Program Overview

Background

Innovation – both the creation of new products and the leveraging of innovation into the operations of existing private sector enterprises – is critical to Alberta’s global competitiveness. Alberta must focus our global engagement and forge new strategic economic partnerships, leveraging our combined assets to drive sustainable economic competitiveness and growth.

Recognizing the opportunities in China for partnership in innovation, technology, and High Qualified Personal, Alberta Innovates along with our China Funding Partners have developed the Alberta - China International Technology Partnership (ITP) Program. The ITP Program leverages the Government of Alberta memorandum of understanding (MoU) with specific regions in China including: the provinces of Zhejiang, Guangdong, and the direct controlled municipality of Shanghai. This program provides Alberta for-profit Small and Medium Enterprises (SMEs) support to access funding to develop strategic, industry-driven commercialization projects that involve novel and innovative projects with a partner in China.

The ITP Program builds collaboration in applied research and innovative technology development, leading to future educational labor and commercialization opportunities that will enhance international relations and trade while provide mutual benefit to both regions. Entering the China market can be one of the biggest decisions a SMEs makes. The next question from SMEs, “How do I get there”? Using Alberta Innovates’ proven Global Partnership process, we work one on one with Alberta SMEs to help navigate entry with, coaching, access to capital, matchmaking partners and support from region
governments. SMEs who participate in the program have benefited from increased market, revenue and new products and services.

Program Details

Alberta Innovates will manage the call for proposal and application process for each of the China jurisdictions, Zhejiang, Guangdong, and Shanghai separately.

The Alberta - China ITP Program is available to Alberta SMEs with less than 500 employees (the Applicant). Each project must demonstrate advanced technology-oriented business developing innovative new products for growing markets. Projects must be a minimum of one Alberta Applicant and one China Industry Partner from the eligible China jurisdiction (Zhejiang, Guangdong, or Shanghai) with an interest in commercializing the technology.

Currently the priority sectors are determined by both Alberta and the China Funding Partner. (Please note the jurisdiction next to the priority sectors.)

- Clean Energy (Clean Tech, Energy-saving and Renewable Energy Technologies) - Guangdong, Zhejiang
- Environmental Technologies - Guangdong, Zhejiang
- Energy Storage Technologies (Innovative battery storage, and energy management) - Guangdong
- Life Sciences (Biotechnology, Natural Source Health Products, Pharmaceutical and Medical Products) – Zhejiang, Shanghai
- Platform Technologies (Information and Communications Technologies (ICT), Mobile, Sensor, Advanced Data Analytics Artificial Intelligence (AI), Advanced Manufacturing and Materials (Nano) – Guangdong, Zhejiang, Shanghai
- Agriculture and Forestry Technologies – Zhejiang

Potential projects can include: industry supported research and development that furthers proof of concept; industry driven patent that leads towards commercialization; industry advancement of product design for prototype; and innovative technology development for product demonstration.

Alberta Innovates in conjunction with each of the China Funding Partner will assist in finding a relevant Industry Partners to take part in the competitive application process for the program. Alberta Innovates welcomes Alberta SMEs to submit a company profile that will be shared with the China Funding Partner prior to a joint matchmaking event. The Alberta SMEs is invited to participate in a matchmaking event that is designed to help find a suitable Industry Partner and begin the process of defining a potential project. Only Alberta SMEs that have participated in a matchmaking event or have an established China Industry Partner in the China Funding Partner’s jurisdiction are eligible to submit an application.

This matching grant program provides industry-focused collaboration leading to commercialization of products and services in both jurisdictions.
HOW THE PROGRAM WORKS

The ITP Program works in “rounds” with one round per year, per region. Below outlines a general timeline and high-level process for the program round.

<table>
<thead>
<tr>
<th>January</th>
<th>March</th>
<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information &amp; Matchmaking</td>
<td>Application &amp; Review</td>
<td>Contracting</td>
<td>Project</td>
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</tbody>
</table>

Typically, the first part of the year is dedicated to information session, matchmaking events, followed by the application process. Projects are generally awarded in the fall and with projects starting thereafter.

Eligibility

(a) Applicant Eligibility Criteria - To qualify as an Applicant, an Alberta SME is required to satisfy the following criteria:

- be a for-profit SME;
- demonstrate the relationship between the Alberta Applicant and the China Industry Partner does not create a conflict of interest;
- have a physical presence in Alberta;
- be a legal entity:
  - incorporated in Alberta; or
  - incorporated federally or in another jurisdiction and extra-provincially registered in Alberta; or
  - a General Partnership, Limited Partnership or Limited Liability Partnership and registered in Alberta;
- have no outstanding balance or otherwise owe money to Alberta Innovates or its subsidiaries;
- demonstrate advanced technology-oriented business developing innovative new products for growing markets.

(b) Project Eligibility Criteria

To qualify for funding all projects must:

- have the participation of at least one China Industry Partner from an eligible jurisdiction;
- fall within the priority areas of technology;
- attend program workshops, matchmaking and program related sessions;
- be completed within two (2) years from project beginning;
- China Industry Partner must register and apply to the local China agencies;
- not be pure research in nature and must have potential for commercialization, including patents;
- intellectual partnership agreement must be in place prior to the start of the project;
- commitment to at least 3 face-to-face meetings during the term of the project.
Program Objectives and Performance Measurement

The ITP Program has wide ranging objectives and impact for Applicants and both jurisdictions. The primary goal of this program is to help Alberta SMEs become more globally competitive by developing innovative technologies in partnership with jurisdiction in China and developing new jobs and economic growth for Alberta.

Over the life of a project, Alberta Innovates employs an active project management philosophy, regularly monitoring performance and supporting the Applicant to reach their objectives. Funding is tied to outcomes and achievement of results. For this reason, Alberta Innovates funds on a milestone completion basis. This means the Applicant is expected to complete a task and submit a progress report before Alberta Innovates advances the next tranche of funds.

Once the project is completed, Alberta Innovates continues to monitor performance to accurately evaluate the economic, social and environmental benefits realized for the province.

All funding agreements outline performance indicators tracked over the course of the project and the responsibilities of the Alberta Applicant to report on outcomes subsequent to the completion of the project. Alberta Innovates also has a common set of performance metrics it monitors, both at the individual project level and for the aggregate program. These are highlighted on the next page.
Objectives and Performance Metrics

SME BENEFITS

- Collaborative technology development in a “non-competitive” environment
- “Soft landing” for international commercialization
- Funding de-risk for technology and commercialization development
- Established pilots in discrete environments
- Long-term business partnerships that extended market access
- Quality human resources and highly qualified people unavailable regionally
- New capital sources for growth
- Alternative markets to guard against regional trends

PROJECT PERFORMANCE INDICATORS

- # of SMEs participating in the Matchmaking
- # of joint applications submitted
- # of successful projects
- SME satisfaction rates
- $ invested in Alberta as a result of the project

ALBERTA OBJECTIVES

- Demand-pull innovation increases success of government investment
- Diversify markets to expand the economy
- Increased industry R&D spending
- Globally competitive SMEs and large scale enterprises

PROGRAM PERFORMANCE INDICATORS

- Revenue growth
- Job growth
- Export growth
- Increase in the number of customers served
- $ invested in Alberta as a result of the program

SHORT TERM

LONG TERM
How Funding Works

(a) Project Funding

The Alberta – China ITP Program will leverage partnerships in these jurisdictions whereby Alberta Innovates is responsible for providing the investment to the Alberta Applicant and the China Funding Partner is responsible for providing funding to the China Industry Partner. The Alberta Applicant is required to match the contribution in equal cash and in-kind resources for the project. The funding structure of the ITP Program promotes the investment having a maximum effect on advancing the technology or innovation solution. The program is a “matching” grant program, whereas each Applicant and China Industry Partner and funding agencies provides equal contributions to the project. The maximum allowable funding per project from Alberta Innovates is $250,000 Canadian. This must be equally matched by the Alberta Applicant with 50% as cash towards the project and 50% in-kind towards the project. The China Industry Partner and China Funding Partner will also equally match the project amount. The total estimated project is up to $1 million Canadian. Note: The China Industry Partner will enter into a funding agreement with the China Funding Partner, with all terms and conditions of that funding agreement are managed by the China Funding Partner.

The successful Alberta Applicant will complete a Milestone, Reporting and Payment Schedule and submit a progress report at the end of each milestone completion. Funding will only be dispersed to the Alberta Applicant at the end of each milestone. The Milestone, Reporting and Payment Schedule document should not be used as a cash flow management tool, but rather reflect the completion of target project milestones and should not exceed 6 milestones over two-year project.

Alberta Innovates encourages co-funding of projects with other funding agencies, but employs a stacking limit to ensure there is sufficient financial commitment from the partner and Applicant. The stacking limit is employed as follows: the maximum level of total government assistance, whether from federal, provincial/territorial, or municipal sources, cannot exceed 75% of the eligible project costs.
(b) Eligible and Ineligible Expenses

Alberta Innovates funds expenses directly attributable to the performance of agreed upon projects. All costs incurred must be critical to the performance of the project, as outlined in the application.

Alberta Innovates only funds reasonable costs incurred subsequent to a signed funding agreement between Alberta Innovates and the Alberta Applicant. Any costs incurred prior to the signing of the funding agreement, or costs greater than market prices are deemed ineligible. Please refer to our standard form funding agreement to get an in-depth understanding of eligible and ineligible costs.

The chart below provides a high-level summary of eligible and ineligible expenses.

If in doubt on eligible or non-eligible cost during the project, contact Alberta Innovates for determination. Please note that these expenses do not reflect allowable expenses as outlined by the China Funding Partner.
## Summary of Eligible and Ineligible Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Eligible Expenses</th>
<th>Ineligible Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Labour</strong></td>
<td>✔ Salary and benefits for new hires, individuals who are specifically working on the project</td>
<td>✗ Overhead costs charged to employee labour rates</td>
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<td></td>
<td>✔ Professional training &amp; development</td>
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<td></td>
<td></td>
<td>✔ Professional fees unless directly related to the project</td>
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<tr>
<td><strong>Materials</strong></td>
<td>✔ Reasonable material costs directly attributed to the project</td>
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</tr>
<tr>
<td><strong>Capital Assets &amp; Software</strong></td>
<td>✔ Capital improvements</td>
<td>✗ Acquisitions of land or buildings</td>
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<tr>
<td></td>
<td>✔ Capital equipment</td>
<td>✗ The undepreciated value of eligible capital costs which extends beyond the project timeframe</td>
</tr>
<tr>
<td></td>
<td>✔ Software or information databases</td>
<td>✗ Duplication of infrastructure, access to facilities, equipment and services in Alberta and China are not eligible</td>
</tr>
<tr>
<td><strong>Note:</strong> Eligible costs will be pro-rated to the project timeframe based on the asset’s expected economic life</td>
<td></td>
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<tr>
<td><strong>Travel</strong></td>
<td>✔ Mileage, lowest economy class airfare, reasonable cost of accommodation and meals where the SME Partner’s place of business is located.</td>
<td>✗ Costs relating to entertainment, hospitality gifts, and meal costs in SMEs place of business</td>
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<td></td>
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<td>✗ Passport or immigration fees</td>
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<tr>
<td></td>
<td></td>
<td>✗ Reimbursement for airfare purchased with personal frequent flyer programs or flight upgrades</td>
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<tr>
<td></td>
<td></td>
<td>✗ Commuting costs between place of residence and place of employment</td>
</tr>
<tr>
<td><strong>Sub-contractors</strong></td>
<td>✔ Costs of Services or products of another entity associated with the project</td>
<td>✗ Costs associated with applying for government grants and programs</td>
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<td></td>
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<td>✗ Provisions for contingencies, technical or professional journals</td>
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<tr>
<td></td>
<td></td>
<td>✗ Routine testing and maintenance</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>✔ Costs which Alberta Innovates pre-approves in writing as an eligible expense</td>
<td>✗ Collection charges, allowance for interest on debt, fines and penalties</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✗ Federal and provincial income taxes, goods and services taxes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✗ Expenses for projects or activities outside the approved Project</td>
</tr>
</tbody>
</table>
HOW TO APPLY

The Alberta – China International Technology Partnership Program is delivered in three phases.

PHASE 1
Solicitation and Matchmaking

The Solicitation phase is to establish the company profiles to share with our China Funding Partners. Alberta SMEs complete a company profile sheet that outlines their company, requirements, and the type of company they are looking to partner with. Alberta Innovates shares the profile sheets with the China Funding Partner to find potential partners. Matchmaking phase – brings SMEs from China and Alberta together for at least 1 matchmaking event in one or both jurisdictions. This gives SMEs the opportunity to meet, have on-site visits and work on building a relationship with the potential partner prior to the application process companies.

PHASE 2
Application & Evaluation

Applicants have six to eight weeks to submit a joint application on their project.

Applications outline the project, the benefits, and the project finances are competitive and address intellectual property (IP) rights.

Applications are measured against nine criteria, including project summaries and project plans.

Applications are reviewed using independent third-party reviewers from each region evaluate and rank the applications.

PHASE 3
Project Management

For approved applications, the Applicant will execute an agreement with Alberta Innovates to proceed with the activities of the Project.

Over the life of the project, Alberta Innovates employs active project management, monitoring performance and supporting the Applicant to reach their objectives.

On-going management, reporting of milestones and payments on each milestone based on success.
EVALUATION PROCESS
During the different phases of the program, Alberta Innovates and the China Funding Partner leverage
internal staff, and external expert reviewers to evaluate applications submitted by the Applicant.
Alberta Innovates and the China Funding Partner retain the sole right to determine the evaluation
process and will not disclose the names of its external reviewers to ensure their objectivity and
impartiality. All external parties are subject to both confidentiality and conflict of interest policies set by
Alberta Innovates.

Innovation is key to economic growth and job creation and will be increasingly important to
Alberta’s competitiveness in the global economy.

TERMS AND CONDITIONS
This Program Guide is intended as a high-level overview of the ITP Program. It provides interested SMEs
with a roadmap of the program processes and benefits. The program guide changes for each round to
accommodate changes in the program. This may include technology areas of priority developed
between the Executive Steering Committee in Alberta and China, the amount and variation of funding
available and the scope of the matching investment.

Alberta Innovates will only provide copies of the application (and should only correspond in writing) to
the person named in the application form as the one authorized to speak for the company.

Once the application is approved for funding, Alberta Innovates will require the Alberta Applicant to sign
our standard form investment agreement including updating the milestone payment and reporting
template. A copy of the investment agreement is available on the Alberta Innovates website. The
investment agreement sets out in detail the roles, responsibilities and obligations of the various parties
to ensure a successful project. Alberta Innovates will not provide any funding until the investment
agreement has been signed by all parties. Each region will enter into individual contracts with their
respective program manager. Alberta Applicant will enter into agreement with Alberta Innovates and
China Industry Partner with the China Funding Partner.

Both Alberta Innovates and the China Funding Partner support the companies thought the process and
help ensure both companies are participating under the terms and conditions of the agreements. Where
possible, Alberta Innovates and the China Funding Partner also act as dispute resolution should issues
arise. Should you have any questions about this guide or what is expected, please contact Alberta
Innovates.

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