

AgriInvest

PROGRAM GUIDELINES

Note: Where discrepancies exist between these guidelines and the text in The Federal / Provincial / Territorial Agreement with respect to AgriStability and AgriInvest, the text in The Federal / Provincial / Territorial Agreement with respect to AgriStability and AgriInvest shall be deemed to be correct.

DEFINITIONS

Unless otherwise indicated, terms that are defined in the Agreement have the same meaning in these Guidelines.

Account: An AgriInvest account established under the Agreement.

Administration: Provincial or Federal body or agency that administers the Program for a specific province.

Agreement: Federal / Provincial / Territorial Agreement with respect to AgriStability and AgriInvest.

Allowable Net Sales (ANS): The amount established under the Agreement, and detailed in Part 4 of these Guidelines.

CRA: Canada Revenue Agency.

Current Program Year: The year for which Program forms are submitted, coinciding with a Participant's fiscal period for that tax year.

Deposit Notice: A notice sent to Participants by the Administration, as set out in clause 3.3.

Entity: A Participant other than an individual recognized by law as having rights and duties such as a corporation, cooperative, communal organization, or limited partnerships.

Farming Income: Income derived from farming activities as defined by CRA.

Federal Program Administration: The agency or body of the Government of Canada responsible for the administration of Program duties including, but not limited to, liaison with CRA.

Fund 1: The component of the Account holding all Matchable Deposits made by the Participant.

Fund 2: The component of the Account holding all government contributions.

Matchable Deposit: An Account deposit made by a Participant based on a percentage of ANS up to the established maximum.

Participant: The holder of an AgriInvest account.

Program: AgriInvest as defined in the Agreement.

Program Forms: The Forms prescribed by the Administration for the reporting of required current Program Year information.

PART 1 - ELIGIBILITY

1.1 General Eligibility Requirements

An individual or Entity is eligible to participate in the Program if, in the Current Program Year, they have carried on the business of farming in Canada and reported farming income (or loss) for income tax purposes.

- Status Indians who carried on the business of farming on a reserve in Canada, and did not file returns for income tax purposes, are eligible to participate provided they submit information that would have otherwise been reported for tax purposes based on the requirements of the *Income Tax Act*, and meet all other Program requirements. For Program purposes, Status Indians will be deemed to have a December 31 fiscal year-end.
- Partners are eligible to participate in the Program as individuals. A partnership is eligible to participate as an entity, provided the partners have reported farming income (or loss) for income tax purposes for the Program Year, and the partnership is recognized as:
 1. a legal entity under Article 2188 of the *Quebec Civil Code* and if so, the program will apply the same treatment to the partnership as a corporation with the appropriate adjustments; *or*
 2. a limited partnership
- Research stations, universities, colleges, and other government-funded institutions are not eligible for the Program.
- Former federal public office holders or servants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Growing Forward Agreement are not eligible to receive payments under the Program.
- In the province of Quebec, in addition to meeting the specific requirements relating to account management and the prescribed forms for presenting financial data using the accrual accounting method, Participants must also meet the following provincial requirements:
 - register farm businesses and market farm products in accordance with the Regulation respecting the registration of agricultural operations and the reimbursement of real estate taxes and compensations, enacted pursuant to An Act respecting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (L.R.Q., c. M-14), with the exception of Participants affected by section 1.4 and not eligible for registration;
 - market concerned products in accordance with the regulations and conventions in effect, enacted pursuant to An Act respecting the marketing of agricultural, food and fish products (L.R.Q., c. M-35.1).

1.2 Deceased Participants

The estates of deceased Participants are eligible to participate provided they meet all of the eligibility requirements specified in these guidelines. These requirements may be met through a combination of activities performed by the deceased Participant and their estate. The executor/executrix must notify the Administration of the Participant's death.

In the case of deceased Participants, the filing of more than one income tax return may be involved. The ANS for deceased Participants will be based on their final return (start of Program Year to the date of death), plus any return filed from the date of death to the end of the Program Year. If, in addition to the final return, an optional return for the year of death for a deceased Participant is filed (such as a return of rights and things), this information must be submitted to the Administration.

A beneficiary whose farming operation consists of all or most of the deceased Participant's farming operation will be considered as continuing to operate the same farming operation as the deceased. If there is more than one beneficiary, a common business arrangement must be created to carry on the same farming operation as the deceased Participant in order to retain the same historical information for the purposes of determining the Maximum Account Balance.

Accounts of estates will be closed and paid to the estate on receipt of written authorization from the trustee, executor or administrator of the estate. A surviving spouse may be allowed to transfer his/her spouse's account and participation history into his/her own name and continue to participate as if the account had always been his/her own. If the surviving spouse already has an account, the two accounts will be merged.

In order to close estate accounts, the Administration may require the executor/executrix to submit the following documentation:

- a written request to close the account signed by the executor/executrix or administrator;
- a certified copy of the probated will or letters of administration/probate; and
- a certified copy of the death certificate.

1.3 Multi-Jurisdiction Farms

The province of participation for Participants who live and farm in different provinces is the province where all or the majority of the gross farming income was earned over the last five years. Participants may not participate in the Program in more than one province.

PART 2 – PROGRAM ACCOUNTS

2.1 Opening an Account

To participate in the Program, Participants must hold a program Account. Accounts will be opened by the Administration for the purposes of delivering the AgriInvest Kickstart benefit, or upon receiving Program Forms from an eligible producer without an Account.

Alternatively, the Administration may direct Participants to open an AgriInvest account in financial institutions under clause 7.4 of the Agreement.

2.2 *Closing an Account*

Participants that fail to submit Program Forms, or report no sales or purchases of eligible commodities, for two consecutive years will have their accounts closed by the Administration. The Administration shall cause any balance in the Account at the time of closure to be paid to the Participant.

Where an Entity ceases to exist, the Entity's Account will be closed at the time of dissolution and the Administration shall cause any balance in the Account to be paid to the Entity.

2.3 *Interest*

The Administration shall pay interest on all Program funds on deposit with the Administration at a rate and in a manner to be established by the Administration.

Interest shall be earned from the date of receipt of the Matchable Deposit into Fund 1, and from the date government contributions are credited to Fund 2. All interest paid by the Administration will be credited to Fund 2.

Where the account is held in a financial institution, any interest paid by the Financial Institution shall be credited to Fund 2.

2.4 *Maximum Account Balance*

Accounts are subject to a balance limit of 25% of the amount of the Participant's average ANS for the Program Year and two preceding Program Years, excluding any years for which ANS was not calculated under AgriInvest. Where ANS was not calculated for one or more of those years, the balance limit will be calculated as 25% of the average ANS for the year(s) available. No balance limit will be applied for the 2007 program year.

Where a matching deposit would otherwise cause an account balance to exceed the maximum account balance, then the Administration shall only make that part of the deposit which would leave the account balance within the maximum account balance.

2.5 Account Transfers

2.5.1 Incorporation

If an individual Participant incorporates his/her farming operation, the Participant can transfer his/her individual account to the corporation. To do this a Participant must provide the Administration with notification in writing of the intention to transfer, including the corporation's Business Number (if available) and the last year for which an individual application will be filed. If available, the Administration may also request:

- Documentation confirming the transfer has legally taken place in accordance with the *Income Tax Act* or a signed declaration from the Participant that he/she has filed an election under Section 85 of the *Income Tax Act*;
- A copy of the original contract (or relevant sections) between the Participant and the corporation which identifies the assets being transferred and the related value.

2.5.2 Separation and Divorce

In the event of divorce or separation, the account of an individual may be divided into two individual accounts in accordance with the terms of a formal separation agreement, a voluntary divorce settlement agreement or a court ordered or approved divorce settlement. The resulting accounts will be administered in accordance with the established rules. The separation agreements referred to above must be signed by the parties thereto and the signatures witnessed.

2.5.3 Account History

Where an account is transferred to a surviving spouse (under clause 1.2), a corporation (under clause 2.5.1) or a spouse on separation or divorce (clause 2.5.2), the Administration may also transfer the account history, in whole or in part, for the purpose of determining the maximum account balance or for other purposes.

2.6 Use of Account for Other Programs

In addition to programs established under s. 12 of the *Farm Income Protection Act*, the Account may be used for the purpose of distributing funds from the following programs:

- The federal "Cost of Production" program.
- The AgriInvest "KickStart" program.

The Account may also be used for the purpose of distributing funds from provincial programs, with the concurrence of Canada and the province, and for other federal programs, with the concurrence of at least two-thirds of the provinces affected by the program.

PART 3 – PARTICIPATION PROCESS

3.1 Participation Requirements

- Sole proprietors, partners in a partnership (with the exception of limited partners and partnerships in Quebec), and estates participate in the Program as individuals. Individual Participants must each hold a Program account and must provide their Social Insurance Number (SIN), as well as any other relevant information as required by the Administration.
- An Entity must provide the Business Numbers and/or Taxation Numbers used by the Entity for income tax purposes, as well as any other relevant information as required by the Administration. Corporations and co-operatives may also be required to provide the SIN's of each shareholder or co-operative member. Deposits will be made into to the Account of the entity.
- Multiple Operations: Each individual or entity that reports farming income (or loss) for income tax purposes must participate in the Program separately. A Participant must report the farming income (or loss) of all sole proprietorships and/or partnerships (that are not considered a separate Participant) in which they are involved.

3.2 Program Forms and Application Deadline

Participants must submit completed Program Forms with all required documentation to the Administration by the established deadline. Forms and information may be considered not received by the deadline unless all of the required information and documentation has been provided. The Administration shall require on an annual basis, confirmation that a Participant wishes to participate for the Program Year and the income and expense information submitted for income tax purposes (e.g. the Statement of Farming Activities), or other documentation as specified by the Administration showing income and expense information. The same method of accounting that is used to report financial information for income tax purposes must be used for the purposes of participating in the Program.

The deadline for Participants to submit completed Program Forms with all required documentation will be 9 months after the end of the Program Year. The Administration may extend the deadline for Participants with non-calendar year-ends, up to 9 months after the end of the calendar year.

3.2.1 Late-filing

If a Participant provides the required documentation after the deadline, but within three months of the deadline, then the Administration shall reduce the Participant's Maximum Matchable Deposit for that program year by 5% for each month (or part thereof) which has passed since the deadline.

If a Participant fails to provide the required documentation within three months after the deadline, then the Participant shall not be eligible for that program year.

3.3 Deposit Notice

After completed Program Forms have been received and processed, the Administration will issue a Deposit Notice to Participants, which will include the Administration's determination of the Participant's ANS, Maximum Matchable Deposit, and Maximum Account Balance.

3.4 Deposits

Participants will have 90 days from the date of the Deposit Notice to make a Matchable Deposit for that Program Year into Fund 1 of their Account. Participants may make only one deposit with respect to each Deposit Notice issued by the Administration. Matchable Deposits must be in the amount of \$75 or more, but will not exceed the Maximum Matchable Deposit. Deposit amounts received following the 90 day period will not be matched by the Administration.

If a Participant makes a deposit in excess of the Maximum Matchable Deposit, the Maximum Account Balance, or outside the permitted period for a deposit, the Administration may cause the excess to be returned to the Participant. Any withdrawal by the Participant shall be applied first to any excess deposit in the account, and then to Fund 2 and Fund 1.

3.4.1 Maximum Matchable Deposit

The Maximum Matchable Deposit is equal to 1.5% of the Participant's ANS as calculated under Part 4 of these Guidelines, subject to any late-filing reduction set out in 3.2.1.

3.5 Government Contribution

Once a Participant has made a Matchable Deposit into their Account, the Administration will make a payment equal to the Matchable Deposit amount into Fund 2, subject to clause 2.4. This government contribution will not exceed \$22,500 (1.5% of \$1.5 million in Allowable Net Sales).

3.6 Withdrawals

Where accounts are held by the Administration, the Administration may establish limits on the frequency of withdrawals, as well as minimum amounts for withdrawals.

Any withdrawal request will first be applied to any excess deposit which remains in the account, and then Fund 2 until the Fund 2 balance is zero, at which point any remaining part of the withdrawal shall be applied to Fund 1.

3.7 Exceptions to Deadlines

The Administration may excuse a missed deadline where a Participant can demonstrate exceptional circumstances. Exceptional circumstances can be cited where the failure to meet the deadlines of the Program could not have been avoided by the exercise of due care by the producer or a third party acting on behalf of the producer.

3.8 *Debts Due to the Crown*

Debts due to the Crown may be deducted from any monies paid to a Participant and applied to the debt. Participants will be notified of these offsets.

3.9 *Treatment of Payments*

Payments out of Fund 2 are considered investment income for income tax purposes. Program payments cannot be assigned, or otherwise encumbered, except for the purposes of the Advance Payments Program as set out under the *Agricultural Marketing Programs Act*.

In Quebec, program payments can be assigned as allowed under provincial law.

3.10 *Adjustments to Financial Information*

Producer-initiated adjustments to information used in calculating Program benefits for any Program Year may be requested by submitting a written request to the Administration up to 18 months after the original Deposit Notice was issued for that Program Year. Additional benefits will not be paid with respect to a previous Program Year as a result of a producer-initiated adjustment submitted outside the 18 month period for the previous Program Year.

If the Administration rejects the adjustment, the Producer may submit an appeal under clause 5.3 with respect to the decision to reject the adjustment, within 90 days of being notified of that decision. Otherwise, an adjustment request which has been rejected may not be resubmitted by a producer.

If the Administration accepts the adjustment and issues an adjusted Deposit Notice for a Program Year, adjustments related to changes in that Deposit Notice may be submitted up to 90 days after that Deposit Notice is issued, or 18 months after the original Deposit Notice for that Program Year, whichever is later.

All adjustments require supporting documentation and are subject to verification, audit and/or inspection by the Administration. If verification, audit, or inspection results in a change to the amount a Participant is entitled to under these Guidelines, the change will be handled pursuant to clause 5.2.

Where adjustments affect taxable income, the Administration may require that the adjustment be accepted by CRA before it is accepted for Program purposes.

Where a producer submits an adjustment to AgriStability for a Program Year, and the AgriStability Administration accepts that adjustment, then the AgriInvest Administration may accept the same adjustment for the purposes of AgriInvest (to the extent that it is relevant to AgriInvest calculations), even if the prescribed period for AgriInvest adjustments has passed.

The Administration isn't subject to deadlines in cases of adjustments initiated by the Administration.

PART 4 – ALLOWABLE NET SALES (ANS)

Allowable Net Sales (ANS) will be calculated as the revenue from eligible agricultural commodities (including eligible program payments) less purchases of eligible agricultural commodities, and adjusted as outlined in Part 4.

A Participant's ANS (after adjustments) will not exceed \$1.5 million for Program purposes.

4.1 Eligible Agricultural Commodities

All agricultural commodities whose sales are reportable to CRA as farming income will be considered eligible commodities for Program purposes, with the following exceptions:

- (i) Supply-Managed Commodities;
- (ii) Commodities generated through aquaculture;
- (iii) Trees produced or harvested for use in reforestation, or for firewood, construction material, poles or posts, fibre, or pulp and paper;
- (iv) Peat moss; and
- (v) Livestock sold in the operation of a wild game reserve.

Sales and purchases of livestock in the operation of a hunt farm (where permitted by law) are allowable, excluding amounts related to any ancillary services (such as transportation, lodging, outfitting, etc.).

4.1.1 Point of Sale

In order for commodity income to be considered eligible for the Program purposes, it must only include value that was added while under the producer's control. To be recognized as commodity income, a commodity sale must meet the following conditions:

- (i) the producer is able to demonstrate ownership of the product at the time of sale through identity preservation and must bear full direct risk for the commodity; and
- (ii) the producer has a separate defined billing or accounting transaction clearly showing the commodity sales value and any deductions from the commodity sales value.

Commodity sale amounts can include point of sale adjustments and value added provided they meet the aforementioned criteria. For greater certainty, the following table details amounts that may be included in the sales value of commodities for Program purposes (where those amounts have been deducted at point of sale):

Grains, Oilseeds and Special Crops	Horticulture	Livestock
<ul style="list-style-type: none"> - Association/commodity organization dues - Custom Work (drying, field spraying, harvesting, trucking related to production inputs, soil testing) - Freight, elevation/handling (related to producer and agent-administered cars only) - Fertilizer, pesticides, and chemicals - Grading and inspection - Interest - Farm supply accounts, excluding seeds and plants - Marketing board, commission, agency, selling fees - Research fees - Storage 	<ul style="list-style-type: none"> - Advertising/promotion - Association/commodity organization dues - Chemical application - Co-operative charges - Custom Work (field spraying, harvesting, trucking related to production inputs, soil testing) - Distribution/freight related to marketed product - Export levies - Fertilizer, pesticides, and chemicals - Field inspection - Grading and inspection - Interest - Marketing board, commission, agency, selling fees - Other farm supplies, excluding seeds and plants - Packing - Research fees - Sorting - Storage - Washing - Waste charge 	<ul style="list-style-type: none"> - Auction fees - Association/commodity organization dues - Brand inspection - Custom work (trucking related to production inputs) - Export levies - Freight related to marketed product - Grading and inspection - Handling - Interest - Marketing board, commission, agency, selling fees - Medicine - Other farm supplies - Research fees - Yardage - Acreage measurement

4.1.2 Eligible Program Payments

The following program payments will be included in eligible sales under the program:

- (i) Production Insurance payments in respect of eligible agricultural commodities
- (ii) Other program payments that meet the following conditions:
 - a. the program payments were calculated as a specific replacement for the income otherwise generated by lost commodity production or sale amounts;

- b. the program payments were made under an authority other than the Agreement; and
 - c. the federal government and at least two-thirds of the affected provinces concur that conditions (a) and (b) have been met.
- (iii) CFIA payments which were calculated on the basis of the replacement value of eligible commodities.

The following payments are considered equivalent to Production Insurance, and will be included in eligible sales:

- Unsubsidized hail insurance
- Private insurance or other proceeds for eligible agricultural commodities
- Wildlife Damage Compensation Payments

4.1.3 Custom Feeding

Income generated through the operation of a custom feedlot, as well as the expense related to use of these services, will be included under the Program to the extent they constitute an eligible commodity sale or purchase. Where the portion of the custom feeding income related to eligible commodity sales is unknown, the Administration will deem 70% of the reported custom feeding income to be an eligible commodity sale. Similarly, where the portion of payment for custom feeding services related to commodity sales is unknown, the Administration will deem 70% of the reported custom feeding expense to be an eligible commodity purchase.

For the 2007 Program Year, the percentages in the preceding paragraph shall be 50% instead of 70%.

4.1.4 Prepared Feed Purchases

Purchases of prepared feed will be considered eligible under the Program to the extent they constitute an eligible commodity purchase. Where the portion of the prepared feed composed of eligible agricultural commodities is unknown, the Administration will deem 65% of the reported prepared feed purchase to be an eligible commodity purchase.

In the case of ranch fur operators, where the portion of the prepared feed composed of eligible agricultural commodities is unknown, the Administration will deem 20% of the reported prepared feed purchase to be an eligible commodity purchase

4.1.5 Processing and Resale

Revenue from processed agricultural commodities will be considered eligible agricultural sales if:

- The commodities were produced on the Participant's agricultural operation; and
- The income and expenses are reportable, and were reported, as farming income (or loss) by that Participant to the Canadian Revenue Agency for income tax purposes.

“Processing” is defined as changing the state of the commodity (e.g.; strawberries to jam, beeswax to candles, beef to beef jerky, grain to flour).

Income and expenses related to the purchase of commodities for resale are not allowable.

4.2 Mixed Supply-Managed Adjustment

Where a Participant has sales or purchases of Supply-Managed Commodities, the Participant’s ANS will be adjusted by adding the revenue from and subtracting the purchases of Supply-Managed Commodities, and then multiplying by a ratio of (a) the revenue from eligible agricultural commodities to (b) the revenue from eligible agricultural commodities plus the revenue from Supply-Managed Commodities.

4.3 Crop/Livestock Share

Income earned through the rental of productive land or livestock, whether contingent on a commodity sale or otherwise, must be reported as rental income for income tax purposes, and is not considered an eligible sale under the Program. However, where the arrangement constitutes a joint venture, such that the landlord or lessor’s share in the eligible purchases reasonably approximates their share in the related eligible revenue, these amounts may be considered eligible sales or purchases. Tenants or lessees reporting sales derived through a crop or livestock share or lease must report their information based on their percentage share.

4.4 Transactions Not At Fair Market Value (FMV)

Transactions between all parties must be at Fair Market Value (FMV) to be considered eligible for inclusion in the calculation of Allowable Net Sales. Transactions above or below FMV may be adjusted by the Administration to reflect FMV. Where these transactions cannot be clearly defined, the Administration may combine the ANS of the producers engaged in these transactions, and allocate each Participant involved a portion of the combined total ANS based on the percentage of the total eligible commodity revenue reported by that Participant. In this case, each Participant’s Maximum Matchable Deposit and Maximum Account Balance will be calculated using the ANS allocated by the Administration.

4.5 Evading Prescribed Limits

Where the Administration is of the opinion that Participants have structured their business operations with the effect of avoiding application of the \$1.5 million limitation on ANS or the Maximum Account Balance, the Administration may limit the combined ANS and account balances of those Participants to the prescribed limits for one Participant.

PART 5 - PROGRAM MANAGEMENT

5.1 Audits, Verification and Accuracy of Information

By participating in the Program, a Participant consents to the disclosure of personal information required for account administration. In doing so, the Participant further consents to allow access to any information by the Minister of Agriculture and Agri-Food and the Provincial Ministers of Agriculture for the purposes of audit, analysis, evaluation, Program development and calculating and delivering separate Program payments subject to the provisions of their respective Privacy Acts.

A Participant may be subject to audit on a pre- or post-payment basis by the Administration. Any information obtained through audit or inspection may be made available by the Administration to CRA. Participants who are in the process of an audit must continue to adhere to all Program deadlines.

A Participant who provides false or misleading information will be denied a payment for the Program, and will be required to repay any payment received. If audit or inspection otherwise results in a change to the amount a Participant is entitled to under the Program guidelines, any additional amount will be paid to the Participant and any overpayment will be repayable by the Participant, as set out in section 5.2.

If a Participant has provided false information, or has breached a condition of eligibility, the Administration may deem the Participant to be ineligible to participate in the program for future years. The Administration must provide notice to the Participant and an opportunity to respond before doing so.

If a Participant fails to provide the required information or access to books and records, the Participant will be denied all or part of the payment for the Program Year or will be required to repay any payment received.

It is the Participant's responsibility to ensure that information supplied for income tax purposes and the Program is correct and complete. Participants must inform the Administration of any changes or corrections to information supplied to the Administration.

The Administration will not be responsible for notifying Participants of incorrect tax reporting. The Administration may adjust tax information as necessary for the purposes of calculating ANS, but the Administration will not be responsible for reporting the adjustments or corrections to CRA. Participants may be notified in writing that a correction of information reported for income tax purposes is required in order for a Program application to be processed.

5.2 Changes to Benefits

Notwithstanding clause 3.4, where audit, inspection or adjustment results in an increase to the Participant's Maximum Matchable Deposit after the deadline for making that deposit has expired, and the increase is at least \$75, the Participant will receive a recalculated Deposit Notice, and be given 90 days to make a Matchable Deposit up to the amount of the difference between the original and recalculated Maximum Matchable Deposit.

Where audit, inspection or adjustment results in a decrease to the Maximum Matchable Deposit a Participant is entitled to under Program guidelines, the Administration shall cause the amount of any overpayment to be removed from Fund 2, and cause any corresponding amount to be returned from Fund 1 to the Participant. If sufficient funds are not present in the Account for this purpose, the Administration will collect Fund 2 overpayment amounts directly from the Participant.

A Participant may be charged interest commencing 30 days after the date that notification of overpayment is issued. The interest rate used is the 90-day federal Treasury Bill rate plus two percent per annum, adjusted quarterly. An Administration may use a different interest rate with the concurrence of Canada and each province for which the Administration is the administrator of the program.

5.3 *Producer Appeals*

A Participant who is of the view that Program rules were not correctly applied in the processing of their Program Year file may request a review by the Administration. The Administration may refer matters raised by Participants to an Appeals Committee it has established.

The parties shall establish a common terms of reference for appeals committees.

5.3.1 Submitting an Appeal

Appeals shall be subject to a deadline of 90 days from the date that the Participant is notified by the Administration of the decision which is subject to appeal.

Appeals must be submitted in writing to the Administration. Appeal letters must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. The details surrounding the situation must be verifiable for the appeal to be upheld. Failure to identify the nature of the appeal and/or provide sufficient information and documentation to substantiate the appeal by the date specified by the Administration will result in the appeal not being forwarded for appeal.

Appellants, including those who use the services of a third party, shall be considered responsible for knowing and following Program policies and deadlines. Disagreement with Program policies is not a valid ground for appeal.

The Administration may decline to refer an appeal to an Appeals committee where the appeal does not disclose a valid ground for appeal.

5.3.2 Appeals Committees

An Appeals Committee shall consider matters referred to it by the Administration in accordance with procedures established by the Administration and the agreements governing the Program, and make non-binding recommendations.

PART 6 – FINANCIAL PROVISIONS AND ADMINISTRATIVE COST-SHARE

6.1 *Budgets and Invoicing*

6.1.1 Invoicing of Government Contributions to Fund 2

The Administration shall invoice the other party for its estimated share of Fund 2 payments based upon an agreed-to period. The invoice shall contain actual Fund 2 payments to date, a forecast of estimated Fund 2 payments for the requested advance period, interest amounts on advance balances and total amounts advanced to date. The invoiced party shall pay the invoiced amount within thirty (30) days of receipt of invoice. The advances shall be accounted for by the Administration on a basis consistent with the invoicing period through a reconciliation of the amount advanced with actual payments made to the participants. Any amount owing by one party on account of advances made shall be repaid within thirty (30) days of the receipt by both parties of the final audited reconciliation of payments made. Upon termination of the Program by one of the parties, any outstanding amount identified on the final reconciliation shall be paid or reimbursed to the appropriate party.

6.1.2 Administrative Budgets and Invoicing of Eligible Administrative Costs

The Administration shall invoice the other party for its estimated share of incurred administrative costs, net of any administrative revenue, at least quarterly. The party that is incurring the administrative costs shall provide an administrative cost sharing budget for the fiscal year for the approval of the contributing party prior to payment of any invoices. Significant assumptions shall accompany the budget(s), including but not limited to:

1. expected number of participants
2. estimated administrative revenue from participants
3. administrative cost allocation methodology as appropriate
4. capital expenditure plan for the year, including specific details of expected capital expenditures greater than \$100,000. Acceptance of the administrative budget constitutes “written approval of the payer” referred to in Section 9.5 of the Agreement.
5. subject to the criteria set out in a project cost-sharing framework agreed to by the parties, and in the format prescribed by that framework, project business plan(s) which will be subject to written approval by the payer prior to acceptance.

The invoiced party shall pay the invoiced amount within thirty (30) days of receipt of the invoice. The remitted amounts shall be accounted for by the Administration on a basis consistent with the invoicing period through a reconciliation of the amount received with paid administrative costs eligible for cost sharing. Any amount owing by one party on account of advances made shall be repaid within thirty (30) days of the receipt by both parties of the final audited reconciliation of administrative costs incurred.

Written approval will be required if total actual administrative costs, or actual capital costs vary by more than 15% of the original budget estimates.

Administrative costs eligible for cost sharing must be consistent with the Administrative Cost-Sharing Principles (Section 9 of the Agreement) and any other terms as in an exchange of letters between the parties.

Upon termination of the Program by one of the parties, any outstanding amount identified in a final reconciliation shall be paid or reimbursed to the appropriate party.

6.2 Disposal of Capital Assets

All assets acquired by the delivery administration for which Contributions were made by the payer shall be disposed of at fair market value and the proceeds there from shall be deducted from shareable capital purchases unless both parties agree to an alternate arrangement.

6.3 Interest on Program Advance Balances and Unpaid Administrative Invoices

Interest on Program payments made shall be calculated on the average daily closing balance of advances. The calculated interest shall be credited or debited, as the case may be, to the account of the party that advanced the funds.

Interest on administrative cost payments made shall be calculated on the average daily closing balance of advances. Once the invoiced amount is accepted by the invoiced party, that party agrees to pay the Administration interest on accepted invoiced amounts not paid within thirty (30) days.

Upon written agreement of both parties, an Administration may forego the receipt of the interest payment resulting from the advanced funds.

The rate of interest shall be ninety (90) percent of the monthly average of the weekly three-month Treasury Bill tender rates for the month immediately preceding the month in respect of which interest is paid.

6.4 Accounting Principles

1. Distributions of operating costs common to several claimant Programs shall be reasonable in terms of the manner in which the Program is administered, as well as being verifiable and supported by appropriate information management systems that are based upon formal management approval processes. As payroll costs represent the largest portion of operating costs, all common or shared costs of a claimant may be allocated to the Program in the same proportion as the claimant's cost-shareable Program payroll costs relative to its total payroll costs. If operating costs for the Program are based upon a system that relies upon cost estimates and projections, these estimates and projections shall be adjusted to actual payment amounts - prior to issuance of the final invoice for the associated period.

2. Claimants shall identify all expenses which specifically pertain to each Program (or Programs) that they administer at the time the expenses are incurred. The claimant shall also record expenses which are clearly identifiable with a specific Program or group of Programs in separate general ledger expense accounts.
3. Costs of services normally provided free of charge to the claimant, or the costs of services associated with claimant employees other than those directly employed in Program delivery activities are eligible for cost sharing provided that these costs have been identified in an exchange of letters and have been accepted by the payer.
4. Payers reserve the right to offset their cost reimbursement obligations to a claimant with any eligible administration costs they have incurred – subject to the principles set out in Section 9 of the Agreement and these Guidelines. Claimants retain the right to audit any such costs used by payers to offset their requests for reimbursement.
5. In regard to Program operating costs for payroll and related payroll benefits for claimant personnel working on the administration of the Program, eligible costs for this category would include Canada Pension Plan contributions, Québec Pension Plan contributions, Employment Insurance contributions, severance payments, holiday pay, “vested” superannuation contributions, and insurance plan premiums. To be eligible for reimbursement, these contributions must be funded and can only pertain to employee service which matches Program delivery time frames; (Severance payments must have been made in accordance with collective agreements and/or employment contracts which are consistent with established claimant policies and which were for terminations intended to further the operational needs of the claimant as it relates to the delivery of the Program.)
6. If a claimant administers the delivery of another claimant’s AgriStability Program initiative, and does not charge the latter for its services, then the former shall be allowed to claim the eligible administrative costs it incurred on behalf of both itself and the other claimant for whom it is delivering the Program. The claimant benefiting from this method of service delivery shall not be allowed to claim these costs. If the claimant contracted to deliver the Program on behalf of another charges the latter for doing so, then all monies recovered by it for doing so must be netted against its previously incurred, eligible operating costs. In such a case, the claimant paying for this service shall be allowed to report the amount it paid for this service delivery process as its own operating costs.
7. The reporting cycle for Program-related administrative costs shall be on a fiscal (March 31st) basis rather than on a calendar (December 31st) basis.
8. Minimum documentary evidence shall be maintained and made available for audit purposes.

PART 7 – MANAGEMENT OF GUIDELINES

7.1 Program Guidelines Review

Authorized representatives from each of the signatories to the Program will:

- monitor and periodically review Program Guidelines to ensure they are applied in a consistent manner across all Administrations;
- provide advice and guidance on administrative and policy issues to the Program.

7.2 Amendment

These guidelines may be amended from time to time according to the requirements set out in clause 6.7 of the Agreement for adopting Guidelines.

7.3 Termination

These guidelines shall be terminated with respect to a Province or Territory upon the termination of the Agreement with respect to a Province or Territory.

7.4 Application

These guidelines are subject to the Agreement, and any inconsistency between the Guidelines and the Agreement shall be resolved in favour of the Agreement.