

## INTRODUCTION

The Product Demonstration Program (the “**Program**”) has been designed to support innovation and creative problem solving in Alberta Small and Medium Enterprises (“**SME**”s). The purpose of the Program is to stimulate the development and commercialization of novel technological and/or business solutions, while generating material risk-weighted returns on investment to the Province of Alberta based on economic, social and/or environmental metrics. The Program is funded by the Government of Alberta, Ministry of Economic Development and Trade, and are administered by Alberta Innovates (“**Alberta Innovates**”).

For the purposes of the Program, an “**SME**” is defined as being a company that satisfies the eligibility criteria set out in Section 3.1(e), with fewer than 500 Full Time employees, and less than \$50,000,000 annual gross revenue.

This Program Guide (the “**Guide**”) is written to provide the general framework of the Program, including an overview of the funding structures, minimum requirements to apply, application process, review process and administrative matters. The Guide sets out the material terms and conditions of the Program which govern approved Projects and provide the rights and obligations of all parties involved. Accordingly, Applicants and Project Partner(s) should thoroughly review and understand this Guide prior to submitting an Application.

Key definitions are set out in Appendix 1 at the end of this Guide, although other defined terms may be used throughout this Guide.

All references to monetary amounts in this Guide and all funds paid pursuant to the Program are in Canadian currency (CAD). In the case of a Foreign Service or Product Provider or Project Partner(s), where the quote states an amount in foreign currency, Alberta Innovates shall pay the amount invoiced in Canadian currency at the rate of exchange on the date of processing the Milestone Payment.

## 1 DESIRED OUTCOMES

The Program is designed to deliver a sustainable, positive and meaningful return on investment to the Provinces of Alberta including:

- (a) Promote the entry and growth of competitive Alberta technology-oriented SMEs into the global market;
- (b) Provide feasible technological solutions to defined industry challenges in Alberta;
- (c) Generate measurable, timely and material economic, social and/or environmental benefits for Alberta; and
- (d) Serve as a catalyst for the development and implementation of innovative technology products that generate increased revenues for Alberta SMEs.

## 2 FUNDING STRUCTURE

### 2.1 Purpose of Funding

The funding structure of the Programs promotes the Investment having a maximum effect on advancing the technology or innovation solution.

## 2.2 Overview of Programs

**The Micro-Voucher Program (the “Micro-Voucher”)** is designed to support technologies in the early developmental stages with a quick and flexible financial solution to fund the SME to retain one Service or Product Provider to assist with early start up development. Activities may include:

- (a) Market assessments;
- (b) Corporate training;
- (c) Intellectual property;
- (d) Acquisition of materials and/or equipment critical to the Applicant’s operations;
- (e) Conferences (only with the support of a Technology Development Advisor); and/or
- (f) Other technology development activities (to be considered on a case by case basis)

The Voucher Program (the “**Voucher**”) is designed to support technologies in the mid-to-late developmental stages but may include some early developmental stages. The Voucher is intended to fund the SME to work in collaboration with up to three (3) Service or Product Providers to advance the technology closer to commercialization. Activities may include:

- (a) New product research and development;
- (b) Leading-edge design, engineering and prototype development;
- (c) Advanced product testing and refinement;
- (d) Patent development;
- (e) Advanced market assessments;
- (f) Advanced business and/or marketing strategies; and/or
- (g) Other technology development activities may be considered on a case by case basis.

**The Product Demonstration Program (“PDP”)** is designed to support technologies in the more advanced stages of development. The PDP is intended to fund the SME to work in collaboration with up to three (3) Project Partners for the purpose of showcasing the performance, method and features of a prototype in the general marketplace or alternately, showcasing the complete technology product to a strategic customer in an operational environment and validating its economic and technical feasibility. Activities may include:

- (a) Technology optimization critical for market acceptance;
- (b) Manufacturing of a prototype for demonstration Project;
- (c) Applications for regulatory approval and certifications critical for market acceptance;
- (d) Testing of a prototype in an operational environment;
- (e) Results assessment/verification of technical data; and/or
- (f) Other Technology Demonstration Activities (to be considered on a case by case basis).

The activities listed above form the basis of the Application and are referred to as the Project.

## 2.3 Use of Sub-Contractors

The Applicant may require the services and/or products of another SME, a multi-national enterprise (“**MNE**”), a government department or agency, and/ or an academic institution (collectively, “**Sub-Contractor(s)**”). Where Sub-Contractor(s) are utilized, a collaboration letter, contract or agreement between the Applicant and the Sub-Contractor(s) must be in place prior to executing an Agreement with Alberta Innovates. The Applicant shall be responsible for all work, acts, defaults and liabilities of any of the Sub-Contractor(s).

## 2.4 Investment and Contributions

The Investment must be used efficiently and only for costs essential to the success of the Project, and is provided to cover eligible expenses only, as incurred by the Applicant for the Project Costs, as further outlined in Appendix 1 (“Eligible Expenses”).

Alberta Innovates’ Investment to a successful Applicant is in the range of \$100,001 to \$300,000. The funding is paid to either the Applicant or the Project Partner(s) named in the Application, depending on the structure of the Project. The funds are provided to cover Eligible Expenses incurred by the Applicant for the Project Costs.

Before Alberta Innovates advances funding, the Applicant and Project Partner(s) must enter an Agreement governing the Investment and contribute a combined minimum of 50% of the Project Costs to the Project, which can include cash and/or In-Kind resources to be applied against Project Costs as incurred. The cash component of the contribution (if any) is a deposit (“**the Deposit**”). Particulars of the contribution must be provided with the Application.

The monetary value placed on the In-Kind resources will only be recognized as an eligible contribution where the costs incurred by the Applicant or Project Partner(s) fall within the scope of the Applicant or Project Partner(s)’ ordinary course of business, directly attributable to the Project and easily auditable. Costs incurred prior to entering the Agreement and providing the Deposit or costs that would be incurred regardless of the Project, including but not limited to pre-existing salaries, are not eligible contributions.

Applicants with significant cash contributions to the Project are strongly preferred.

## 2.5 Deposit Held in Trust

The Deposit must be paid by the Applicant to the Service or Product Provider(s) under the Micro-Voucher or Voucher or to the Project Partner(s), where required, under the PDP, and the timing of the payments of the Deposit must be agreed upon at the time the Applicant signs the Agreement.

By signing the Agreement, each Service or Product Provider or Project Partner (if there is more than one), on a several and not joint basis):

- (a) Acknowledges the schedule of receipt of the Deposit from the Applicant as outlined in the Agreement;
- (b) Agrees that it will hold the Deposit in trust for the benefit of the Applicant and agrees to use the Deposit for the sole purpose to pay Project Costs incurred by the Service or Product Provider(s) or Project Partner(s) and not for any other purpose; and
- (c) Agrees to return any unused portion of the Deposit to the Applicant in the event the Project is terminated for any reason.

## 2.6 Eligible Expenses

Guidance regarding what constitutes an “**Eligible Expense**” as well as an “**Ineligible Expense**” is provided under the definitions of those terms in Appendix 1. Applicants should review those terms carefully and understand the scope of Eligible Expenses before preparing an Application. Applicants are encouraged to contact Alberta Innovates with any questions.

If the Applicant wishes Alberta Innovates to pay a portion of the Investment for an Ineligible Expense, such requests must be pre-approved in writing by Alberta Innovates. Any costs incurred after the Project has been formally approved for funding by Alberta Innovates, but before the Agreement has been signed by all required parties, are only considered Eligible Expenses upon written approval from Alberta Innovates, which approval is in its sole and absolute discretion.

Under the PDP, which permits In-Kind contributions, the monetary value placed on the In-Kind resources will only be recognized as an Eligible Expense where the costs incurred by the Applicant fall within the scope of the Applicant or Project Partner(s)' ordinary course of business, directly attributable to the Project and easily auditable.

It is a condition of the Investment under the Programs that Alberta Innovates has the right, in addition to any other rights under this Guide or the Agreement, to require the Applicant to repay all amounts of the Investment which were used to cover Ineligible Expenses, and such amount is an immediate debt owed and repayable by the Applicant to Alberta Innovates.

## 2.7 Stacking Limit

Alberta Innovates encourages co-funding of Projects with other funding agencies. The maximum level of total government assistance (whether from federal, provincial/territorial, and/or municipal departments, Crown agencies or Crown corporations) in respect of the same Eligible Expenses cannot exceed 75% of the Project Costs (the "**Stacking Limit**"). For example, a Project having \$100,000 in Project Costs would have a Stacking Limit of \$75,000. If, in this example, the SME received \$50,000 financial support from Alberta Innovates under a Program, the SME could seek additional funding from other government sources up to a maximum amount of \$25,000.

At times where the total government assistance to the Applicant exceeds the Stacking Limit, Alberta Innovates reserves the right to unilaterally and without notice reduce its Investment so that the applicable Stacking Limit is not exceeded.

## 3 MINIMUM REQUIREMENTS TO APPLY

### 3.1 The Applicant

The Applicant must meet the following minimum requirements:

- (a) Be a for-profit SME;
- (b) Be Arm's Length from the Service/Product Provider or Project Partner(s) as the case may be under the Programs (cannot have any legal relationship between the parties);
- (c) Demonstrate why support from Alberta Innovates for the Project is necessary for success;
- (d) Have a physical presence in Alberta;
- (e) Be a legal entity:
  - (i) incorporated in Alberta; or
  - (ii) incorporated Federally or in another jurisdiction AND extra-provincially registered in Alberta; or
  - (iii) a General Partnership, Limited Partnership or Limited Liability Partnership AND registered in Alberta;
- (f) Show evidence of adequate operational capital and sound financial resources to develop and commercialize the technology or innovation solution;
- (g) Be able to provide evidence of the viability of the technology or innovation and its market value;
- (h) Be an advanced technology-oriented business developing innovative new products for growing markets;
- (i) Have a plan for applying the research results, and marketing or exploiting products or processes in the best interest of the Applicant and the Alberta economy;
- (j) Does not have an outstanding balance or otherwise owe money to any Alberta Innovates organization, subsidiary, or partner;

(Product Demonstration Program pre-March 2018)

- (k) Provide bank account statements, tax returns or other business records if requested by Alberta Innovates; and
- (l) Provide evidence of satisfactory insurance in accordance with Section 7.16.

### 3.2 The Service or Product Provider (*Applicable for the Micro-Voucher and Voucher only*)

The “**Service or Product Provider**” is defined as the Person or entity named in the Application who is providing services and/or products to the Applicant during the course of the Project. The Service or Product Provider must meet the following requirements:

- (a) Must have demonstrated qualification, capabilities and capacity to successfully perform the work required or deliver the applicable product in or for the Project in a timely manner;
- (b) Must be Arm’s Length from the Applicant (cannot have any legal relationship with the Applicant);
- (c) Must provide the service(s) and/or product(s) at reasonable market rates; and
- (d) Does not have an outstanding balance or otherwise owe money to an Alberta Innovates organization, subsidiary, or partner.

### 3.3 The Project Partners (*Applicable for the PDP only*)

The “**Project Partner(s)**” is defined as the entity or entities named in the Application that will provide services and/or products to the Applicant during the course of the Project. Each Project Partner must meet the following requirements:

- (a) Exist as a corporation, government institution or agency, or academic institution. Note: Project Partners do not need to be located in Alberta, however the Project must be relevant to Alberta;
- (b) Must have demonstrated qualification, capabilities and capacity to successfully perform the work required in the Project in a timely manner;
- (c) Must be Arm’s Length from the Applicant (cannot have any legal relationship with the Applicant);
- (d) Must provide the service(s) and/or product(s) at reasonable market rates;
- (e) Does not have an outstanding balance or otherwise owe money to an Alberta Innovates organization, subsidiary, or partner; and
- (f) Must have a strong influence on a relevant target market.

### 3.4 The Project

The Project must meet the following requirements:

- (a) The Application must clearly identify why Program support is necessary for the Project’s success;
- (b) If Sub-Contractors are used, this must be indicated in the quote or letter of interest;
- (c) For Projects under the Voucher Program or PDP, the Project activities must be stepped with no more than six critical “go/no go” Milestones;
- (d) The Project must be a logical fit within the Applicant’s business strategy;
- (e) The Project must have a Project Start Date, as further described in Section 4.2, and the Project cannot commence prior to fully executed Agreement as outlined in Section 7.2;
- (f) The Project must be completed within one (1) year of the Project Start Date for the Micro-Voucher Program and within two (2) years of the Project Start Date for the Voucher Program and PDP unless an extension is specifically approved in writing by Alberta Innovates as outlined in Section 6.3; and
- (g) Demonstrate how the technology or innovation addresses a technology gap or current market requirement.

## 4 APPLICATION PROCESS

Alberta Innovates uses an open call process. Applications may be submitted at any time and must be submitted online through the Alberta Innovates web portal at <https://proposals.albertainnovates.ca>. The review process will begin only after the complete Application and all required supplemental information is received by Alberta Innovates. Incomplete Applications will not be considered or reviewed by Alberta Innovates.

### 4.1 Application for the Program

All information must be written within the form provided, except that information expressly indicated as an acceptable or required attachment. Any question answered with “See Attached” will result in the Application being considered incomplete and may not be processed.

The following documents must be submitted with the Application:

#### Micro-Voucher

- (a) **Current business plan**, with Pro forma financial statements;
- (b) **Current financial Statements** that must include income statement, balance sheet, cash flow statement, and statement of retained earnings;
- (c) **Source of Support** (template supplied on Application Form); and
- (d) **Service or Product Provider’s Quote**.

#### Voucher Program

- (a) **Current business plan**, with Pro formal financial statements;
- (b) **Current financial statements** that must include income statement, balance sheet, cash flow statement, and statement of retained earnings;
- (c) **Source of Support** (template supplied on Application Form)
- (d) **Service or Product Provider’s Quote(s)**; and

#### Product Demonstration Program

- (a) **Current business plan**, with Pro formal financial statements;
- (b) **Current financial statements** that must include income statement, balance sheet, cash flow statement, and statement of retained earnings;
- (c) **Source of Support** (template supplied on Application Form)
- (d) **Project Partner(s) Letter of Interest**; and

The following documents may be submitted with any Application, but are not mandatory:

- (a) **Graphs or Images**
- (b) **Patent and/or License Details**;
- (c) **Third Party Quote(s)** for Vouchers and PDP; and
- (d) **Project Partner Quote(s)** for the PDP

### 4.2 Project Start Date

As part of the application process, the Applicant will identify a reasonable Project Start Date. Applicants should consider the anticipated time required for the review of an Application and if approved, the time required to execute an Agreement, and must not set a Project Start Date sooner than the expected execution date of the Agreement.

A request to delay the Project Start Date must be made to Alberta Innovates in writing, and Alberta Innovates has the right, as determined in its sole and absolute discretion, to extend the Project Start Date as requested or rescind the Investment.

#### 4.3 Mandatory Disclosure

The Applicant must meet the following disclosure obligations:

- (a) For purposes of monitoring the Stacking Limit (see Section 2.7), Applicants have an obligation to disclose in the Application all sources of government financial assistance (whether from federal, provincial/territorial, and/or municipal departments, Crown agencies or Crown corporations) which has been received or requested for the Project;
- (b) For purposes of continued monitoring of the Stacking Limit, Applicants have a continuing obligation (for the duration of the term under the Agreement) to disclose any further government assistance received subsequent to making its last disclosure in the Application; and
- (c) If the Applicant has received assistance with assessing potential funding by an authorized Alberta Innovates representative (for example, a TDA), the Applicant must identify that representative in the Application.

## 5 REVIEW PROCESS

Applications will be reviewed by experts from Alberta Innovates and/or experts who are Arm's Length from Alberta Innovates. The review process will begin only after the complete Application and all required supplemental information is received by Alberta Innovates. Incomplete Applications will not be considered or reviewed by Alberta Innovates.

These experts will provide their recommendations to the Investment Committee and may also voluntarily provide constructive feedback meant for the Applicant. Alberta Innovates may, in its sole and absolute discretion, forward to the Applicant the constructive feedback, but will not provide any information regarding an expert's personal information. Applicants are not entitled to access any information regarding the experts, including personal information, nor are they entitled to access or review the expert's recommendation.

Alberta Innovates may request an interview with either or both of the Applicant and the Service or Product Provider(s) or Project Partner(s).

The decision to invest in the Project is based on the evaluation of:

- (a) The capabilities of the Applicant, Service or Product Provider(s) and/or Project Partner(s);
- (b) The Project;
- (c) The technology or innovation solution;
- (d) The market;
- (e) The impact of the Project to the Province of Alberta;
- (f) The Project's clarity, structure, and compliance with Program requirements;
- (g) The funding history between Alberta Innovates and the Applicant;
- (h) The Applicant demonstrating how the technology or innovation addresses a current market need; and
- (i) Other factors as determined by Alberta Innovates in its sole and absolute discretion.

#### 5.1 Due Diligence Searches

In assessing the eligibility of the Applicant and the Service or Product Provider(s) and the Project Partner(s), the review process shall include due diligence searches of various public registries including bankruptcy and insolvency records, corporate and litigation searches. Alberta Innovates may also request a copy of a business license, if applicable at any time during the review process, and may request and contact business references without further notice to the Applicant.

Alberta Innovates may also complete such due diligence at any time after approval of an Investment or during the Project. Results of such searches may result in a determination of ineligibility of the Applicant at any time during the Project.

## 5.2 Investment Determinations

Notwithstanding the Applicant, Service or Product Provider(s) or Project Partner(s) and the Project meeting the minimum requirements or eligibility criteria, or the results of any expert's evaluation or recommendation or the involvement of an agent of Alberta Innovates, including but not limited to a TDA, Alberta Innovates retains sole and absolute discretion regarding Investment determinations. Such determinations include whether to invest, the amount of the Investment (if any), and the terms and conditions of such Investment. Further, the Investment Committee, in its sole and absolute discretion, has the right to decline any Application at any stage of the review process for any reason and does not owe a duty of reasonableness to the Applicant in making its Investment determination. The Applicant acknowledges that Alberta Innovates has no obligation to the Applicant during the course of receiving and reviewing the Application or in making its Investment determination.

Alberta Innovates will use its reasonable commercial efforts to inform the Applicant of the Investment determination made in respect of an Application in a timely fashion. Any failure to inform the Applicant of the Investment determination regarding an Application will not result in any obligation or liability of Alberta Innovates to the Applicant or any other interested party.

All Investment determinations made by Alberta Innovates (including declining an Investment) are final, non-appealable and binding on the Applicant.

## 5.3 Re-Applications

An Applicant whose Application was declined by Alberta Innovates may, on a one-time basis, re-apply to Alberta Innovates in respect of the same Project, by submitting a new Application, identified as a re-application, and addressing and correcting any deficiencies or issues. The re-application must identify the date on which the original Application was submitted and all information that differs from the original Application. Re-application does not guarantee approval of the Project by Alberta Innovates.

Where a shareholder of an Applicant owns 51% of any other Applicant, as indicated by the corporate search, the Applicants will be considered one in the case of a resubmission where the Project or technology is the same.

Applications for funding in respect of the same Project may be submitted to Alberta Innovates a total of two (2) times and any subsequent Application in respect of that same Project will be automatically disqualified. If an Applicant desires to submit a future Application, it must submit a new Application which involves a different Project.

If an Applicant wishes to withdraw their Application prior to the Application being sent for formal review, or the Application is deemed to be ineligible, that Application will not be counted as the first Application, and no penalty or limits for re-application will apply. Alberta Innovates Program Associates will work with Applicants to determine whether to withdraw their application or deem it ineligible. The fact that an Applicant has previously withdrawn an Application, or had an application deemed ineligible, will not be considered when evaluating future Applications.

Alberta Innovates has the right, as determined in its sole and absolute discretion, to impose a life-time limit on the number of Applications an Applicant may submit.

## 6 OTHER



## 6.1 Timing of Payment

Alberta Innovates will only pay the Investment, in the case of the Micro-Voucher, or a Milestone Payment, in the case of the Voucher and PDP, after it has approved the applicable Progress Report or Final Report. Such approval is determined in Alberta Innovates' sole and absolute discretion, and if approved, the Investment is paid directly to:

- (a) The Service or Product Provider(s) under the Micro-Voucher and Voucher; and
- (b) To the Applicant and/or Project Partner(s) under the PDP according to the Milestone, Reporting and Payment Schedule attached to the Agreement.

In the case of the Micro-Voucher, payment of the Investment will be paid to the Service or Product Provider upon approval of the Final Report and the invoice from the Service or Product Provider.

In the case of the Voucher and PDP, the Milestone Payments will be structured in accordance with the Project Milestones identified in the Milestone, Reporting and Payment Schedule. Alberta Innovates will pay the Investment within forty-five (45) days after the applicable Progress Report or Final Report is approved. Reports received and approved by Alberta Innovates earlier than the Milestone End Date will be paid within forty-five (45) days of the approval.

Goods and Services tax (GST) for the Project is an Ineligible Expense. For auditing purposes, any GST forming part of the Project Costs will be considered paid with the Deposit made by the Applicant.

## 6.2 Milestone, Reporting and Payment Schedule

In respect to the Voucher and PDP Application, Applicants are expected to set reasonable Milestone Start and Completion dates, anticipating times in the Project where setbacks or unavoidable delays may be encountered, and achieving the milestones as set out in the Agreement.

If the Application is approved by Alberta Innovates, the Applicant must complete a Milestone, Reporting and Payment Schedule with no more than six (6) Milestones. Milestones may overlap, but Alberta Innovates will not review more than one Progress Report or issue more than one payment per month. Any gaps in the timelines between Milestones must be explained, and a Milestone, Reporting and Payment Schedule form that has been altered will not be considered. The Milestone, Reporting and Payment Schedule becomes part of the Agreement governing the Investment. Applicants are encouraged to carefully complete the Milestone, Reporting and Payment Schedule as it contains fundamental terms governing the Project and Alberta Innovates' corresponding funding. A copy of each of the Milestone, Reporting, and Payment Schedule for Vouchers, and the Milestone, Reporting and Payment Schedule for PDP is provided as Appendix 3 to this Guide for your reference.

Alberta Innovates has the right to unilaterally change the terms and information set out in the Milestone, Reporting and Payments, upon written notice from Alberta Innovates to the Applicant.

## 6.3 Changes to the Project

Applicants are expected to set reasonable Milestone Start and Completion Dates, anticipating times in the Project where setbacks or unavoidable delays may be encountered, and achieve the milestones as set out in the Agreement. With this in mind, when unanticipated delays or changes to the Project are unavoidable, and it becomes clear that it will not be possible to meet the deliverables set out in a particular Milestone, the Applicant may request an amendment to the Agreement by contacting the Alberta Innovates representative named in the Notices section of the Agreement no later than two (2)

weeks prior to the next Milestone Completion Date. Failure to provide notification within this time may result in Alberta Innovates declining any amendments to the Agreement.

Changes to the Project may include:

- (a) An increase or decrease in the Investment of a particular Milestone or the Project as a whole;
- (b) A change in the scope of the Project;
- (c) A delay of a Milestone Completion Date which may or may not impact the Project Completion Date;
- (d) A change of Service or Product Provider or Project Partner, as the case may be;
- (e) A Change of Control or name change of the Applicant; or
- (f) Where Alberta Innovates determines a change to the Project has occurred.

Upon review of the request, Alberta Innovates may approve, decline, or require further information. If a request for an amendment is approved in the form required by Alberta Innovates, the parties acknowledge and agree that all other terms and conditions of the Agreement shall remain in full force and effect. If the request is declined, the Applicant may choose to proceed with the Project as previously approved by Alberta Innovates, if this is possible under the circumstances, or may elect to terminate the Agreement with no further payments of the Investment being provided. Alternatively, if in the opinion of Alberta Innovates it is not possible to proceed with the Project under the current terms and conditions of the Agreement, Alberta Innovates may elect to rescind the Investment and terminate the Agreement.

Cumulative changes over the Project Term that result in more than twelve (12) months extension from the Project Completion Date may not be considered. Should such changes delay the Project Completion Date for more than 12 months from the original Project Completion Date, all funding shall cease the day after the one year anniversary of the original Project Completion Date, unless otherwise approved by Alberta Innovates, such approval to be in its sole and absolute discretion.

#### **6.4 Reporting Obligations**

The Applicant has the following reporting obligations, which may be amended by Alberta Innovates in its sole and absolute discretion:

- (a) Under the Micro-Voucher Program, the Applicant and Service or Product Provider must:
  - (i) complete the Project in accordance with the terms of this Guide, the approved Application and the Agreement; and
  - (ii) deliver to Alberta Innovates a completed Final Report (using Alberta Innovates' standard form) within fourteen (14) days of completing the Project, signed by both the Applicant and Service or Product Provider, together with all supporting documentation;
- (b) Under the Voucher or PDP, the Applicant and Service or Product Provider(s), in the case of the Voucher, or the Project Partner(s) in the case of the PDP must:
  - (i) in respect of a Milestone Payment in the Project (except for the last Milestone):
    - i. complete the particular Milestone as set out in the Milestone, Reporting and Payment Schedule attached to the Agreement and in accordance with the terms of this Guide, the approved Application and the Agreement; and
    - ii. deliver to Alberta Innovates a completed Progress Report (using Alberta Innovates' standard form) within fourteen (14) days of completing the particular Milestone, signed by both the Applicant and the Service or Product Provider(s), in the case of the Voucher, or the Project Partner(s) in the case of the PDP, together with all supporting documentation;

- (ii) in respect of a Milestone Payment for the last Milestone in the Project:
  - i. complete the particular Milestone as set out in the Milestone, Reporting and Payment Schedule and in accordance with the terms of this Guide, the approved Application and the Agreement; and
  - ii. deliver to Alberta Innovates a completed Final Report (using Alberta Innovates' standard form) within fourteen (14) days of completing the Project, signed by both the Applicant and the Service or Product Provider(s), in the case of the Voucher, or the Project Partner(s) in the case of the PDP, together with all supporting documentation.

Failure to provide a Progress Report or a Final Report within the times stated above may result in the cancellation of the Investment by the Investment Committee.

- (c) Under all the Programs, a Post-Investment Metrics Report (using Alberta Innovates' standard form), must be submitted to Alberta Innovates by the Applicant within fourteen (14) days of receiving the request by Alberta Innovates, for each of the seven (7) following years (the "**Post-Investment Period**").

The information or the aggregate data contained in the Progress Report (in respect of the Voucher and the PDP), Final Report and Post-Investment Metrics Report may be published in the public domain, without further notice to the Applicant.

During the Post-Investment Period, Alberta Innovates may collect information on impacts and outcomes resulting from its Investment in the Project, including, but not limited to new or enhanced products and processes, intellectual property generated, new customers, new employees or new hires, new or increased sales, market capture, any other economic growth of the Applicant and other significant outcomes arising directly or indirectly from the Project or the Investment. All such information is deemed to be non-confidential for all of Alberta Innovates' purposes. The Applicant agrees to comply with such request of disclosure.

## 6.5 Site Inspection

Alberta Innovates and/or its authorized agents are entitled, at reasonable times and upon reasonable notice to the Applicant and the Service or Product Provider(s) or the Project Partner(s), to attend, or have its authorized agents attend at the premises of the Applicant or the Service or Product Provider(s) or the Project Partner(s), or at the place where the Project is being carried out, for the purpose of examining premises and files, documents and records, and any other assets relevant to the Project in order to assess whether the Applicant and the Service or Product Provider(s) or the Project Partner(s), are in compliance with the terms of the Investment. The Applicant and the Service or Product Provider(s) or the Project Partner(s), must provide Alberta Innovates and its authorized agents with such assistance as may be reasonably required during such an inspection. This right of inspection is limited to the purpose of ascertaining whether the terms of the Investment have been complied with and Alberta Innovates does not have any general right to obtain custody or copies of records in the custody of the Applicant, Service or Product Provider(s) or Project Partner(s).

## 6.6 Program Evaluations

By signing the Agreement, the Applicant agrees to participate in Program evaluations that may be undertaken by Alberta Innovates from time to time at the Applicant's cost, both during the Project and after the Project Completion Date.

## 6.7 Frustration of the Project for Suspension or Delay

If the Applicant or the Service or Product Provider(s) or the Project Partner(s) suspends or delays the Project for any reason whatsoever for a period greater than one (1) year or for periods which in aggregate

exceed twelve (12) months, then Alberta Innovates in its sole and absolute discretion may terminate the Agreement effective immediately upon notice to the Applicant. Upon such notice, Alberta Innovates will have no further payment obligations to the Applicant.

### **6.8 Termination of the Project**

If any one of the Applicant or the Service or Product Provider(s) or the Project Partner(s) terminates their part of the Project for any reason after execution of the Agreement and prior to the Project Completion Date, Alberta Innovates must be notified immediately. Failure to notify Alberta Innovates may result in Alberta Innovates terminating the Project and rescinding the Investment.

In the event of termination of the Project for whatever reason or by whomever, the Applicant must submit a final report within three (3) weeks of effective date of termination.

### **6.9 Rescission of Investment caused by Default and Effect**

Applicants are cautioned that Alberta Innovates has the right to unilaterally terminate and rescind its Investment for any Project that incurs a Default. Applicants are strongly encouraged to review and understand the definition of "Default" in Appendix 1 and to contact Alberta Innovates with any questions. The Applicant is to be aware of its post-rescission obligations.

### **6.10 Rescission of Investment caused by Change of Control of Applicant and Effect**

Applicants are cautioned that Alberta Innovates has the right to unilaterally terminate and rescind its Investment for any Applicant that incurs a Change of Control. Applicants are strongly encouraged to review and understand the definition of "Change of Control" in Appendix 1 and to contact Alberta Innovates with any questions.

Alberta Innovates will not rescind the Investment as a result of Change of Control where:

- (a) The Applicant continues to satisfy the minimum requirements to apply under the applicable Program;
- (b) The Applicant, Alberta Innovates and the new entity execute an assignment and novation agreement whereby the Applicant assigns its rights to the new entity, the new entity assumes all obligations under the Agreement, and Alberta Innovates consents to the assignment and assumption; and
- (c) Applicant Representative and entity information requirement listed in the Application is provided to and approved by Alberta Innovates.

### **6.11 Repayment of Investment**

It is a condition of the Investment that Alberta Innovates has the right to require the Applicant to repay to Alberta Innovates any amounts of the Investment paid to the Applicant, Service or Product Provider(s) or to the Project Partner(s) (as applicable). This is the case where (i) the Applicant fails to comply with all required reporting obligations under the Agreement including but not limited to, Section 6.4; (ii) a change request is not approved under Section 6.3; (iii) the Project is terminated by the Applicant, the Service or Product Provider(s) or the Project Partner(s) under Section 6.8; (iv) the Investment is rescinded by Alberta Innovates due to a Default or Change of Control under Sections 6.9 and 6.10.

In any of these causes, any amount of the Investment previously advanced by Alberta Innovates to the Applicant, Service or Product Provider, or the Project Partner(s) constitutes a debt owed by the Applicant to Alberta Innovates. The debt owed is on a dollar for dollar basis together with interest, which accrues from and after the date of notice of rescission from Alberta Innovates at the prime rate for commercial loans fixed by the Alberta Treasury Branches as at such date, plus 3%. Such debt plus accrued interest

is due and re-payable upon notice of rescission delivered by Alberta Innovates to the Applicant. The Applicant has forty-five (45) days from the date of the notice of rescission to repay the debt and accrued interest.

## 7 LEGAL DETAILS

### 7.1 Discretion of Alberta Innovates

Any decision to be made at the discretion of Alberta Innovates may be made by any Alberta Innovates authorized representative for and on behalf of Alberta Innovates.

### 7.2 Agreement

Each successful Applicant approved for an Investment is required to enter into an Agreement with Alberta Innovates in the form provided by Alberta Innovates, prior to commencing the Project. The Agreement will contain terms and conditions which govern the relationship of the parties involved in the Project and the operation of the relevant Program;

- (a) Under the Micro-Voucher Program and the Voucher Program,
  - (i) Alberta Innovates must receive the fully executed Agreement within thirty (30) days of the Applicant receiving notice from Alberta Innovates of its successful Application; and
  - (ii) The Service or Product Provider(s) is also required to enter an Agreement in the form provided by Alberta Innovates prior to commencing the Project.
  
- (b) Under the PDP,
  - (i) Alberta Innovates must receive the fully executed Agreement within ninety days (90) days of the Applicant receiving notice from Alberta Innovates of its successful Application and before the Project Start Date; and
  - (ii) The Project Partner(s) is also required to enter an Agreement in the form provided by Alberta Innovates prior to commencing the Project.

Under the Voucher and PDP programs, a Milestone, Reporting, and Payment Schedule must be attached and becomes part of the Agreement. The Milestone, Reporting and Payment Schedule template is provided as Appendix 3 of this Guide.

### 7.3 Terms and Conditions

In order to properly manage its operations, Alberta Innovates has the right to amend the terms and conditions or any other aspect of a Program at any time as determined in its sole and absolute discretion.

The Investment is governed by this Guide, the approved Application, and the terms and conditions in the Agreement. In the event of a conflict between a term of the Agreement, the approved Application and/or a term of this Guide, the term in the Agreement prevails to govern the parties and the term in conflict is not binding on the parties to the extent of such conflict.

For clarity, this Guide may be amended by Alberta Innovates in its sole and absolute discretion from time to time, with notice of the amendment together with the amended Guide provided on Alberta Innovates' website at:

<http://fund.albertainnovates.ca/Fund/CommercializationServices/IndustryFundingFormsandGuidelines.aspx>. No additional notice is required to any party regarding any amendment to the Guide. The Applicant understands its obligation to review Alberta Innovates' website periodically and ensure that it understands the current terms governing Alberta Innovates' Investment. The Guide as amended governs the Investment from the date the amended Guide is published on Alberta Innovates' website regardless of the stage of any particular Investment or Project. Notwithstanding the foregoing, Alberta Innovates may

determine in its sole and absolute discretion that the Guide in effect at the time the Applicant submits its Application to Alberta Innovates will govern the Investment.

#### 7.4 Representations and Warranties

Where an Application is approved and an Agreement is entered into, the Applicant Representative, and either the Service or Product Provider(s) representative(s), or the Project Partner(s) representative(s) as the case may be (each referred to as “you” below) represents and warrants to Alberta Innovates on a several and not joint basis that as set out in this section:

- (a) You have read and understand this Guide and the Agreement prior to executing it;
- (b) The Applicant, Service or Product Provider(s), or Project Partner(s), as the case may be, has the power to own, lease, use and operate its assets and carry out the Project;
- (c) You have the authority to enter into the Agreement;
- (d) The Applicant, Service or Product Provider(s), or Project Partner(s), as the case may be, is not insolvent and no proceedings have been taken or authorized by you or by any other Person with respect to the its bankruptcy, insolvency, liquidation, dissolution or winding up and the Applicant, Service or Product Provider(s), or Project Partner(s), have not taken the benefit of any legislation dealing with creditors’ rights generally. No creditor has taken possession of any of its assets and no execution or distress has become enforceable upon any of its assets;
- (e) All corporate and other proceedings necessary to authorize the Agreement will have taken place (such as the execution of directors’ resolutions, shareholders’ resolutions or any other proceedings required by the Applicant’s bylaws or unanimous shareholders agreement, as the case may be) and copies of such supporting documentation will be provided to Alberta Innovates upon request; and
- (f) The Agreement including each of the Schedules, when signed by you, will be validly executed and delivered by you and the Agreement will be legal and valid, with binding and enforceable legal obligations on and against the Applicant, Service or Product Provider(s), or Project Partner(s), as the case may be, in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

You acknowledge that Alberta Innovates is relying on the above representations and warranties in entering into the Agreement and completing the transactions contemplated by it.

The Applicant Representative, and the Service or Product Provider(s) representative(s), or the Project Partner(s) representative(s) have disclosed all information in the Application which is required under this Guide and that information remains true and accurate and you will promptly notify Alberta Innovates of any change to the information provided in the Application.

#### 7.5 Forms

The Applicant, Service or Product Provider(s) and Project Partner(s) agree to use Alberta Innovates’ standard form documents during the course of completing and reporting on the Project. All forms can be found on Alberta Innovates’ website at:  
<http://fund.albertainnovates.ca/Fund/CommercializationServices/IndustryFundingFormsandGuidelines.aspx>.

Alberta Innovates may amend its standard forms from time to time without notice to the Applicant or the Service or Product Provider(s) or the Project Partner(s). Accordingly, all parties are encouraged to access the particular form from Alberta Innovates’ website (at the web address set out above) at the time it is required in order to ensure the most current version of the form is used.

## 7.6 FOIP and Collection and Retention of Information

During the duration of the Project, and thereafter, Alberta Innovates must keep accurate and complete records of the Application, the Project, the Agreement, and all forms and supporting documentation, in accordance with the Alberta Records Management Committee approved retention schedule, as amended from time to time. Such records may be subject to the Freedom of Information and Protection of Privacy Act (Alberta) (“FOIP”), as outlined in greater detail in the Application. A copy of FOIP can be found on the Alberta Innovates website.

## 7.7 Contact Information

In order to ensure compliance with FOIP, Alberta Innovates will only disclose information or documentation to the Applicant Representative(s). Alberta Innovates relies on the contact information provided in the Application unless changed in the Agreement.

If the Application is approved, the Applicant will have the opportunity to identify different or additional contact person(s) to receive documentation related to the Investment. In the case where the Applicant indicates different Applicant Representative(s) than in the Application, the person named in the Agreement supersedes that of the person named in the Application. In this case, please note that the provision of documentation will only be directed to those person(s) identified in the Agreement as the Applicant Representative(s).

At any time, if the Applicant Representative wishes to authorize another person to receive information or documentation from Alberta Innovates, they must provide written notice of such authorization to Alberta Innovates. Alberta Innovates must be notified immediately of any change to the contact information of any party within the Agreement.

## 7.8 Program Audit and Requirement to Maintain Auditable Records

As part of an ongoing effort to improve and enhance the Programs, Alberta Innovates reserves the right to audit any account of the Applicant, the Service or Product Provider(s) and/or the Project Partner(s) pertaining to a Program, from time to time and at any time during the Project and the Post-Investment Period. This right to audit includes due diligence searches of various public registries as outlined at Section 5.1.

The cost of any audit, examination or report is payable by Alberta Innovates, unless the audit, examination or report reveals a material breach of any term governing the Investment or indicates that the records and books of account were inadequate to permit a determination of how the Investment was used by the Applicant, Service or Product Provider(s) or a Project Partner or what results were achieved through the conduct of the Project, in which case the cost will be borne by the Applicant, Service or Product Provider(s) or the Project Partner, as the case may be.

During the Project and the Post-Investment Period, each of the Applicant, Service or Product Provider(s) and/or the Project Partner(s) must maintain and have available for audit or review by Alberta Innovates full, accurate and complete records of the Project activities, the results achieved, and financial accounting evidencing proper expense of the Investment together with all supporting receipts. Such records may be subject to FOIP, as outlined in greater detail in the Application

## 7.9 Purchased Material

The Applicant and/or the Service or Product Provider(s) and the Project Partner(s), retain ownership of all purchased material directly related to the Project.

### **7.10 Intellectual Property**

Alberta Innovates makes no claim to Intellectual Property Rights arising from any Investment in a Project. Ownership of Intellectual property developed during the course of the Project is not governed by this Guide or the Agreement. For Investments made under the Micro-Voucher and the Voucher, the Applicant shall be responsible for addressing any Intellectual Property Rights issues. For Investments made under the PDP, a written Intellectual Property ownership agreement between the Applicant and the Project Partner(s) governing all Intellectual Property Rights must be in place prior to execution of the Agreement. A copy of such agreement must be provided to Alberta Innovates upon request as proof of compliance with this requirement.

### **7.11 Acknowledging the Funding Agencies**

All publications, presentations and public messages arising from the Investment must acknowledge the support of Alberta Innovates and be provided to Alberta Innovates in draft form for approval. Please use the full corporate name, Alberta Innovates, rather than any acronym. Alberta Innovates' financial support of a Project in no way constitutes an endorsement of the Project, the Applicant, the Service or Product Provider(s) or Project Partner(s). Any suggestion or statement that Alberta Innovates endorses a Project or any party involved in the Project is strictly prohibited as a term of the Investment and can result in the repayment of the Investment to Alberta Innovates.

### **7.12 Non-Confidential Information and Publication of Non-Confidential Information by Alberta Innovates**

The Applicant, Service or Product Provider(s) and Project Partner(s) agree that Alberta Innovates may (1) publish and/or disseminate in the public domain certain information contained within the Application, Progress Report(s), Final Report, and/or Post-Investment Metrics Report(s) as a way to promote success stories about and report on innovation in the Province of Alberta and/or (2) may use certain information within the Application to verify other information provided by the Applicant. On that basis, the parties acknowledge the information expressly set out as non-confidential information in Part 3 of the Application and the final results with respect to those components as described in any Progress Report, Final Report and Post-Investment Report is non-confidential and subject to disclosure, as indicated in Part 3 of the Application, by Alberta Innovates in its sole and absolute discretion at any time without notice to the Applicant, Service or Product Provider(s) or Project Partner(s).

### **7.13 Extent of Liability**

Alberta Innovates is not liable in any way whatsoever to the Applicant, the Service or Product Provider(s), or the Project Partner(s), or any of their respective directors, officers, employees, agents or any other person they may be responsible for at law, personal legal representatives and/or heirs for any direct damages, or any indirect, incidental, consequential, or special damages or any loss of profits, loss of business opportunity, loss of revenue, or any other loss or injury suffered or arising in any way, whether arising before or after submitting an Application or entering the Agreement with Alberta Innovates.

### **7.14 Indemnity**

Each of the Applicant, the Service or Product Provider(s), and the Project Partner(s) indemnify and hold harmless Alberta Innovates, its directors, officers, employees and agents against and from any and all third party claims, demands, actions, and costs whatsoever (including legal costs on a solicitor and its own client full-indemnity basis) that may arise directly or indirectly out of any act or omission of the Applicant, the Service or Product Provider(s), and the Project Partner(s), or any of their respective directors, officers, employees, contractors, agents or legal representatives or the negligence or tortious act or willful misconduct of Applicant, the Service or Product Provider(s), and the Project Partner(s) or any of their respective directors, officers, employees, contractors, agents or legal representatives in relation to their obligations under a Program.



### **7.15 Dispute Settlement**

In the case of a dispute between the Applicant, Service or Product Provider(s), and/or the Project Partner(s) or any other party involved in the Project, it is the responsibility of the disputing parties to reach a resolution. Alberta Innovates will not act as a mediator or adjudicator. In the event of a dispute, in all instances Alberta Innovates is not liable to pay any arbitration, court or any other dispute resolution related costs.

### **7.16 General Liability Insurance (for PDP only)**

In the case of the Product Demonstration Program, each of the Applicant, and the Project Partner(s) shall, at their own expense and without limiting their liabilities herein, insure their operations under a contract of General Liability Insurance, in accordance with the *Insurance Act* (Alberta), in an amount not less than \$2,000,000 inclusive per occurrence, insuring against bodily injury, personal injury and property damage including loss of use thereof. Such insurance must be in place before the Project is commenced and continue through until the Project is completed. The Applicant and the Project Partner(s) acknowledge that no protection from Alberta Innovates is available for any third party claims pursuant to the Programs. Alberta Innovates can request a certificate of insurance as evidence of insurance coverage from the Applicant or Project Partner(s) (if any) at any time as determined in the sole and absolute discretion of Alberta Innovates.

### **7.17 Funding to Alberta Innovates**

Notwithstanding anything in this Guide or the Agreement, if the Government of Alberta suspends, revokes, reduces or terminates funding to Alberta Innovates at any time, Alberta Innovates may immediately and unilaterally alter or terminate its obligations under the Programs, including all obligations under an Agreement. In such an instance, Alberta Innovates will notify the Applicant, the Service or Product Provider and the Project Partner(s) of such alteration or termination of Alberta Innovates' obligations as soon as practicably possible, and such parties will be entitled to reimbursement for the direct costs of winding down the Project, including incurred Eligible Expenses and non-cancellable legal commitments made by other parties seeking reimbursement, supported by applicable receipts or invoices and as confirmed and approved by Alberta Innovates and up to a maximum amount of the approved Investment in each case, and the Applicant shall have no further claim against Alberta Innovates or the Government of Alberta.

### **7.18 Assignment or Encumbrance**

The Applicant, Service or Product Provider(s), or Project Partner(s) may not assign or transfer any of its rights or obligations under the Programs without Alberta Innovates' written consent, which consent may not be unreasonably withheld. Alberta Innovates may transfer its rights under the Program upon providing notice to the Applicant, Service or Product Provider(s), and/or Project Partner(s).

The rights, duties, obligations and liabilities of Alberta Innovates and any other party are individual and not joint or collective. There is no intention of Alberta Innovates, the Applicant, the Service or Product Provider(s) or the Project Partner(s) to create a partnership, a joint venture, unincorporated association or a trust in its dealings together under a Program. Nothing under this Guide, or any subsequent Application, Agreement or other document pertaining to the Programs authorizes any party to act as an agent or an employee of the other party for any purpose whatsoever, except as expressly set out in this Guide, Agreement or other document.

### **7.19 Governing Law**

All matters contemplated in this Guide are governed by the laws of Alberta and the federal laws of Canada applicable therein. The parties hereby submit to the exclusive jurisdiction of the Courts in the Province of Alberta for all disputes arising under this Agreement.

**7.20 Compliance with Applicable Laws**

The parties must comply with all applicable laws, ordinances, codes and regulations of government agencies having jurisdiction over the matters contemplated in this Guide, the approved Application, the Agreement and/or any required reporting.

**7.21 Time**

Time is of the essence, and no extension or variation of this Guide, the approved Application, the Agreement, any required reporting or any other matter relating to the Project will operate as a waiver of this provision.

## APPENDIX 1

Definitions

For the purposes of this Guide, the following terms are defined to have the corresponding meaning:

- (a) **“Agreement”** means any one (1) of the following:
  - (i) a Micro-Voucher Investment Agreement between Alberta Innovates, the Applicant and the Service or Product Provider in respect of an Investment made under the Micro-Voucher Program; and
  - (ii) a Voucher Investment Agreement between Alberta Innovates, the Applicant and the Service or Product Provider(s) in respect of an Investment made under the Voucher Program; and
  - (iii) a Product Demonstration Program (PDP) Investment Agreement between Alberta Innovates, the Applicant and the Project Partner(s) in respect of an Investment made under the Product Demonstration Program;
- (b) **“Applicant”** means the SME who completes and submits the Application to Alberta Innovates, and may in future include the new entity assigned with a “Change of Control” in accordance with section 6.10;
- (c) **“Applicant Representative”** means the individual who is authorized to act on behalf of the Applicant;
- (d) **“Application”** means:
  - (i) in respect of the Micro-Voucher Program, the Micro-Voucher Investment Application;
  - (ii) in respect of the Voucher Program, the Voucher Investment Application; and
  - (iii) in respect of the Product Demonstration Program, the Product Demonstration Program (PDP) Investment Application;
- (e) **“Arm’s Length”** means any Person other than: (i) a present or former officer, director, shareholder or employee of a party or its subsidiary, or; (ii) any Person with whom the party does not deal at arm’s length within the meaning of the Income Tax Act (Canada);
- (f) **“Change of Control”** means any change in Control of a Person, directly or indirectly, by any means whatsoever (whether by merger, plan of arrangement, sale of shares or other equity interest through a single transaction or a series of related transactions), but all provided that the appointment of one additional co-trustee of any trust (for a total of two co-trustees in respect of such trust) is not a change in Control for purposes of this Agreement;
- (g) **“Control”** means one or more of the following:
  - (i) a body corporate is controlled by a Person if: (A) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned by the Person; and (B) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
  - (ii) a trust is controlled by a Person if that Person is a trustee of such trust;
  - (iii) an association, partnership, or other organization is controlled by a Person if: (A) more than 50% of the ownership interests, however designated, into which the association, partnership or other organization is divided are beneficially owned by the Person; and (B) the Person is able to direct the business and affairs of the association, partnership, or other organization; and
  - (iv) a Person that controls another Person is deemed to control any Person that is controlled or deemed to be controlled by the other Person;

- (h) **“Default”** means any one (1) or more of the following:
- (i) the bankruptcy or insolvency of any one (1) of the Applicant, Service or Product Provider or Project Partner(s) (including becoming the subject matter of any proceeding relating to its bankruptcy, insolvency, receivership, liquidation, dissolution or winding up); or
  - (ii) where the Project fails to start within one hundred eighty (180) days after the date of notification of approval from Alberta Innovates without approval from Alberta Innovates for extension; or
  - (iii) any breach of an obligation or failure to perform or observe any provision on its part under the Agreement or this Guide, made by any one (1) or more of the Applicant, Service or Product Provider(s), or Project Partner(s) and any such breach or default continues for a period of five (5) days after receipt of written notice from Alberta Innovates specifying such breach;
  - (iv) but provided that where Alberta Innovates gives notice of the occurrence of a Default and the Default is cured within five (5) days, notice that the Default is no longer continuing will be given to Alberta Innovates by the party who incurred the Default immediately after the party becomes aware that the Default has been cured, and Alberta Innovates will not rescind its Investment on the basis of that Default;
- (i) **“Deposit”** has the meaning as set out in Section 2.4 with respect to the Micro-Voucher Program, the Voucher Program and the PDP;
- (j) **“Eligible Expense”** means:
- (i) labour costs (gross wages or salaries incurred at reasonable market rates) for those individuals who are specifically identified as performing the service which is directly attributable to the Project and thereby quantifiable or measurable. Accordingly, general overhead is not considered an Eligible Expense;
  - (ii) costs of materials, made at the lower of cost or fair market value, which can be specifically identified and quantified as having been incurred in the performance of the Project activities, and which are so identified and quantified consistently in the Applicant’s cost accounting practices;
  - (iii) acquisitions of property including capital improvements to facility premises and capital equipment (but excluding land and buildings), made at the lower of cost or fair market value, that are critical to the performance of the Project will be considered on a case by case basis upon submission to Alberta Innovates by the Applicant. For funding under the Voucher or PDP, the contribution will be pro-rated to the Project time frame based on asset’s expected economic life, if purchased, at industry standard depreciation rates with any residual undepreciated value attributed to the economic life of the asset remaining after Project completion being an Ineligible Expense;
  - (iv) acquisitions of software or information databases, made at the lower of cost or fair market value, that are critical to the performance of the Project will be considered. For funding under the Voucher and PDP, the cost of such technology will be pro-rated over the duration of the Project;
  - (v) additional direct operating costs (incurred at reasonable market rates), not falling within the categories of labour and materials, but which can be specifically identified and quantified as having been incurred, or to be incurred, in the performance of the Project activities and which are so identified and quantified consistently by the Applicant’s cost accounting practices; and
  - (vi) any other cost which Alberta Innovates pre-approves in writing as an Eligible Expense;

- (k) **"Final Report"** means:
- (i) Alberta Innovates' standard form entitled the "Final Report" under the Micro-Voucher Program; and
  - (ii) Alberta Innovates' standard form entitled "Final Report" under the Voucher and Product Demonstration Programs;
- (l) **"FOIP"** has the meaning set out in Section 7.6;
- (m) **"Full Time"** means a condition existing when, for a calendar month, a person permanently employed by an SME averages at least thirty (30) hours of service per week, or one-hundred-thirty (130) hours of service per month;
- (n) **"Ineligible Expense"** means any one (1) of the following:
- (i) any cost that does not qualify as an "Eligible Expense";
  - (ii) any cost incurred prior to formal approval of an Investment by Alberta Innovates, except where Alberta Innovates has provided written approval to include the cost as an Eligible Expense;
  - (iii) transactions between related parties;
  - (iv) provisions for contingencies;
  - (v) allowance for interest on debt;
  - (vi) losses on investments, bad debts and expenses for collection charges;
  - (vii) losses on other projects or activities outside the approved Project;
  - (viii) fines and penalties;
  - (ix) unreasonable compensation for Project labour;
  - (x) costs for professional training and development;
  - (xi) Federal and Provincial income taxes, goods and services taxes;
  - (xii) costs related to land and buildings (for example, acquisitions, leases and/or leasehold improvements);
  - (xiii) advertising costs, except reasonable advertising of an industrial or institutional character placed in trade, technical or professional journals for the dissemination of information for the industry or institution;
  - (xiv) costs associated with applying for government grants and programs;
  - (xv) costs of internships or support for students of knowledge institutions;
  - (xvi) basic professional services, fees and disbursements, such as ongoing routine accounting, tax and legal business requirements and financing fees unless directly related to the Project;
  - (xvii) routine testing and maintenance;
  - (xviii) costs relating to travel (including mileage, airfare (lowest economy class / excursion or other promotional type of air fares must be sought at the time of booking) and accommodation), meals, entertainment, hospitality and gifts; and
  - (xix) any other costs deemed ineligible by Alberta Innovates.
- (o) **"In-Kind"** means a contribution in goods or services to the Project, as opposed to cash;
- (p) **"Intellectual Property"** means tangible or intangible property in which Intellectual Property Rights subsist and/or that is subject to Intellectual Property Rights including, without limitation, ideas, formulae, algorithms, concepts, techniques, processes, procedures, approaches, methodologies, plans, systems, research, information, documentation, data, data compilations, specifications, requirements, designs, diagrams, inventions, technology, computer programs (including all related code), tools, products, knowledge, know-how and trade secrets;

- (q) **"Intellectual Property Rights"** means:
- (i) any and all proprietary rights anywhere in the world provided under: patent law, copyright law, trademark law, design patent or industrial design law, semiconductor chip or mask work law, trade secret law, or any other statutory provision or common law principle that provides a right in either intellectual property or the expression or use of intellectual property; and
  - (ii) any and all applications, registrations, licenses, sub-licenses, franchises, agreements or any other evidence of a right in any of the foregoing;
- (r) **"Investment"** means the amount of funding granted by Alberta Innovates to an Applicant under a particular Program and governed by the Agreement;
- (s) **"Investment Committee"** means a committee comprising representatives from Alberta Innovates;
- (t) **"Milestone"** means a major segment of the Project activities for the purpose of monitoring and measuring the progress of the Project, concluding in every case, with a critical "go/no go" decision and **"Milestones"** mean all major segments of the Project activities which comprise the entire Project;
- (u) **"Milestone Completion Date(s)"** means the date on which each Milestone is expected to end, as outlined in the Milestone, Reporting and Payment Schedule;
- (v) **"Milestone Payment(s)"** means the portion of the Investment allocated to a Milestone as described in the Milestone, Reporting and Payment Schedule.
- (w) **"Milestone, Reporting and Payment Schedule"** sets out the scope of each Milestone, the time in which to complete each Milestone and the corresponding Milestone Payment from Alberta Innovates for each Milestone that has been completed and satisfactorily reported on.
- (x) **"Milestone Start Date"** means the date on which each Milestone is expected to begin, as outlined in the Milestone, Reporting and Payment Schedule;
- (y) **"Person"** means any individual, body corporate, partnership, sole proprietorship, joint venture, trust, unincorporated association, unincorporated organization, and any other entity or organization of any nature whatsoever. Unless the context otherwise requires, any reference to a Person includes its heirs, administrators, executors and other legal representatives, successors and permitted assigns;
- (z) **Post-Investment Metrics Report** means a report completed by the Applicant upon request by Alberta Innovates for the Post-Investment Period ;
- (aa) **"Project Completion Date"** means the date on which the last Milestone is completed, as set out in the Milestone, Reporting and Payment Schedule;
- (bb) **"Programs"** means collectively the Micro-Voucher Program, the Voucher Program and the Product Demonstration Program, and **"Program"** means any one (1) of the foregoing;
- (cc) **"Progress Report"** means Alberta Innovates' standard form entitled "Progress Report" required under the Voucher and Product Demonstration Programs;

- (dd) **“Project”** means:
- (i) in the case of the Micro-Voucher Program or the Voucher Program, the scope of work to be performed by the Service or Product Provider(s), and the work product arising from the Project; and
  - (ii) in the case of the Product Demonstration Program, the scope of work to be performed by the Applicant and the Project Partner(s), as set out in the Milestone, Reporting and Payment Schedule and the work product arising from the collaboration between the Applicant and the Project Partner(s);
- (ee) **“Project Costs”** means all Eligible Expenses incurred during the course of the Project;
- (ff) **“Project Partner(s)”** has the meaning set out in Section 3.3;
- (gg) **“Project Start Date”** has the meaning set out in Section 4.2;
- (hh) **“Service or Product Provider”** has the meaning set out in Section 3.2;
- (ii) **“SME”** means, for the purposes of the Programs, a company that satisfies the eligibility criteria set out in Section 3.1(e), with fewer than 500 Full Time employees, and less than \$50,000,000 annual gross revenue;
- (jj) **“Stacking Limit”** has the meaning set out in Section 2.7;
- (kk) **“TDA”** means Technical Development Advisor from Alberta Innovates; and
- (ll) **“Top Up Contribution”** means an increase of the Deposit, in the case of Micro-Voucher and Voucher, and the increase of the Deposit or In-Kind contribution in the case of PDP, resulting from an increase in the Project Costs.

The preceding definitions are not exclusive and other defined terms may be used throughout this Guide.

**APPENDIX 2**
**Technology Readiness Levels (TRL)**

<b>Level 1</b>	<b>Basic principles of concept are observed and reported.</b> At this level scientific research begins to translated into applied research and development. Activities might include paper studies of a technology's basic properties.
<b>Level 2</b>	<b>Technology concept and/or application formulated.</b> At this level invention begins. Once the basic principles are observed, practical applications can be invented. Activities are limited to analytical studies.
<b>Level 3</b>	<b>Analytical and experimental critical function and/or proof of concept.</b> At this level active research and development is initiated. Activities might include components that are not yet integrated or representative.
<b>Level 4</b>	<b>Component and/or validation in a laboratory environment.</b> At this level basic technological components are integrated to establish that they will work together. Activities include integration of "ad hoc" hardware in the laboratory.
<b>Level 5</b>	<b>Component and/or validation in a simulated environment.</b> At this level the basic technological components are integrated for testing in a simulated environment. Activities include laboratory integration of components.
<b>Level 6</b>	<b>System/subsystem model or prototype demonstration in a simulated environment.</b> At this level a model or prototype is developed that represents a near desired configuration. Activities include testing in a simulated operational environment or laboratory.
<b>Level 7</b>	<b>Prototype ready for demonstration in an appropriate operational environment.</b> At this level the prototype should be at planned operational level and is ready for demonstration of an actual prototype in an operational environment. Activities include prototype field testing.
<b>Level 8</b>	<b>Actual technology completed and qualified through tests and demonstrations.</b> At this level the technology has been proven to work in its final form and under expected conditions. Activities include developmental testing and evaluation of whether it will meet operational requirements.
<b>Level 9</b>	<b>Actual technology proven through successful deployment in an operational setting.</b> At this level there is actual application of the technology in its final form and under real-life conditions, such as those encountered in operational test and evaluations. Activities include using the innovation under operational conditions.



**APPENDIX 3**

**Milestone, Reporting & Payment Schedules**



**MILESTONE, REPORTING AND PAYMENT SCHEDULE**

(Product Demonstration Program)

**MILESTONE, REPORTING & PAYMENT SCHEDULE**

A Project may have one or more Milestones, up to a maximum of six (6), to be disbursed throughout the maximum two (2) year term unless such term is extended under an approved change request. Upon the completion of a Milestone, the Applicant must submit a Progress Report or Final Report, as the case may be, to Alberta Innovates.

**Note: Important instructions are provided in the footnotes for the following table. Please read footnotes and the Guide prior to completing the table.**

**Table I – Milestone(s), Report(s), and Payment(s)**

Milestone Number	Description of Milestone and the related deliverable(s)	Milestone Start Date	Milestone Completion Date <sup>(1)</sup>	Applicant / Project Partner(s) Minimum 50% Contribution (\$) <sup>(2)</sup>	Alberta Innovates Investment Disbursement	Alberta Innovates Investment Disbursement				Progress or Final Report Due Date <sup>(3)</sup>	Expected Payment Date by Alberta Innovates <sup>(4)</sup>
						Applicant	1st Project Partner Name: Project Partner Name	2nd Project Partner Name: Project Partner Name	3rd Project Partner Name: Project Partner Name		
Milestone 1		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
Milestone 2		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
Milestone 3		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
Milestone 4		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
Milestone 5		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
Milestone 6		Click here to enter a date	Click here to enter a date	\$	\$	\$	\$	\$	\$		
<b>TOTALS</b>				\$	\$	\$	\$	\$	\$		
<b>TOTAL PROJECT COSTS (Applicant/Project Partner(s) Deposit and/or In-Kind + Alberta Innovates Investment)</b>				\$							

(1) Milestones may overlap, but Alberta Innovates will not review more than one Progress Report or issue more than one payment per month. Any gaps in the timelines between Milestones must be explained.

(2) See Table II for specifics as to Deposit versus In-Kind, and which Party is contributing.

(3) Upon approval, Alberta Innovates will enter in the Progress or Final Report Due Date for each milestone. Progress and Final reports are due fourteen (14) days after the milestone completion date.

(4) Upon approval, Alberta Innovates will enter in the Expected Payment Date by Alberta Innovates. Expected Payment Dates are within forty five (45) days after the report is approved.

## MILESTONE, REPORTING AND PAYMENT SCHEDULE

(Product Demonstration Program)

**TABLE II – Contribution by the Applicant and Project Partner(s)**

				Disburse the Deposit or In-kind resources among the Milestones <sup>(2)</sup>					
Contributing Party	Description of In-Kind Resources And Method of Valuating	Deposit (Cash Contribution)	Monetary value of In-Kind Resource <sup>(1)</sup>	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5	Milestone 6
Applicant		\$	\$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$
<b>1<sup>st</sup> Project Partner</b> Project Partner Name		\$	\$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$
<b>2<sup>nd</sup> Project Partner</b> Project Partner Name		\$	\$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$
<b>3<sup>rd</sup> Project Partner</b> Project Partner Name		\$	\$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$	Cash \$ In-Kind \$
<b>TOTALS</b>		\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Contribution from Applicant and Project Partner(s) Deposit + In-Kind <sup>(2)</sup></b>		\$							

(1) The monetary value placed on the In-Kind resources will only be recognized as an eligible contribution where the costs incurred by the Applicant or Project Partner are incremental to its ordinary course of business, directly attributable to the Project and easily auditable. Please see Ineligible Expenses and Eligible Expenses.

(2) Total Deposit plus total monetary value of In-Kind must be at least 50% of the Total Project Costs.

(3) Total Deposit plus In-Kind for each Milestone must be the same as indicated in "Applicant / Project Partner(s) Minimum 50% Contribution (\$)" Column in Table I

### CONDITIONS OF PAYMENT

- Applicants are reminded that Alberta Innovates may fund up to a maximum amount of 50% of the Project Costs and up to a maximum of \$300,000 of the Project Costs. The Applicant and Project Partner(s) must contribute a combined minimum of 50% of the Project Costs to the Project in the form of cash and/or in-kind.
- All Milestone Payments are subject to the terms and conditions governing the Project as set out in the Agreement and the Guide.
- Alberta Innovates will pay each Milestone Payment to the Project Partner(s) or the Applicant according to the Schedule.
- Alberta Innovates will not pay the Milestone Payment without first approving the corresponding Progress Report or Final Report. The final Milestone Payment will only be made after Alberta Innovates approves the Final Report.
- Alberta Innovates may refuse approving a Progress Report or Final Report, or Alberta Innovates may request changes to such report, as determined in its sole discretion upon written notice to the Applicant advising the reason for refusing approval and/or requesting a change.

### MILESTONE, REPORTING & PAYMENT SCHEDULE

A Project may have one or more Milestones, up to a maximum of six (6), to be disbursed throughout the maximum two (2) year term unless such term is extended under an approved change request. Upon the completion of a Milestone, the Applicant must submit a Progress Report or Final Report, as the case may be, to Alberta Innovates.

**Note: Important instructions are provided in the footnotes for the following table. Please read footnotes and the Guide prior to completing the table.**

Milestone Number	Description of Milestone, the related deliverable(s), and a description of In-Kind Resources and Method of Valuating	Milestone Start Date	Milestone Completion Date <sup>(1)</sup>	Applicant Minimum 25% Deposit (\$) <sup>(2)</sup>	Alberta Innovates Investment Disbursement	Alberta Innovates Investment Disbursement			Progress or Final Report Due Date <sup>(3)</sup>	Expected Payment Date by Alberta Innovates <sup>(4)</sup>
						1st Service or Product Provider Name: <small>Service/Product Provider Name</small>	2nd Service or Product Provider Name: <small>Service/Product Provider Name</small>	3rd Service or Product Provider Name: <small>Service/Product Provider Name</small>		
Milestone 1		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
Milestone 2		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
Milestone 3		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
Milestone 4		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
Milestone 5		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
Milestone 6		Click here to enter a date.	Click here to enter a date.	\$	\$	\$	\$	\$		
<b>TOTALS</b>				\$	\$	\$	\$	\$		
<b>TOTAL PROJECT COSTS (Deposit + Alberta Innovates Investment)</b>				<b>\$</b>						

- (1) Milestones may overlap, but Alberta Innovates will not review more than one Progress Report or issue more than one payment per month. Any gaps in the timelines between Milestones must be explained.
- (2) Total of 25% of the Project Costs may be disbursed throughout the Milestones as agreed upon by the Applicant and the Service or Product Provider, provided that a minimum of 50% of the Deposit is paid to the Service or Product Provider prior to the final Milestone. The Deposit may exceed 25% if the Project Costs.
- (3) Upon approval, Alberta Innovates will enter in the Progress or Final Report Due Date for each milestone. Progress and Final reports are due fourteen (14) days after the milestone completion date.
- (4) Upon approval, Alberta Innovates will enter in the Expected Payment Date by Alberta Innovates. Expected Payment Dates are within forty five (45) days after the report is approved.

**CONDITIONS OF PAYMENT**

1. Applicants are reminded that Alberta Innovates may fund up to a maximum amount of 75% of the Project Costs and up to a maximum of \$100,000 of the Project Costs. The Applicant must pay a minimum contribution of 25% of the Project Costs directly to the Service or Product Provider(s) as a Deposit to be applied against Project Costs as incurred. For example:
  - A. If the Project Costs are \$100,000, Alberta Innovates' maximum investment is \$75,000 and the Applicant must provide a contribution of \$25,000 to the Service or Product Provider(s) as a Deposit.
  - B. If the Project Costs are \$150,000, Alberta Innovates' maximum investment is \$100,000 and the Applicant must provide a contribution of \$37,500 as a Deposit, and is also responsible to provide the remaining balance of \$12,500, to the Service or Product Provider(s).
2. All Milestone Payments are subject to the terms and conditions governing the Project as set out in the Agreement and the Guide.
3. Alberta Innovates will pay each Milestone Payment to the Service or Product Provider(s) according to the Schedule.
4. Alberta Innovates will not pay the Milestone Payment without first approving the corresponding Progress Report or Final Report. The final Milestone Payment will only be made after Alberta Innovates approves the Final Report.
5. Alberta Innovates may refuse to approve a Progress Report or Final Report, or Alberta Innovates may request changes to such report, as determined in its sole discretion upon written notice to the Applicant advising the reason for refusing approval and/or requesting a change.