calendar days after delivery from FII of such written notice referred to in Section 13.2 to cure the Event of Default.

13.4 No Liability for Termination. If this Agreement is terminated pursuant to Section 13.2(b), Section 14.1 or Section 14.3, no claim will be made by the Recipient for any damages or losses of whatsoever nature or kind occasioned by that termination, and FII will be under no further obligation to the Recipient except for the Eligible Costs properly incurred up to the effective date of termination and approved by FII.

14. TERM AND TERMINATION

14.1 Termination Date. Subject to Section 14.2 and 14.3, this Agreement will commence and be effective as of the 1st day of April, 2017, and will terminate on the first to occur of the following (the "**Termination Date**"):

- (a) the effective date of cancellation of the Program by the Province;

(b) the date mutually agreed to in writing by the parties as the date this Agreement will terminate;

(c) the effective date of termination pursuant to Section 13.2(b);

(d) 30 days after written notice of termination is given pursuant to Section 14.3; or

(e) March 31, 2018.

14.2 Extensions. The Term may be extended in the sole discretion of FII with any such extension to be confirmed in writing by FII to the Recipient. In no event will the Term be extended beyond March 31, 2018.

14.3 FII Right of Termination. Subject to Section 14.4, FII may terminate this Agreement for any reason and at any time during the currency of this Agreement by giving 30 days written notice of termination to the Recipient. If this Agreement is terminated in accordance with this Section 14.3, then FII will reimburse the Recipient for the Eligible Costs incurred by the Recipient for the Work, and for reasonable costs incurred in terminating the Work, which reasonable costs will include actual non-cancellable commitments made by the Recipient, as confirmed and approved by FII.

14.4 Survival. Notwithstanding any other provision of this Agreement, the following sections will survive the expiry or any earlier termination of this Agreement, together with such defined terms and provisions of this Agreement as may be necessary for the proper interpretation thereof: Section 2.7 (*Release of Information*), Section 2.8 (*Project Information*), Section 4.1 (*Interest on Accountable Advances*), Section 4.2 (*Return of Overpayments*), Section 4.3 (*Interest on Overdue Amounts*), Section 5.2 (*Reporting*), Article 7 (*Audit*), Article 9 (*Application of the Goods & Services Tax (GST)*), Article 10 (*Indemnity*), Article 11 (*Ownership of Material and License*), Article 12 (*Confidentiality and Freedom of Information*), Section 13.4 (*No Liability for Termination*), Section 14.4 (*Survival*), and Section 15.8 (*Further Assurances*).

15. MISCELLANEOUS

15.1 Independent Contractors. Except when the Recipient is the Province, the Recipient is an independent contractor and not the servant, employee, agent or partner of FII. No partnership, joint venture or other legal entity is created by or will be deemed to be created by this Agreement or by any actions of the parties under this Agreement and, except when the Recipient is the Province, the Recipient has no authority to and will not commit FII or the Province to pay or become obligated to any person, firm or corporation in any manner whatsoever.

15.2 Instructions. The Recipient will accept instructions from FII, but the Recipient is not subject to FII's control regarding the manner in which those instructions are carried out or implemented, except for as set out in this Agreement.

15.3 Recipient to Pay Costs Directly. The Recipient will supply and pay for all labour, materials, approvals and permits, at its own expense, necessary or advisable to carry out the Work.

15.4 Notice. Except as otherwise expressly provided for in this Agreement, all notices and approvals required or permitted by this Agreement will be in writing and delivered personally or by courier or sent by facsimile to the addresses and facsimile numbers of the parties set out in this Agreement. The addresses and facsimile numbers of the parties are as set forth below, or at such other address or facsimile number of which the parties may, from time to time, notify one another:

By the Recipient, to:	By FII, to:
Forestry Innovation Investment Ltd. 1200 – 1130 Pender Street West Vancouver, British Columbia V6E 4A4 Telephone: 604-685-7507 Facsimile: 604-685-5373 Attention: Bernd Florin Manager, Program Funding	##APPLICANT_ADDRESS##

15.5 Timing of Notices. A notice will be deemed to have been sent and received on the next Business Day following the day it is delivered personally or by courier or on the next Business Day following the day on which transmission is confirmed, if by facsimile.

15.6 Rights and Remedies Cumulative. The rights and remedies conferred on FII under this Agreement are not intended to be exclusive and each will be cumulative and in addition to and not in substitution for any other right and remedy existing or available to FII under this Agreement, any other agreement, at law or in equity. The exercise by FII of any right or remedy available to FII under this Agreement or at law or in equity will not preclude the simultaneous or later exercise by FII of any other right or remedy under this Agreement or at law or in equity.

15.7 Entire Agreement. This Agreement, including the Schedules to this Agreement, constitutes the entire agreement between the parties and there are no representations or warranties, express or implied, statutory or otherwise, and no agreement or agreements collateral to this Agreement other than as expressly set forth or referred to in this Agreement.

15.8 Further Assurances. The parties will execute, acknowledge and deliver all such further assurances, instruments and documents and do all such other acts as may be reasonably necessary or appropriate in order to carry out the intent and purposes of this Agreement.

15.9 Counterparts. This Agreement may be executed in counterparts, each of which when so executed will be deemed an original, including those delivered by facsimile or similar electronic means and such counterparts taken together will constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

FORESTRY INNOVATION INVESTMENT LTD.	##ASSOCIATION_NAME##
By: _____ Michael Loseth Chief Executive Officer	By: _____ Name: _____ Title: _____

SCHEDULE 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions.

In this Agreement, the following words and expressions have the following meanings, and any words or expressions defined elsewhere in this Agreement will have the meanings do given to them:

“**Accountable Advance**” means that portion of the FII Project Funding advanced to the Recipient under this Agreement for the applicable Interim Period and which remains payable by the Recipient to FII pursuant to the terms of this Agreement until FII receives from the Recipient and approves the reports and statements more particularly described in **Schedule 2** (*Project Proposal, Budget and Reporting*).

“**Additional Outside Funding**” means any funding obtained by the Recipient from a source other than FII in respect of the Work that is in addition to the FII Project Funding and the Third-Party Project Funding, and that is or could be used to a make a material change to the scope of the Work.

“**Assets**” means purchased or leased materials and objects that have been:

- (i) identified by the Recipient in its application for funding under the Program; and
- (ii) approved in advance as an integral part of the Project Proposal.

“**Audit Program**” has the meaning given to such term in Section 7.1.

“**Budget**” means the planned budget for the delivery and completion of the Work which will include the FII Project Funding and the Third-Party Project Funding, in the specific amounts and cost categories as described in the Project Proposal, and which is included in **Schedule 2** (*Project Proposal, Budget and Reporting*).

“**Budget Item**” means the individual line items that together make up the **Budget**. Budget items are differentiated by type of expenditure (e.g., catering, printing, travel etc).

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in British Columbia.

“**Business Meetings and Hosted Events**” means meetings or events that are initiated and delivered by the Recipient organisation and relate solely or primarily to the Work, primarily involve the Recipient and non-FII associated individuals and organizations, and are principally attended by the following persons:

- (a) staff employed by the Recipient;
- (b) representatives of private-sector organizations (e.g., business or industry partners, customers and suppliers);
- (c) representatives of national, provincial, municipal, regional district or other levels of government;
- (d) representatives of academic or technical institutions;
- (e) Subcontractors;
- (f) employees of the Department of Foreign Affairs, Trade and Development Canada; or
- (g) Order-in-Council or other government employees.

“**Consumable Assets**” means assets which, through use over a short period of time, become obsolete, worn out or otherwise became in need of being replaced.

“**Disposition of Assets**” means the disposal of assets from time to time and at the end of the Term.

“**Effective Date**” means the 1st day of April, 2017.

“**Eligible Costs**” means the actual and reasonable costs, consistent with the Eligible Cost Rules, which are properly incurred by the Recipient in carrying out the Work and which are approved by FII, but does not include costs relating to any remedial orders, penalties, adjustments, fines or like amounts assessed under any law, statute, enactment or regulation, any and all of which will be paid by the Recipient at its own expense. For greater certainty, Eligible Costs do not include any in-country sales taxes (VAT, GST, etc.) payable by the Recipient that is recoverable by the Recipient.

“**Eligible Cost Rules**” means the cost rules found in **Schedule 4** (*Eligible Cost Rules*).

“**FII Group**” has the meaning given to such term in Section 7.2.

“**FII Project Funding**” has the meaning given to such term in Section 2.1.

“**Forecast Eligible Costs**” means the estimate of costs, consistent with the Eligible Cost Rules, budgeted by the Recipient (the “**Budget**”) and approved by FII in Interim or Annual Reports.

“**Indemnified Persons**” has the meaning given to such term in Section 10.

“**Interim Period**” means each of three (3) consecutive four (4)-month periods commencing on the Effective Date and ending on the Termination Date, provided that if this Agreement is

terminated prior to March 31, 2018, then the final “Interim Period” will refer to the period of time between the last ending Interim Period and the Termination Date.

“**Material**” includes, without limitation, all findings, information, data, specifications, reports, proposals, analyses, documents, drawings, working papers, photographs, videos, software and other material or intellectual property in the foregoing, whether complete or not and regardless of the medium on which it is stored or reproduced.

“**Performance Measures**” means the criteria and indicators that will be used to assess the performance of the Recipient and the Work as set out in **Schedule 2** (*Project Proposal, Budget and Reporting*).

“**Program**” has the meanings given to such term in Section A of the Background provisions.

“**Project Proposal**” means the proposed plan for the Work (including the proposed timelines for completing the Work) to be undertaken by the Recipient, and includes the Budget, as submitted to and approved by FII.

“**Province**” means Her Majesty the Queen in right of the Province of British Columbia.

“**Statement**” means the Reconciliation Statement and Certification for Project Expenditures.

“**Subcontract**” means a contract pursuant to which all or a portion of the Work will be carried out and completed.

“**Subcontractor**” means a person, firm, corporation or other legal entity with which it is proposed that a Subcontract be entered into or with whom a Subcontract has been entered into, as the case may be.

“**Supporting Documents**” means:

- (i) detailed original receipts for all costs incurred by the Recipient in connection with the Work;
- (ii) evidence of travel for all *per diem* allowances claimed; and
- (iii) proof of payment satisfactory to FII that all costs incurred by the Recipient and claimed as Eligible Costs have been paid in full by the Recipient.

“**Term**” means the period commencing on the Effective Date and ending on the Termination Date.

“**Termination Date**” has the meaning given to such term in Section 14.1.

“**Third Parties**” has the meaning given to such term in Section 2.7.

“**Third-Party Agreement**” has the meaning given to such term in Section 2.8(a).

“Third-Party Project Funding” means any funding obtained by the Recipient from a source other than FII in respect of the Work which when added to the FII Project Funding and funding provided by the Recipient is expected to finance 100% of the Work as set out in the Budget.

“Turnback” means the sum of any Forecast Eligible Costs not incurred by the Recipient as Eligible Costs as reported and approved in the Annual Report and Reconciliation Statement and Certification of Project Expenditures.

“Work” means the work to be performed by the Recipient in accordance with this Agreement and the Project Proposal and as contemplated by the Budget and includes all work related to and described in the Project Proposal all as more particularly described in **Schedule 2** (*Project Proposal, Budget and Reporting*).

“Work Files” means all books, records, documents, the Supporting Documents, reports, files and other similar information, regardless of the medium on which it is stored or recorded relating in any way to the Work, the Project Proposal, the Budget, the Performance Measures, the FII Project Funding, the Third-Party Project Funding and the Additional Outside Funding, if any.

1.2 Interpretation.

This Agreement will be interpreted according to the following provisions, save to the extent that the context or the express provisions of this Agreement otherwise require:

(a) a reference in this Agreement to a numbered or lettered section or paragraph refers to the section or paragraph bearing that number or letter in this Agreement. A reference to “this Agreement” or “herein”, “hereof”, “hereunder” and other similar terms refers to this Agreement as a whole, together with any schedules and any amendments to this Agreement, and not just to the particular clause or paragraph in which those words appear;

(b) the headings in this Agreement have been inserted for reference and as a matter of convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement or any of the provisions of this Agreement;

(c) words importing the singular will include the plural and vice versa, words importing the masculine gender will include the feminine gender and vice versa and words importing persons will include individuals, partnerships, associations, trusts, unincorporated organizations and corporations;

(d) time is of the essence of this Agreement in all respects;

(e) all reference to the symbol “\$” are to Canadian dollars, unless specifically provided otherwise;

(f) this Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in the Province of British Columbia;

(g) this Agreement is binding upon and will endure to the benefit of the parties and their permitted successors and assigns. This Agreement may not be assigned by the Recipient to any one without the prior written consent of FII;

(h) failure by any party hereto to insist in any instance upon the strict performance of any obligation contained herein will not be construed as a waiver or relinquishment of such obligation. No waiver by any party of any such obligation will be deemed to have been made unless expressed in writing and signed by the waiving party; and

(i) if any provision of this Agreement is held invalid under any law applicable to the parties, and/or assignees, that provision will be considered severable and its invalidity will not affect the remainder of this Agreement, which will continue in full force and effect.

SCHEDULE 2

PROJECT PROPOSAL, BUDGET AND REPORTING

Recipient Agreement No.:	##AGREEMENT_NUMBER##
Proposal Name:	##PROPOSAL_NAME##
Name of Recipient:	##RECIPIENT_NAME##

1. Project Budget, Deliverables and Timelines

##PROJECTS_AND_BUDGETS##

2. Cost Sharing. The following reflects the required cost sharing for this Agreement. It is the responsibility of the Recipient to ensure that all the Third-Party Project Funding is received and to notify FII of any changes in the amount of the Third-Party Project Funding. FII reserves the right to modify the amount of the FII Project Funding should the Third-Party Project Funding not be obtained or otherwise received by the Recipient.

##COST_SHARING##

3. Reports and Other Communications

3.1 General

Financial reports will present a summary of the claimed Eligible Costs. Claimed Eligible Costs should include accruals (i.e. those costs incurred prior to the end of the applicable time period, but for which invoices have not yet been received). Actual amounts for expenditures reported during a given period must be consistent with entries in the Recipient's accounting system based on invoices received or anticipated as an accrual. Financial reports will be provided by the Recipient through FII's on-line application and reporting system.

The Recipient is not required to provide receipts with these reports, but is required to maintain detailed financial files (at the Budget Item level) that include copies of all receipts and invoices supporting the claimed Eligible Costs. The Recipient is required to account for the FII Project Funding, the Third-Party Project Funding and any Additional Outside Funding received (or receivable) by the Recipient. As part of the Audit Program, FII will conduct regular file reviews of the Recipient to, among other things; compare the Recipient's reports with the detailed supporting documentation.

3.2 Interim Period Reports

Each Interim Period report, in the prescribed FII format (as set forth in FII's on-line application and reporting system), the Recipient must calculate and complete such Interim Period's financial

reporting requirement for the Work undertaken. The Recipient will submit each Interim Period report to FII in accordance with *Table 1 – Reporting Schedule* below. Each Interim Period report must be certified on behalf of the Recipient by the individual submitting the report and the certification must confirm that the report is a true and accurate representation of the financial transactions undertaken by the Recipient in respect of the Work performed during the applicable Interim Period. The operational element of the Interim Period reports must identify and summarize progress on the Work, the Recipient’s progress toward meeting or exceeding the Performance Measures as well as the portions of the Work completed during the applicable Interim Period. The Interim Period reports must detail any variances from the Project Proposal and how such variances will impact the Work and the Project Proposal’s objectives. FII will not advance the Accountable Advance applicable to an Interim Period until an Interim Period report (containing both financial and operational elements) for the previous Interim Period has been received and accepted by FII.

Table 1 –Reporting Schedule:

Reporting Period	Report Due
April 1, 2017 to July 31, 2017 (1 st Interim Period Report)	August 31, 2017
August 1, 2017 to November 30, 2017 (2 nd Interim Period Report)	January 2, 2018
December 1, 2017 to March 31, 2018 (3 rd Interim Period Report)	April 10, 2018
April 1, 2017 to March 31, 2018 (Reconciliation Statement and Certification for Project Expenditures)	April 25, 2018

3.3 Revised Budget(s)

If the Budget is under or overspent in the previous Interim Period, then the Recipient must provide FII with a brief explanation for such under or over spending. If the Recipient desires to have budgeted FII Project Funding which was not expended during the applicable Interim Period deferred to another Interim Period, then the Recipient must submit a revised Project Proposal and proposed Budget to FII with explanations to reflect the Recipient’s future planned expenditures and Eligible Costs as well as how the revised Project Proposal and Budget will affect the Work and the Performance Measures. Failure of the Recipient to submit a revised Project Proposal and Budget will result in the amount of any under spending in one Interim Period being forfeited by the Recipient and the FII Project Funding being reduced accordingly. If the Budget is overspent during one Interim Period, the Accountable Advance to be made for the next Interim Period will be reduced by such over expenditure or if such Accountable Advance has already been made to the Recipient, and the Recipient will repay to FII, in accordance with this Agreement, an amount equal to such over expenditure.

3.4 Travel

Prior to committing to any tradeshow, trade events or international travel, the Recipient will provide a list of all participants and travelers to FII with the Interim Period report that immediately precedes such tradeshow, trade event or international travel. FII will share eligible travel costs only to the limits and amounts shown in **Schedule 4 (Eligible Cost Rules)**.

3.5 Samples of Deliverables

The Recipient will provide FII with samples of all publications, other materials (and where requested by FII photos and videos, to the extent applicable) produced as part of the Work that were funded in whole or in part with the FII Project Funding as such publications, other materials and photos and videos are completed.

3.6 Photography & Video

In any case where the Recipient acquires professional photography / video footage using funds contributed by FII, by way of this agreement the Recipient agrees that FII has unlimited rights to use and maintain copies of the photography / video footage. The Recipient will ensure that applicable release forms will document that FII also has the right to use photos / video footage and share ownership of them.

Where the Recipient accepts donation of photography / video footage which the Recipient does not own, it will be FII's responsibility to obtain the appropriate usage rights from the owner of the photography / video footage.

The Recipient will provide copies of all professional photography / video footage as a part of its annual reporting (or sooner upon request) and adhere to the following quality standards:

- Photo imagery shall be in high resolution: between 12" x 18" or 18" x 24" in size, with a 300 DPI in JPG or TIFF format.
- Video footage (including interviews, B-roll) shall be in high definition and must be taken in progressive framed and broadcast quality (minimum 24 frame rate and 30 frames per second).
- Interview and B-roll footage shall be converted into .MOV format with AppleProRes 422 (QuickTime) as the standard output.
- Final videos shall be in YouTube format (1080P HD and 720P).

Any exceptions to this policy must be pre-approved by FII's Chief Operating Officer or designate in advance. Failure to ensure that FII has unlimited usage rights to photography / video footage acquired using FII funding, will result in the associated costs being ineligible for FII's contribution.

4. Annual Report

The annual (or final) report must be submitted on-line through FII's on-line application and reporting system by April 10, 2018 (or within 10 days of the Termination Date).

(a) **Annual Operational (Interim 3) Report** - The Recipient will submit a detailed annual operational report that summarizes all activities and operations for the year ending March 31, 2018 (and rolls up all of the Recipient's Interim Period reporting). The annual operational report will provide an assessment of the effectiveness of the Work undertaken in meeting the overall outcomes and intended impacts of the Project Proposal as well as detailing how the Recipient

met or exceeded the Performance Measures. This report will include measurable information that quantifies the results of the Work, deliverables and outcomes and how they have contributed to the realization of the Project Proposal's and the Work's intended impact on the British Columbia forest industry. If not already provided with the Interim Period reports, the annual operational report should also include samples of any publications or other materials produced as part of the Work which was funded in whole or in part with the FII Project Funding.

(b) **Annual Financial Report** - The Recipient will submit a detailed annual financial report in accordance with the same Budget Item cost categories shown in Schedule 2. This annual financial report will summarize all revenues and expenditure information in connection with the Work including the sources and uses for each of the FII Project Funding, the Third-Party Project Funding and the Additional Outside Funding, if any, and will incorporate a Reconciliation Statement and Certification for Project Expenditures, the template for which can be downloaded from the on-line application system. The annual financial report must document actual expenditures incurred by the Recipient in delivering the Work and be supported by financial records in the Recipient's accounting system and financial records.

The Recipient must submit the Reconciliation Statement and Certification for Project Expenditures to FII by April 25, 2018 (or within 25 days of the expiry or earlier termination of this Agreement). The statement must be certified on behalf of the Recipient by a Certified Professional Accountant which certification will confirm that the annual financial report is a true and accurate representation of the financial transactions undertaken by the Recipient in respect of the Work performed during the Term. The certification by a Certified Professional Accountant also certifies that the statement has been prepared in accordance with Canadian Generally Accepted Accounting Principles and reflects the FII Project Funding, the Third-Party Project Funding and the Additional Outside Funding, if any, received, and that the costs claimed in respect of the FII Project Funding are Eligible Costs.

The annual financial report must also include a certification by a Certified Professional Accountant that all the Third-Party Project Funding and the Additional Outside Funding, if any, received by the Recipient in connection with the Work or the Project Proposal has been disclosed to FII and is accurately reflected as the applicable type of funding in the annual financial report.

The Reconciliation Statement and Certification for Project Expenditures must specify the total amount of interest earned on Accountable Advances and on the FII Project Funding during the Term.

5. Disclosure by FII

FII reserves the right to post, or cause the Province to post, electronic versions of annual (or final) reports, including data sets, on the Internet and to otherwise distribute paper copies of the same.

6. Key Performance Measures

##PERFORMANCE_MEASUREMENT##

7. Project Proposal

The Project Proposal included in **Schedule 2** of this Agreement is a summary of the approved workplan recorded in the online funding management system (www.woodmarketdevelopment.com). The complete workplan, as approved in the online funding management system, is the primary record of the Project Information for the purposes of the Agreement and will be subject to the conditions of the Agreement.

SCHEDULE 3

TERMS OF PAYMENT

The FII Project Funding will not exceed an aggregate of ##TOTAL_FII_FUNDING##. Any costs incurred by the Recipient on or after April 1, 2018, will not be paid for using the FII Project Funding.

FII will provide Accountable Advances to the Recipient as set forth below. The Recipient will be required to account for the use of the Accountable Advances against the Eligible Costs, prior to issuance by FII of the next Accountable Advance payment. Accountable Advances will only be made to the Recipient when FII is satisfied that the Recipient has submitted the reports in accordance with **Schedule 2** (*Project Proposal, Budget and Reporting*), has made good progress in respect of the Work and has complied with all the terms and conditions of this Agreement including meeting or exceeding the Performance Measures. FII reserves the right to reduce the amount of any pending Accountable Advance to more accurately reflect the Recipient's progress towards completion of the Work.

Accountable Advances will be withheld if the Recipient has become indebted to FII for unreturned previous years unspent advances or any unpaid invoices arising out of shared tradeshow costs or other charges.

The table below outlines the interim advance amounts as calculated at the inception of the Agreement for information purposes only. Subsequent interim period advances may adjust depending on modifications to budgets initiated by the Recipient throughout the year. Subsequent advance amounts will be based on budgets reported and approved at each interim period.

Earliest Date	Interim Accountable Advances	Description
April 1, 2017 or upon signing of contract	##INTERIM_1##	Initial (Interim 1) Advance
September 16, 2017	##INTERIM_2##	Interim 2 Advance
January 15, 2018	##INTERIM_3##	Interim 3 Advance
	##INTERIM_TTL##	

SCHEDULE 4

ELIGIBLE COST RULES

1. GENERAL RULES

1.1 General

The Recipient will keep detailed and accurate records of, and provide FII with reports on, the expenditures it claims as Eligible Costs by cost category identified in the Project Proposal and the Budget. The Recipient will provide such reports to FII as required in accordance with the terms of this Agreement or as may be requested by FII from time to time.

1.2 Eligible Costs

For the purposes of determining the Eligible Costs, "actual and reasonable costs" means those costs directly incurred by the Recipient in the performance and delivery of the Work, including the following:

(a) salaries, wages and benefits (pro-rated, as applicable) of the Recipient's employees or other staff who are ordinarily resident outside of Canada and who perform, in jurisdictions outside of Canada, the activities identified in the Project Proposal (the "in-market staff");

(b) salaries, wages and benefits, and contract costs of the Recipient's employees or other staff and Subcontractors engaged in pre-approved project delivery, in accordance with Section 6.1 (*Recipient Covenants*) of the Agreement, and with Section 1.5 (*Pre-Approved Project Delivery by Staff and Subcontractors*) of this **Schedule 4** (*Eligible Cost Rules*);

(c) fees for specialized consultant and professional services required for the provision of the specified activities in the Project Proposal;

(d) project activity costs as per the Project Proposal;

(e) business meeting costs in accordance with Part 3 (*Business Meetings and Hosted Events*) of this **Schedule 4** (*Eligible Cost Rules*);

(f) travel and accommodation expenditures relating to the travel required to deliver the specified activities in the Project Proposal, in accordance with Part 4 (*Travel and Accommodation*) of this **Schedule 4** (*Eligible Cost Rules*);

(g) gifts and other considerations in accordance with Part 6 (*Business Gifts and Other Considerations*) of this **Schedule 4** (*Eligible Cost Rules*); and

(h) general office supplies, mail, photocopying and telecommunications costs that are incurred specifically as a result of the delivery of the Work identified in the Project Proposal.

If a cost is incurred in the performance of more than one activity under this Agreement or otherwise, the Recipient will pro-rate and allocate such costs among the applicable activities in proportion to the time spent on each of the activities, or in such other manner as is reasonable and appropriate under the circumstances. The Recipient will indicate the manner in which such costs are pro-rated and allocated among activities.

1.3 Ineligible Costs

The following costs, whether incurred directly or indirectly by the Recipient, and whether arising from or related to the performance or delivery of the Work, are not Eligible Costs:

(a) salaries, wages, benefits and other associated costs of program facilitators, representatives or employees of the Recipient and Subcontractors engaged in program management and general supervision, where that work has not been pre-approved in accordance with Section 1.5 (*Pre-Approved Project Delivery by Staff and Subcontractors*) of this **Schedule 4 (Eligible Cost Rules)**;

(b) severance, termination or other similar payments made to any employee of the Recipient;

(c) the cost of raw materials used in the Work, unless pre-approved in writing by the Chief Executive Officer of FII or such person's designate (the "**FII Executive**");

(d) except as provided in Section 3.6, the cost of alcohol;

(e) the cost of sponsoring special events, unless the special event otherwise complies with the criteria set forth in Part 5 (*Sponsorship of Special Events*) of this **Schedule 4 (Eligible Cost Rules)**;

(f) travel and accommodation costs incurred by individual member companies, their principals and employees, of the Recipient organization or association;

(g) ongoing maintenance costs of existing websites, including linking or search engine costs;

(h) web hosting, computer or other hardware/software costs associated with websites;

(i) databases costs, unless a coordinated approach is taken across all recipients of FII funding active in a particular market to work together to maximize efficiency and effectiveness, and pre-approved in writing by the FII Executive;

(j) costs incurred in preparing proposals submitted or to be submitted to FII, whether approved or not;

(k) costs incurred in researching, developing, scheduling and preparing activities that are proposed to FII, whether approved or not;

(l) costs incurred in negotiating contracts or other commercial arrangements with FII;

(m) costs which are paid in advance of an event that is scheduled to occur in a subsequent fiscal year (the fiscal year being from the period of April 1 of any one calendar year to March 31 of the following calendar year), including, without limitation, the following:

(i) prepaid advertising to trade or other publications that are issued for circulation after the current fiscal year (regardless of the date stamped on the issued publication);

(ii) prepaid printing; and

(iii) prepaid fees for attendance at tradeshows, conferences, seminars, trade missions, advocacy activities, customer relations and other special or similar events;

provided that any such prepaid costs may become Eligible Costs in the applicable subsequent fiscal year if they are included as such in a proposal for that year and are approved by FII;

(n) costs relating to any remedial orders, penalties, adjustments, fines, or like amounts assessed against or incurred by a Recipient, either directly or indirectly, pursuant to any applicable laws, regulations, bylaws, rules or policies or by any governmental authority, agency, tribunal, court or other similar applicable authority having competent jurisdiction;

(o) travel and accommodation costs incurred by spouses and other family members of a Recipient's employee or sub-contractor; and

(p) credit card fees and any other bank transaction fees incurred in the delivery of the Work.

1.4 Company Specific Promotion in Advertising and Tradeshows

FII funding is intended to support the generic promotion of sector or sub-sector groups in the forest industry. Funding cannot be used to provide a direct benefit to individual companies by promoting their individual branding or logos or by providing a subsidy for individual companies' trade show presence.

1.4.1 Trade shows

FII will reimburse eligible costs related to tradeshow floor space and participation where the Recipient is attending and exhibiting on behalf of the industry to promote generic industry messages and branding. In cases where the Recipient has a generic booth and individual companies occupy space on or immediately adjacent to the booth, FII will share eligible floor space costs only for the integrated presence.

To be eligible for floor space costs the Recipient must:

- (a) have as part of the integrated presence, a minimum standard booth (10' x 10' or 3m x 3m space) to represent the generic industry branding and member companies not in attendance; and
- (b) have a minimum of four companies sharing the integrated floor space contiguous with the generic booth; and
- (c) have staff or Subcontractors present at the event to represent the generic industry booth and promote the industry branding; and
- (d) provide clear documentation that these conditions have been met in its interim reporting (i.e., provide photos of the booth).

The cost of shipping materials and tradeshow booths of individual member companies of the Recipient organization or association is not an Eligible Cost.

No exceptions to this policy will be made unless pre-approved in writing by FII's Chief Operating Officer in advance of the event.

1.4.2. Advertising

FII will share eligible costs related to the development and dissemination of advertising materials (including print, online, and point of purchase materials) that include generic industry content and include industry association branding or contact information and do **not** include individual company specific logos.

If companies choose to purchase their own separate advertising space proximate to the industry association advertising, the cost relating to the company specific advertising is not an Eligible Cost.

If in addition to its generic advertising, the Recipient is booking and managing advertising space on behalf of individual companies the Recipient must separate the costs and FII will only share the cost of advertising space used for generic promotion.

1.5 Pre-Approved Project Delivery by Staff and Subcontractors

The Recipient may designate, in one of three ways, staff and Subcontractors delivering the Work:

- (a) at the proposal stage by naming the individual who will participate in the Work and specifying the budgeted hours and rates associated with that individual's participation;
- (b) at the time of signing this Agreement by including the name of the individual who will participate in the Work and specifying the budgeted hours and rates associated with that individual's participation; or

(c) prior to starting the Work, by requesting an amendment to the Project Proposal and naming the individual who will participate in the Work and specifying the budgeted hours and rates associated with that individual's participation.

Absent explicit proposal and pre-approval by one of the three ways listed above, any cost incurred for using staff and Subcontractors is not an Eligible Cost. FII requires that staff and subcontractors proposed for participation in the Work be qualified to conduct the Work, and that the use of the staff and in-house contractor be logical and cost-effective in relation to the project objectives and the Project Proposal.

2. CAPITAL EQUIPMENT AND ASSETS

2.1 General

(a) Large capital investments may represent a significant outlay of costs and require disposition at the end of the Term. Accordingly, such assets must be leased for a specific period of time rather than be purchased, unless prior written approval has been received from the FII Executive.

(b) Wherever clarification of Section 2.1(a) (*General*) of this **Schedule 4** (*Eligible Cost Rules*) is required, the Recipient should contact the FII Executive. Prior written approval of the FII Executive is required for any deviation from the guidelines or for items not specifically referenced.

2.2 Objective

These rules apply to the purchase, depreciation, claiming of Eligible Costs and the disposition of capital assets. These rules clarify whether an asset may be purchased in respect of the Work and how, in certain circumstances, such assets may be disposed of.

2.3 Detailed Guidelines

2.3.1 General

Unless pre-approved in writing by FII's Chief Operating Officer, the following are not Eligible Costs:

- (a) the cost of purchasing of any land, buildings, licensed vehicles
- (b) any not-previously specified amortized expenses
- (c) the cost for memberships in health clubs, gymnasiums or private clubs
- (d) costs related to litigation
- (e) opportunity or investment costs.

2.3.2 Leasing of Equipment and other Property

As stated in Section 2.4.1(b) (*General*) of this **Schedule 4** (*Eligible Cost Rules*), unless it has been explicitly pre-approved by FII, the cost of purchasing land, buildings and licensed vehicles is not an Eligible Cost.

2.3.3 Consumable Assets

(a) The cost of acquiring a consumable asset used in the Work, and costing less than \$1,000, is an Eligible Cost in the year in which it is purchased and the asset can be disposed of at the end of the Term.

(b) Such assets include mobile telephones, digital cameras, computer software programs, electronic calculators, printers, facsimile machines, photocopiers, and other office-type equipment.

(c) Computers and furniture costing more than \$1,000 are not consumable assets for the purposes of this Recipient Agreement and must be treated according to Section 2.3.4 (*Computers and Office Furniture*) of this **Schedule 4** (*Eligible Cost Rules*).

2.3.4 Computers and Office Furniture

(a) The cost of acquiring laptop and office computers, servers, office furniture, etc., purchased for use in the Recipient's international offices to facilitate the Work funded by FII, is an Eligible Cost.

(b) The Recipient may claim a depreciation rate of 45% of the respective equipment's residual value as an Eligible Cost on a yearly basis.

2.3.5 Disposition of Assets

(a) From time to time and at the end of the Term, certain assets purchased as part of the Recipient's Project Proposal and the Budget may be disposed of by selling such assets. When the Recipient sells such assets, it is agreed that FII may require the Recipient to share the proceeds of the disposition in the same ratio as FII's funding made to the acquisition of the asset in the first instance, but not exceeding the original amount provided by FII.

(b) As stated in Section 2.4.3(a) (*Consumable Assets*) of this **Schedule 4** (*Eligible Cost Rules*), consumable assets can be disposed of as they wear out or at the end of the Term.

3. BUSINESS MEETINGS AND HOSTED EVENTS

3.1 Eligible Costs for Business Meetings and Hosted Events

(a) Subject to the stipulations in this Recipient Agreement, Eligible Costs for business meetings include, without limitation, the following:

- (i) meeting room rental costs, including audio/visual equipment and furniture rentals;
 - (ii) minor contracts with event planners or speakers;
 - (iii) food and non-alcoholic beverages provided at the meeting;
 - (iv) on-site photocopying and faxing services provided during the meeting.
- (b) Business meeting expenses that are not Eligible Costs include, without limitation, the following:
- (i) the cost of meals or other expenses incurred at meetings or events involving only employees or representatives from within the Recipient's own organization; and
 - (ii) any associated costs for spouses or guests of participants of business meetings.

3.2 General Rules for Business Meetings and Hosted Events

- (a) If telephone conferencing or video-conferencing is feasible in the circumstances and more cost-effective, FII will not share costs incurred for an in-person meeting.
- (b) If it is reasonable and feasible for the Recipient to use its own available on-site meeting room, FII will not share costs incurred in renting other meeting facilities.
- (c) If the Recipient is unable to obtain access and use of a suitable meeting room of its own (acting reasonably under the circumstances), then in selecting other meeting facilities the Recipient will have regard to, and take into account, the total cost of the meeting including, without limitation, the accommodation and transportation costs of the participants, meeting room rentals rates, meal costs, audio/visual equipment rentals and other meeting expenses, and will use reasonable efforts to select suitable meeting facilities that will minimize the costs of the foregoing.
- (d) The Recipient will endeavour to hold meetings during the non-peak business season for the meeting location and will consider delaying or holding the meeting in another area to take advantage of low-season accommodation rates.
- (e) The Recipient will cause participants who are required to travel to the meeting location to adopt group transportation alternatives where feasible, such as group airfare rates, ride sharing, government or rental vans or buses, and other similar means of reducing travel costs.
- (f) FII will share costs for meeting room rentals and related meals or coffee service only if they are documented in prior written agreements between the Recipient and the providers of those services.
- (g) FII will share meeting costs only for a reasonable number of participants.

(h) Unless separately identified as part of the Project Proposal and in compliance with the above provisions, FII will not share any business meeting expenses incurred without the Recipient having obtained prior written approval for such expenses from the FII Executive (delivered in writing, which may include an email response). Any request from the Recipient for such approval must be made in writing, and must set forth the particulars and details of the meeting, the proposed attendees, the nature of the meeting expenses expected to be incurred, and the estimated total cost for holding the meeting.

(i) If the total cost of a meeting, excluding transportation costs, is anticipated to exceed \$1,000.00, the Recipient must obtain quotes from a minimum of three potential providers of meeting facilities, and must provide FII with evidence of such quotes and the price comparison information of holding the meeting at the three different locations.

(j) The Recipient must use commercially reasonable efforts to negotiate the best value and lowest available price with its suppliers for services, supplies and related costs required for any meeting expenses which the Recipient submits to FII as an Eligible Cost.

(k) If the actual cost of holding a meeting exceeds the maximum estimated costs submitted by the Recipient and approved in advance by FII, the Recipient must seek subsequent written approval of such excess amount from the FII Executive unless (i) the nature of the business meeting remains unchanged, and (ii) the overage of costs is within 10% of the originally submitted estimate. Notwithstanding the forgoing, all meeting costs must fall within the ambit of the Project Proposal in order to be an Eligible Cost.

(l) Tips or gratuities on pre-approved business meals are an Eligible Cost only up to a maximum of 15% of the original cost (net of tips or gratuities) for such meals.

3.3 Hosted Events with Foreign Government Officials or Company Representatives

Costs incurred in hosting foreign government officials or foreign company representatives at a luncheon, dinner, or similar reception are not Eligible Costs unless the Recipient has received from FII, prior to the event, written approval of the costs specific to the event. This pre-approval may be sought by way of the originally submitted workplan or as an *ad hoc* request as events arise during the year. When seeking pre-approval in either circumstance, any costs specific to alcohol must be identified separately in proposed workplans (a separate line item). FII will determine in its sole and absolute discretion what portion, if any, of the costs related to the event is an Eligible Cost.

4. TRAVEL AND ACCOMMODATION

4.1 Scope

This Part 4 applies to all claims by the Recipient for sharing travel and accommodation costs incurred for the purpose of completing the Work. For the purposes of this Part 4, all references to the Recipient include appropriate individual persons within the Recipient organization, and any Subcontractors, unless the context clearly indicates otherwise.

4.2 General

The Recipient must record all claims for travel expenses in a format that documents the dates, locations and expenses claimed for each day on travel status and must attach original receipts to all travel records for the associated travel expenses claimed. No travel expenses incurred by the Recipient are an Eligible Cost unless a receipt or an appropriate explanation is attached to the claim.

4.3 Air Travel

FII will share air travel costs on the following basis:

4.3.1 North American Air Travel

FII will only share air travel costs to a maximum of the advanced purchase discounted economy rate. On Air Canada the acceptable fare is Tango or Tango plus. Change fees will be an Eligible Cost if a change in travel plans is initiated by FII and documented in advance and in writing by the FII Executive.

Full fare (flexible) economy class (includes Air Canada Latitude) or business class is not an Eligible Cost unless it has been approved in advance and in writing by the FII Executive.

FII will not share any costs incurred in flying charter, private or personally rented aircraft.

4.3.2 Overseas Air Travel

FII will share air travel costs up to the full fare (flexible) economy class rate (this includes Air Canada Latitude fare). This rate is usually fully refundable and change fees do not apply or are minimal. FII will not share the cost of change fees if the full fare (flexible) economy class of travel was chosen.

FII will not share the cost of business class travel unless it was approved in advance and in writing by the FII Executive.

FII recognizes that discount fare programs may be available to the Recipient which may bring the cost of flying business class equal to or less than full fair (flexible) economy class. If the Recipient chooses to purchase a business class ticket, FII will share either the cost of the business class ticket used or the full fare (flexible) economy rate in respect of the flight for which the business class ticket was used, whichever is the lower cost alternative. Evidence of the quoted cost of the full fare (flexible) economy rate option must be provided when the Recipient submits a claim to FII.

FII will not share any costs incurred in flying charter, private or personally rented aircraft on project business.

4.4 Ferry Travel

The cost of travelling by ferry, including the cost of a reservation, is an Eligible Cost if that mode of transportation is cost effective and directly related to the Work. The cost of a ferry stateroom is not an Eligible Cost unless the use of a ferry stateroom is necessary for conduct of the Work, is used for overnight travel and has been pre-approved in writing by FII.

4.5 Ground Travel

4.5.1 Ground Transportation

For all types of vehicles, the Recipient may claim actual transportation toll charges for travel incurred in connection with the Work in accordance with the Project Proposal. FII will not share the cost of any parking fines, traffic violation fines, impoundment or towing fees.

4.5.2 Private Vehicle

(a) Private Vehicle Allowance:

The private vehicle allowance is intended to cover the owning and operating costs associated with using a personal vehicle while travelling in connection with the Work in accordance with the Project Proposal. The vehicle allowance does not apply when using a rental, leased or company vehicle. If the Recipient is authorized to use its own private vehicles in the performance of the Work it will be reimbursed at the rate of:

\$0.53 per km.

FII will share the cost of a private vehicle at the above rate when it is used for transportation to and from a departure location (i.e. airport, bus, ferry or train terminal).

When claiming the private vehicle allowance, the Recipient must indicate the origin and destination of travel, as well as the business purpose of the trip.

If the daily travel distance by a private vehicle exceeds 150 km, the Eligible Cost will be capped at the cost that would have been incurred in using a commercially rented vehicle.

(b) Insurance Requirements:

The Recipient must obtain insurance coverage of not less than \$1,000,000 for Third-Party liability for using private vehicles for business purposes. The Recipient must determine that adequate coverage is in place before authorizing the use of a privately owned vehicle.

4.5.3 Vehicle Rentals

The Recipient is expected to use a rental vehicle for travel over 150km or where the cost of using a rental vehicle is lower than the cost of using a private vehicle. The Recipient must ensure that it

obtains a competitive rate for vehicle rentals as well as purchase the 'Personal Accident Insurance and the Collision Damage Waiver' options. FII will only share the cost of compact or mid-sized cars requirements.

4.5.4 Parking

Where vehicles are used for business travel, FII will only share receipted parking charges at cost. The Recipient must indicate the business purpose for any parking costs claimed.

4.5.5 Taxi Charges

FII will share taxi charges incurred while travelling for business in connection with the Work in accordance with the Project Proposal and only when other more economical means of transportation are unavailable or unsuitable under the circumstances.

FII will share the cost of gratuities of up to 15% of taxi charges, unless the Recipient is claiming the applicable *per diem* that day as set out below.

4.5.6 Bus Charges

FII will share bus transportation at cost while travelling for business in connection with the Work in accordance with the Project Proposal. The Recipient must obtain receipts wherever possible.

Travel from an airport to the place of accommodation or a meeting must be by airport shuttle buses where that is reasonable.

4.6 Accommodation

Recipients must always attempt to secure the most competitive single-occupancy commercial standard room rate available, taking into account hotel location and security.

4.6.1 Within Canada

In British Columbia, if the Government rate for hotel accommodation is the best available, the Recipient may apply to FII for a letter of authorization to provide to the hotel in support of the Government rate being applied. Hotels offering pre-approved government rates in British Columbia can be found at the following website.

<http://csa.pss.gov.bc.ca/businesstravel>

In the rest of Canada the following website can assist in locating hotels offering Government rates for accommodation.

<http://rehelv-acrd.tpsgc-pwgsc.gc.ca/rechercher-search-eng.aspx>

In any event, FII will share the cost of accommodation up to \$200.00 CDN average per night before taxes and fees. FII will share costs greater than that amount only if FII has pre-approved the higher cost in writing.

4.6.2 International

If possible the Recipient is expected to obtain accommodation at a hotel that provides special government rates. These hotels and their rates can be found on the following Internet site:

<http://rehelv-acrd.tpsgc-pwgsc.gc.ca/rechercher-search-eng.aspx>

FII will share the cost of accommodation to a maximum a room-rate equivalent to \$250.00 CDN average per night before taxes and fees. FII will share costs greater than that amount only if FII has pre-approved the higher cost in writing.

4.6.3 Hotel Cancellation Charges

The Recipient is solely responsible for hotel reservation cancellations. Any "no show" hotel charges will be borne by the Recipient and are not an Eligible Cost.

4.6.4 Private Accommodations

The Recipient may use private accommodation instead of commercial accommodation, in which case FII will share a maximum cost equivalent to \$30.00 CDN per night.

4.7 Meal and Per diem Allowances for Travel

4.7.1 Within Canada

When travelling within Canada in accordance with this Agreement, the maximum Eligible Costs for meals and incidentals are *per diem*:

Breakfast Only	Lunch Only	Dinner Only	Incidentals
\$8.00	\$9.00	\$18.00	\$14.00

The incidental amount covers out-of-pocket travel expenses such as taxi gratuities, laundry, dry cleaning and personal expenses (and is in addition to meal allowances). Except as set forth in Section 4.8.4 (*Part Day Travel Status*) below, FII will share the Incidentals allowance only when the individual is on travel status for an entire day.

The Recipient must document the hours of travel that underlie a claim for meal or incidental *per diem* amounts, but no meal receipts are required.

Where travel is for a partial day or an individual is off travel status over a meal period(s), or is provided a meal at no charge (while on travel status), the Recipient must reduce the meal amount (as outlined above) appropriately from the daily amount claimed.

The Recipient must not claim a meal allowance if the cost of the relevant meal is claimed as part of a business meeting expense.

4.7.2 Within the United States

When travelling within the United States in accordance with this Agreement, the maximum Eligible Costs for meals and Incidentals are:

Breakfast Only	Lunch Only	Dinner Only	Incidentals
\$8.00 USD	\$9.00 USD	\$18.00 USD	\$14.00 USD

The Recipient must convert such costs from US funds to Canadian funds for reimbursement purposes (i.e. at the exchange rate taken from a bank receipt or the bank rate on the day of departure).

For meal claims under part day travel status, the times for departure and arrival are as set out in Section 4.8.4 (*Part Day Travel Status*) of this **Schedule 4** (*Eligible Cost Rules*).

4.7.3 International

In all other foreign destinations and cities, FII will share the cost of eligible meals and incidentals at the rates published by Treasury Board of Canada Secretariat on the Internet site:

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TBM_113/d_e.asp (Appendix D - Allowances Module 4.

In the event that the breakfast rate is not designated for a foreign location in “Appendix D”, the Recipient can claim a breakfast at a cost equivalent to \$15 CAD, on condition that breakfast meal is not included in the hotel or airfare or was otherwise provided.

The published rates are updated each quarter (April, July, October and January), and it is the Recipient's responsibility to base its cost claims on the correct published rates.

For meal claims under part-day travel status, the times for departure and arrival are as set out in Section 4.8.4 (*Part Day Travel Status*) of this **Schedule 4** (*Eligible Cost Rules*).

4.7.4 Part Day Travel Status

The following rules apply to partial-day travel claims:

(a) on the day of departure, if travel status begins:

- (i) after 7:00 a.m., breakfast cannot be claimed; and
 - (ii) after 12:00 noon, breakfast and lunch cannot be claimed; and
- (b) on the day of return, if travel status terminates:
- (i) prior to 7:00 a.m., no meals can be claimed;
 - (ii) prior to 12:00 noon, breakfast can be claimed;
 - (iii) prior to 6:00 p.m., breakfast and lunch can be claimed; and
 - (iv) after 6:00 p.m., all meals can be claimed.

Travel status begins at the designated departure location and ends at the designated return location. Costs attributable to detours and stopovers not for an intended FII business purpose are not Eligible Costs. The departure and return locations may be the Recipient's normal office location, personal residence or other points of assembly, as appropriate under the circumstances, and as approved in advance by the FII Executive.

4.8 Foreign Exchange on Business Travel Expenses

FII will apply then current monetary exchange rates to all other acceptable business travel expenses for travel outside of Canada.

The Recipient, when submitting claims for business travel expenses for travel outside of Canada, must convert amounts under each receipt into equivalent Canadian funds on the basis of actual exchange rates charged on supporting documentation (e.g., credit card statements, currency exchange slips, etc.), if available. Where different exchange rates are used for a particular currency over the period of travel, the Recipient must use the average of such different rates for the purposes of converting the foreign currency into equivalent Canadian dollars.

If the actual exchange rate charged is not available, then the Recipient may use an Internet-based currency converter tool to obtain the historical exchange rate for the applicable currency for the range of dates travelled. The exchange rate that will be accepted by FII is the Interbank Rate plus 2% published at the following Internet site:

<http://www.bankofcanada.ca/en/rates/exchform.html>

4.8.1 Foreign Miscellaneous Expenses

Eligible Costs include the following costs incurred for the purpose of completing the Work specified in Schedule 2:

- (a) the cost of obtaining a travel visa;

(b) car rental insurance when the vehicle is used solely for business in accordance with the Project Proposal;

(c) premiums for additional medical insurance to provide coverage equivalent to that available under the British Columbia Medical Plan for medical service within British Columbia; and

(d) vaccination shots and prescription drugs for health protection recommended by a medical doctor for specific locations.

4.9 Local Travel by In-Market Staff

FII will share the cost of travel by the Recipient's in-market staff who are travelling on business in accordance with this Agreement, according to the following provisions.

4.9.1 Transportation

Where transportation, other than a private vehicle, is required for the purpose of conducting the Work, FII will share actual transportation costs incurred by in-market staff, as outlined in Treasury Board of Canada Secretariat Directives.

4.9.2 Private Vehicle Allowance

For the purposes of completing the Work, FII will share the cost of:

(a) in-market staff using a private vehicle at the appropriate kilometric rate for the applicable country as posted in Module 4 of Appendix B of the Treasury Board of Canada Secretariat Internet site:

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TBM_113/menu-travel-voyage_e.asp

(b) parking and transportation charges in accordance with the rules for these expenses for private vehicle travel in Canada (i.e. at cost with original receipts to be attached to the travel report), as described above in this **Schedule 4** (*Eligible Cost Rules*).

4.9.3 Accommodation

For business travel as part of the Project Proposal, FII will share the cost of accommodation incurred by in-market staff based on a single occupancy rate at commercial standard room rates, unless otherwise pre-approved in writing by the FII Executive. This will be applied in a manner consistent with Section 4.7 (*Accommodation*) of this **Schedule 4** (*Eligible Cost Rules*), as applicable.

4.9.4 Meal Allowance

Meal allowances for the Recipient's in-market staff will be the same as those provided for staff on travel status from British Columbia to foreign locations as provided for above in this Part 4 of

this **Schedule 4** (*Eligible Cost Rules*), applied with such changes as may be necessary under the circumstances.

5. SPONSORSHIP OF SPECIAL EVENTS

5.1 Scope

This Part 5 (*Sponsorship of Special Events*) applies if the Recipient seeks to sponsor special events organized and executed by trade associations or other groups, which were not included as part of the Project Proposal.

5.2 Rules

(a) FII may choose to sponsor an event directly, if it believes the special event meets the goals established for the Program.

(b) If the Recipient wishes to sponsor an event which, in the Recipient's opinion, meets the Program objectives, then the Recipient must make a written request to FII for special funding for the event. The Recipient must submit to FII information about the event including the purpose, a list of attendees, the associated costs, how it meets the prescribed deliverables pursuant to this Agreement, the rationale for why such an event should be sponsored by the Recipient and the steps to be taken to ensure the cost-effectiveness and return on investment of sponsoring the event.

(c) FII's contribution to the special event will be determined on a case by case basis, and may not be subject to the otherwise agreed cost sharing rules in this agreement.

(d) If the FII Executive approves in advance the sponsorship of a special event by the Recipient (whether FII has agreed to provide exceptional funding for all or part of the costs that may be incurred by the Recipient in sponsoring the special event), the Recipient must keep detailed records of the event, including the name of the organization or event being sponsored, a receipt for the amount provided, and the outcome of the event relative to expectations and provide such records to FII following the conclusion of the sponsored event.

6. BUSINESS GIFTS AND OTHER CONSIDERATIONS

6.1 Scope

This Part 6 applies to representatives of the Recipient who find themselves in a business situation in which cultural standards require the exchange of gifts or other considerations with foreign representatives.

6.2 Rules

The Recipient must use reasonable efforts to source business gifts that are made in B.C. using B.C. wood species. In any event, the Recipient will ensure that gifts it gives are valued at a cost appropriate to the situation, and do not exceed the equivalent of CAD\$100.00 each.

FII will share the cost of gifts given by the Recipient only if it has kept detailed and accurate records of where and when the gifts were purchased (including copies of receipts) and such gifts' disposition (including a record of the beneficiaries of the gifts, including the names, positions and the organizations for which they work).

The Recipient must not accept gifts that are not appropriate to the situation or which might be construed as creating a situation of a conflict of interest, or cause the relevant staff member to be in a position of indebtedness. To this end, the Recipient must ensure that the monetary value of gifts accepted is not materially in excess of the monetary value of gifts provided to the other party, as described above.

7. TRADE MISSIONS

7.1 Scope

This Part 7 (*Trade Missions*) applies to representatives of the Recipient participating in trade missions.

7.2 Eligible Costs related to Trade Missions

Eligible Costs for trade missions will:

- a) not include any costs related to anyone other than the Recipient's employees or contractors ;
- b) not include staff salaries or contractor costs for individuals taking part in the mission on behalf of the Recipient; and
- c) include travel costs only in accordance with Part 4 of this **Schedule 4** (*Eligible Cost Rules*).

SCHEDULE 5

ADMINISTRATION ALLOWANCE

1. BASIC ADMINISTRATION ALLOWANCE

FII will pay the Recipient 5% of the Eligible Costs approved under this Agreement (calculated as a percentage of the total Eligible Costs other than the administration component thereof), for the purposes of covering overhead costs and administrative costs incurred directly in connection with the administration of the Work including, without limitation, the following:

(a) program management and general management costs including the cost of staff and Subcontractors engaged in program management and in performing the Work, where that work has not been pre-approved in accordance with Section 1.5 (*Pre-Approved Project Delivery by Staff and Subcontractors*) of **Schedule 4** (*Eligible Cost Rules*);

(b) costs associated with meetings or conferences with FII staff that do not relate to specific activities identified in this Agreement or the Project Proposal;

(c) regulatory levies, assessments, licenses, permits and approvals, including costs incurred in public relations (such as advertising, signage and similar type goods and services) required in respect of the Work but not directly related to specific activities approved by FII under the Project Proposal; and

(d) costs of accounting, reporting and other similar activities undertaken in connection with the administration of this Agreement.

2. EARNABLE ADMINISTRATION ALLOWANCE

FII will pay the Recipient up to an additional 5% of the Eligible Costs approved under this Agreement and as described above, according to the following determinants:

2.1 Administration Allowance for Reporting

FII will pay:

(a) 1% of Administration Allowance if the Recipient submits three reports according to the deadlines specified in **Schedule 2**, or

(b) 2% of Administration Allowance if the Recipient submits all four reports according to the deadlines specified in **Schedule 2**.

FII will not pay any Administration Allowance for Reporting if the Recipient submits fewer than three reports according to the deadlines specified in **Schedule 2**.

2.2 Administration Allowance for Forecasting

FII will, based on the aggregate total of the FII Project Funding in all Recipient Agreements between the Recipient and FII in effect on March 31, 2018, pay up to 3% Administration Allowance for Forecasting according to the following formula.

a = % Turnback based on Forecast Eligible Costs

b = \$ Eligible Costs at year end (as approved in Annual Report)

c = \$ Forecast Eligible Costs (as approved in Interim 2 Report)

x = Administration Allowance for Forecasting

Where $(a \leq 0.03c)$, $x = 0.03b$

Where $(0.03c < a \leq 0.06c)$, $x = (6\% - a)b$

Where $(a > 0.06c)$, $x = 0$

Notwithstanding the above formula, FII will pay 3% Administration Allowance for Forecasting if the difference between b and c is less than \$3,000.

2.3 Impact of Unforeseen Changes in Currency Exchange Rates

Notwithstanding the above formula, FII in its sole discretion may pay a larger amount of Administration Allowance for Forecasting if FII is satisfied that a discrepancy between Eligible Costs and Forecast Eligible Costs is attributable to changes in foreign currency exchange rates that were not foreseeable at the time when Interim 2 Reports were submitted.

2.4 Force Majeure

Notwithstanding the above formula, FII in its sole discretion may pay a larger amount of Administration Allowance for Forecasting if FII is satisfied that a discrepancy between Eligible Costs and Forecast Eligible Costs is attributable to an Act of God or other factor that FII determines was beyond the Recipient's control.