

---

# PROGRAM GUIDE: PRODUCT DEMONSTRATION PROGRAM (PDP)

## PROGRAM OVERVIEW

### Background

The creation of new products and commercializing innovation is critical to Alberta's global competitiveness. Reducing time to market and making commercialization an explicit priority for technology and knowledge-based research and development is an important part of product development.

Having a strategic alliance, partner or real-world product demonstration to take technology from prototype to sale has been identified as a critical success factor for technology commercialization. In response, Alberta Innovates ("AI") developed the Product Demonstration Program ("PDP" or the "Program") to encourage high potential, high growth SMEs with novel, viable technologies, strong management and a validated product/market fit to find strategic product demonstration opportunities or form alliances ("Strategic Partner(s)"). The purpose is to create a working, at scale demonstration to trial, pilot or prove the technical and business merit for potential clients.

PDP is part of a suite of SME funding programs focused on the commercialization of these technological solutions funded by the Government of Alberta, Ministry of Economic Development and Trade, and administered by Alberta Innovates.

### Program Details

Alberta SMEs (the "**Applicant**") may be eligible for up to \$300,000 in funding over a maximum two-year term. The amount is dependent on the identified project needs and Alberta Innovates' assessment of those needs. Alberta Innovates' investment is driven by demonstrating the successful completion of agreed upon milestones.

Within the course of a Project the Applicant is expected to finalize the development of the existing prototype and demonstrate that prototype to potential customers or distribution partners in an operational environment, with sufficient momentum to take the technology to commercialization.

Each Project must have a minimum of one strategic alliance or host for a demonstration to facilitate prototype field testing, and/or provide the Applicant access to supply and sales channels and provide the Applicant access to potential customers. The intent of the program is to fund product demonstration with or to alliances that have indicated a reasonable intent to purchase or distribute based on successful completion of the product demonstration.

---

*The result is a focused, business-to-business partnership, allowing the Applicant to access key resources, which can help push the product to commercialization.*

---

## HOW THE PROGRAM WORKS

An Applicant may apply at any time, as this Program has continuous intake. The support of a [Technology Development Advisor](#) is strongly recommended, and Applications may be accessed through our [Applicant Portal](#).

### 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 Applicant and Strategic Partner 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; and
- be in good financial standing with Alberta Innovates and its subsidiaries, InnoTech Alberta and C-Fer Technologies.

## (b) Project Eligibility Criteria

To qualify for funding all Projects must:

- have the participation of at least one product demonstration alliance, host or partner (“Strategic Partner”) who has indicated intent to purchase or distribute on successful completion of the Project;
- be stepped with critical “go/no go” milestones;
- be completed within the two (2) year term; and
- submit to other criteria that Alberta Innovates may develop from time to time.

## Program Objectives and Performance Measurement

The Product Demonstration Program is designed to deliver meaningful return on investment to the Province by serving as a catalyst for the commercialization of innovative technology products for export that generate jobs, diversify the economy, and result in increased revenue for Alberta technology SMEs.

---

*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. This means the Applicant is expected to submit a Progress Report before Alberta Innovates advances the next tranche of funds.*

---

Once Projects are completed, Alberta Innovates continues to monitor performance for five (5) years 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 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 aggregate Program. These are highlighted on the next page.



# Objectives and Performance Metrics



## SME OBJECTIVES

**Build a relationship with a Strategic Partner to leverage their:**

- Mature supply chain and distribution channels;
  - Financial resources or valuable in-kind contributions (eg field equipment);
  - Influence on the target market in some capacity;
  - Opportunity to develop and demonstrate their prototype to a potential customer.
- Make their first sale.**

## STRATEGIC PARTNER(S) BENEFITS

- Access innovation to **solve operational challenges** for itself or its customers.
- Develop **additional business relationships**.
- Potential to **expand** its supply and distribution channels.
- De-risk exposure** to new technology by leveraging Alberta Innovates resources and expertise.
- Increase global competitiveness.

SHORT TERM



## PROJECT PERFORMANCE INDICATORS

- Advancement** of SME's Technology Readiness Level.
- Progress** on the commercialization front.
- Satisfaction rates** of the SME and Project Partner(s).
- Financial investment** in Alberta as a result of the project.



## 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

LONG TERM



## ALBERTA BENEFITS

- Incentivize potential customers to be Strategic Partners by collaborating with SMEs to develop and demonstrate technology prototypes.
- Create **globally competitive technology or knowledge based SMEs** and large-scale enterprises.

## How Funding Works

### (a) Project Funding

The Program is a “matching” Program, meaning Alberta Innovates will match the Applicant’s contributions to the total eligible Project Costs, to a maximum Investment of \$300,000. Of the matching funds from the Applicant, a minimum of 50% must be in cash with the balance may be in-kind contributions (collectively, the “Contribution”). The funds are provided to cover Eligible Expenses only. Alberta Innovates’ Investment is dispersed upon receipt and approval of a Progress or Final Report, over the maximum two-year term.

---

*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 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 only funds reasonable costs incurred subsequent to a signed Investment Agreement between Alberta Innovates and the Applicant. Any costs incurred prior to the signing of the Investment Agreement, or costs greater than market prices are deemed ineligible. Costs must be incurred between arm’s length entities. 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

Category	Eligible Expenses	Ineligible Expenses
<b>Labour</b>	<ul style="list-style-type: none"> <li>✓ Labour costs for those individuals specifically identified as working on the Project</li> </ul>	<ul style="list-style-type: none"> <li>✗ Overhead costs charged to employee labour rates</li> <li>✗ Professional training &amp; development</li> <li>✗ Professional fees unless directly related to the Project</li> </ul>
<b>Materials</b>	<ul style="list-style-type: none"> <li>✓ Reasonable material costs directly attributed to the Project</li> </ul>	<ul style="list-style-type: none"> <li>✗ Sales and marketing collateral</li> </ul>
<b>Capital Assets &amp; Software</b>	<ul style="list-style-type: none"> <li>✓ Capital improvements</li> <li>✓ Capital equipment</li> <li>✓ Software or information databases</li> </ul>	<ul style="list-style-type: none"> <li>✗ Acquisitions of land or buildings</li> <li>✗ The undepreciated value of eligible capital costs which extends beyond the Project term</li> </ul>
<b>Travel</b>		<ul style="list-style-type: none"> <li>✗ Costs relating to travel (including mileage and accommodation), meals, entertainment, hospitality and gifts</li> <li>✗ Passport or immigration fees</li> <li>✗ Reimbursement for airfare purchased with personal frequent flyer programs</li> <li>✗ Commuting costs between place of residence and place of employment</li> </ul>
<b>Sub-contractors</b>	<ul style="list-style-type: none"> <li>✓ Services or products of another entity</li> </ul>	
<b>Other</b>	<ul style="list-style-type: none"> <li>✓ Costs which Alberta Innovates pre-approves in writing as an eligible expense</li> </ul>	<ul style="list-style-type: none"> <li>✗ Costs associated with applying for government grants and programs</li> <li>✗ Provisions for contingencies</li> <li>✗ Technical or professional journals</li> <li>✗ Routine testing and maintenance</li> <li>✗ Advertising costs</li> <li>✗ Collection charges, allowance for interest on debt, fines and penalties</li> <li>✗ Federal and provincial income taxes, goods and services taxes</li> <li>✗ Expenses for projects or activities outside the approved Project</li> <li>✗ Costs Alberta Innovates deems ineligible at its sole discretion</li> </ul>

## HOW TO APPLY



### **STEP 1** Sourcing Strategic Partner(s)

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

The Applicant identifies and obtains letters of interest or quotes from alliance members, distributors, partners, or future potential customers who can:

- Provide access to distribution channels;
- Provide services or location required to develop and test prototypes; and/or
- Have a need for the successful final product and be interested in being first customer.



### **STEP 2** Application & Evaluation

Alberta based SMEs can submit their Applications online at any time.

Applications outline the Project, the participation of Strategic Partners, the benefits, the Applicant's business readiness, and the Project finances.

Alberta Innovates merit review focuses on the opportunity, and assesses the likelihood of first sale, overall success and size of the return to Alberta against the Performance Indicators listed on page 4.



### **STEP 3** Project Management

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

On-going management, reporting of milestones and payments on each milestone based on achievement of the objectives.

Alberta Innovates continues to require information from the Applicant for five years following the completion of the Project in order to measure long-term benefits.

## EVALUATION PROCESS

During the different phases of the Program, Alberta Innovates leverages internal staff and external expert reviewers to evaluate Applications submitted. 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 Program. It provides interested applicants with a roadmap of what to expect over the lifecycle of a Product Demonstration Project, from the announcement of the Program, through the Application stage, during the Project and post-completion. Should you have any questions about this Guide or what is expected, please contact Alberta Innovates. 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 an Application for funding, Alberta Innovates will require the Applicant to sign our standard form Investment Agreement. 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.

Alberta Innovates will only fund Applicants who have satisfied all eligibility criteria. Meeting the eligibility criteria does not guarantee access to funding, and all funding decisions will be made by Alberta Innovates at its sole discretion.

## DIVERSITY, EQUITY, AND INCLUSION (DEI)

We believe the Alberta research and innovation (R&I) ecosystem is stronger and more sustainable when it is broadly reflective of the overall diversity of our community. Alberta Innovates strives to ensure all interested and qualified parties have an equitable opportunity to participate and contribute.

Historically, there have been a number of groups/populations that have been under-represented in the Alberta R&I landscape including:



- Women entrepreneurs/researchers;
- Indigenous entrepreneurs/researchers;
- Remote/small community entrepreneurs/researchers; and
- New immigrant entrepreneurs/researchers.

We are guided by the principles of:

- Diversity – both internal and external participants to our processes are comprised of a varied composition of demographics;
- Equity – our processes support equal access across all demographics; and
- Inclusivity – our processes proactively work to include underrepresented segments of the R&I landscape.

Accordingly, as part of its commitment to Diversity, Equity and Inclusion (DEI), Alberta Innovates will request Applicants' permission to:

- Collect data in the Application on a voluntary basis to better understand diversity;
- Provide Application navigation support to Applicants from under-represented groups; and
- Integrate a DEI focus into its due diligence processes including striving to have diverse review committees to foster unbiased decision making.

## CONTACT INFORMATION

Should you have any questions about this Guide or the Product Demonstration Program in general, please contact Alberta Innovates at [inbox\\_grants@albertainnovates.ca](mailto:inbox_grants@albertainnovates.ca).

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

**Version 6.0 – April 2020**