PROGRAM GUIDE: THE INDUSTRY r&D ASSOCIATES PROGRAM

PROGRAM OVERVIEW

Background
Competitiveness of Alberta’s Small and Medium Enterprises (SMEs) is enhanced by providing the skills required to ensure the economic viability of a new product, process, or service. Providing supports to commercialize innovation is fundamentally important in establishing globally competitive SMEs and large-scale enterprises within the province.

The Industry r&D Associates Program (the “Program”) was created to provide high potential, high growth SMEs with novel, promising technologies, strong management and an identified product/market fit with in-house professional research and development capability, to advance the Technology Readiness Level and accelerate new product commercialization.

Program Details

Alberta SMEs (the “Applicant”) may be eligible for up to $74,500 per year for up to two years to enable them to employ a highly trained resource (the “r&D Associate” or “Associate”) on a full-time basis. The amount and employment status is dependent on the qualifications of the Associate, and Alberta Innovates’ assessment of the needs of the project.

*The r&D Associate has the advanced technical skills required by the SME to make that last leap from research to a marketable product.*
HOW THE PROGRAM WORKS

An Applicant may apply at any time, as this Program has continuous intake. Applications may be accessed through our Applicant Portal and can be submitted in one or two stages. The support of a Technology Development Advisor (TDA) is strongly recommended.

Eligibility

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

- be a for-profit SME;
- demonstrate the relationship between the Applicant and the Associate does not create a conflict of interest;
- have a physical presence in Alberta;
- meet the following definition of an SME: a company with fewer than 500 Full Time employees, and less than $50,000,000 annual gross revenue;
- 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;
- be in good financial standing with Alberta Innovates and its subsidiaries InnoTech Alberta and C-Fer Technologies; and
- not currently have more than two (2) active Alberta Innovates-funded Associates.

(b) Associate Eligibility Criteria - To qualify as an Associate, the individual must meet the following criteria:

- not currently own, has no right, option or entitlement to purchase more than 15% of the issued and outstanding shares of the Applicant;
- not have been an Associate for the Applicant other than in the case of a re-application;
- not have been employed by the Applicant for more than twelve (12) months prior to the submission date of the Application;
- be in good financial standing with Alberta Innovates and its subsidiaries InnoTech Alberta and C-Fer Technologies and
- intends to live in the Province of Alberta at least for the duration of the Investment in the Project.
(c) Project Eligibility Criteria

To qualify for funding all Projects must:

- must be stepped with critical “go/no go” milestones;
- submit to other criteria that Alberta Innovates may develop from time to time.

Program Objectives and Performance Measurement

The Industry r&D Associates Program is designed to deliver meaningful return on investment to the Province by serving as a catalyst for the commercialization of innovative technology products that generate increased revenue for Alberta SMEs.

Over the life of a Project, Alberta Innovates employs an active project management philosophy, regularly monitoring performance and supporting the Applicant and Associate to reach their objectives. Funding is tied to outcomes and achievement of results. This means the Applicant and Associate are expected to submit a Progress Report before Alberta Innovates advances the second year of funds.

Once Projects are completed, Alberta Innovates continues to monitor performance to accurately evaluate the economic, social and environmental benefits realized for the Province.

All Investment Agreements outline performance indicators tracked over the course of the Project and the responsibilities of the Applicant and Associate to report on outcomes subsequent to the completion of the Project. Alberta Innovates has a common set of performance metrics it monitors, both at the individual Project level and for the aggregated overall Program. These are highlighted on the next page.

R&D Associate Roles

A Level One Associate has completed their education, has skills or experience in a specific field as a research assistant, junior engineer or engineer in training, junior or intermediate researcher or scientist, or a technician or technologist, and is prepared to take a full-time position.

A Level Two Associate has completed their education, has specialized training or experience, and supervisory experience as a clinical trial manager, lab supervisor, senior researcher or scientist, or a senior software developer, and is prepared to take a full-time position.

These descriptions are not exhaustive and Alberta Innovates will consider the needs of the Applicant. A technology professional with more seniority than a Level 2 will also have a high level of business acumen and in this case, the Applicant should apply under the Industry Commercialization Associate Program.
Objectives and Performance Metrics

**SME OBJECTIVES**
- Access to financial resources to accelerate commercialization
- Access to research expertise to progress technology readiness level

**ALBERTA OBJECTIVES**
- Expansion of highly trained personnel in the Province
- Increased industry Business Development activities & Outcomes
- Globally competitive SMEs and large scale enterprises

**PROJECT PERFORMANCE INDICATORS**
- Advancement of SME’s Technology Readiness Level.
- Progress on the commercialization front.
- Satisfaction rates of the SME.

**PROGRAM PERFORMANCE INDICATORS**
- Net jobs created
- Revenue generated
- Exports
- Follow-on investment secured
- Technology progression & scale-up
- Economic diversification
- Socio-environmental benefits to Alberta
How Funding Works

(a) Project Funding

Recognizing a wide range of skills may be required by the Applicant, Alberta Innovates has created two levels of funding, and the Applicant is required to provide a minimum of 25% of the Associate’s salary in cash (the “Contribution”). For example, if the Applicant wishes to receive $75,000 from Alberta Innovates for a Level 2 r&D Associate, the Applicant must contribute at minimum $25,000 cash, making the Eligible Salary $100,000/year.

<table>
<thead>
<tr>
<th>Alberta Innovates Maximum Annual Investment for the Stipend per Level (Paid in monthly installments)</th>
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<tbody>
<tr>
<td>Level 1 Full-Time up to $52,500</td>
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<tr>
<td>Level 2 Full-Time up to $67,500</td>
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Alberta Innovates will also provide an additional $7,000/per year as an Expense Allowance for the Associate.

These amounts are maximums; the Applicant and the Associate may agree on a lower Eligible Salary. In addition, Alberta Innovates encourages the provision of additional cash and/or In-Kind to the Associate by the Applicant but will not provide more than the maximum amount specified in the above table. The Applicant is required to provide a 25% cash Contribution.

(b) Eligible and ineligible expenses

The Expense Allowance is provided to pay Eligible Expenses that are reasonably connected to the Project. Alberta Innovates only funds reasonable costs incurred subsequent to a signed Investment Agreement between Alberta Innovates, the Applicant and the Associate. Any costs incurred prior to the signing of the Investment Agreement, or costs greater than market prices are deemed ineligible. Please refer to our standard form Investment Agreement found on our website to get an in-depth understanding of eligible and ineligible costs.

The chart on the next page provides a high-level summary of eligible and ineligible expenses.
## 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>✔ Expenses related to the search for, and hiring of the Associate excluding recruitment firms.</td>
<td>✗ Overhead costs charged to employee labour rates</td>
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<tr>
<td><strong>Materials</strong></td>
<td>✔ Library and minor equipment costs</td>
<td>✗ Marketing and advertising collateral including, but not limited to banners, business cards, pamphlets, and costs related to trade show booths</td>
</tr>
<tr>
<td><strong>Capital Assets &amp; Software</strong></td>
<td>✔ Software or information databases</td>
<td>✗ Acquisitions of land or buildings</td>
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<tr>
<td></td>
<td></td>
<td>✗ The undepreciated value of eligible capital costs which extends beyond the project timeframe</td>
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<tr>
<td></td>
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<td>✗ Capital Improvements</td>
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<td></td>
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<td>✗ Capital Equipment including, but not limited to office furniture</td>
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<tr>
<td><strong>Travel and Relocation</strong></td>
<td>✔ Reasonable relocation expenses incurred by the Associate moving to commence employment with the Applicant to work on the Project, even when incurred immediately prior to approval of the Application by Alberta Innovates</td>
<td>✗ Costs relating to meals, entertainment, hospitality and gifts</td>
</tr>
<tr>
<td></td>
<td>✔ Trade show exhibition and entrance fees related to specific product or industry</td>
<td>✗ Passport or immigration fees</td>
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<tr>
<td></td>
<td>✔ Reasonable transportation and accommodation expenses for the Associate to attend scientific conferences, and for research collaborations and business meetings related to the Project. Lowest economy class / excursion or other promotional type of air fares must be sought at the time of booking. Accommodation is claimable up to a maximum nightly room rate of $200 (not including applicable taxes)</td>
<td>✗ Reimbursement for airfare purchased with personal frequent flyer programs</td>
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<tr>
<td></td>
<td></td>
<td>✗ Commuting costs between place of residence and place of employment</td>
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<tr>
<td>Other</td>
<td>✓ Professional development and membership fees incurred for the benefit of the r&amp;D Associate</td>
<td>✗ Collection charges, allowance for interest on debt, fines and penalties</td>
</tr>
<tr>
<td></td>
<td>✓ Costs which Alberta Innovates pre-approves in writing as an eligible expense</td>
<td>✗ Federal and provincial income taxes, goods and services taxes</td>
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<td></td>
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<td>✗ Expenses for projects or activities outside the approved Project</td>
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<td></td>
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<td>✗ Costs associated with applying for government grants and programs</td>
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<tr>
<td></td>
<td></td>
<td>✗ Costs which Alberta Innovates deems ineligible at its sole discretion</td>
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HOW TO APPLY

STAGE 1
Applicant and Opportunity

The Applicant should have engaged a Technology Development Advisor prior to submitting an Application.

The Applicant may apply with or without the selection of a specific Associate at Stage 1. If only Stage 1 is submitted, the Application is evaluated for the Applicant and opportunity of the Project.

If approved at Stage 1 only, the Applicant will have six months to submit the Associate and Project sections of the Application.

STAGE 2
Associate and Project

The Applicant may submit the selected Associate and Project description together with Stage 1. However, if only Stage 1 was submitted and approved, the Applicant has six months to complete Stage 2. At Stage 2, the Application is evaluated on the Associate’s suitability and the Project work plan.

If both Stages are submitted together, the Application will be evaluated in its entirety.

STEP 3
Project Management

For approved Applications, the Applicant and the Associate will execute an Investment Agreement with Alberta Innovates to proceed with the activities of the Project.

On-going management, progress reporting on achievement of the objectives.

A TDA will be assigned to the Project if one not already engaged.

Alberta Innovates continues to require reports from the Applicant for five years following the completion of the Project to measure long-term benefits.
EVALUATION PROCESS

Alberta Innovates leverages internal staff and external expert reviewers to evaluate Applications submitted by SMEs. Alberta Innovates evaluates promising technologies based on a variety of common business and technical factors such as: the management team, market conditions, competitive advantage and product/market fit, go to market plan, financials, technical feasibility and export potential.

Alberta Innovates retains the sole right to determine the evaluation process and does 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.

An Applicant whose Application is declined by Alberta Innovates may, on a one-time basis, re-apply to Alberta Innovates to address and correct any deficiencies or issues. 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 re-application where the Project or technology is the same.

TERMS AND CONDITIONS

This Program Guide is intended as a high-level overview of the Industry r&D Associates Program. It provides interested SMEs with a roadmap of what to expect over the lifecycle of a r&D Associate’s Project, from the Application stage, during the Project, and post-completion. Please be aware Alberta Innovates may modify this guide from time to time in keeping with any changes to the program.

Alberta Innovates will only correspond in writing and provide copies of the Application to the person named in the Application form as the one authorized to speak for the Applicant.

Once we have evaluated and approved Application for funding, Alberta Innovates will require the Applicant to sign a standard form Investment Agreement. A copy of the Investment Agreement is available on the Alberta Innovates website’s Industry r&D Associates Program Webpage. 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.

CONTACT INFORMATION

Should you have any questions about this guide or the Industry r&D Associates Program in general, please contact Alberta Innovates at inbox_grants@albertainnovates.ca.

To reach the Technology Development Advisor closest to you, please visit our website at https://connectwithus.albertainnovates.ca

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