
PROGRAM GUIDE: ALBERTA DIGITAL TRACTION PROGRAM

PROGRAM OVERVIEW

Background

Alberta's Digital Small and Medium Size Enterprises (SME's) are recognized as an integral component to diversifying and building the Alberta economy. We define a Digital SME as any SME that relies on software development as core to one or more of its products and/or services and intends to rapidly scale in the global marketplace.

The Alberta Digital Traction Program is designed to fill a gap identified in the Alberta entrepreneur ecosystem for Alberta's Digital SME's striving to achieve traction to grow into scaling, global, digital firms. Traction is measured through customer metrics such as customer acquisition, activation, retention, referral and ultimately revenue. It demonstrates product/market fit to investors and potential for exponential growth. Active customer discovery throughout product development are essential to gain traction and product/market fit.

The Alberta-Digital Traction Program (the "Program") provides high potential, scaling, digital SMEs access to small amounts of non-dilutive funding and business coaching. Understanding the importance of customer discover and setting traction goals will de-risk innovation and allow SMEs to pivot, pause or move on to the next opportunity quickly. We designed this program to align with our focus on digital enabled innovation, ecosystem support and to diversify and grow the Alberta economy.

Who can apply?

Applicant Eligibility Criteria - To qualify as an Applicant,

- be a for-profit SME;
- have a letter of support from an ecosystem reference (defined below) or a TDA;
- demonstrate the relationship between the Applicant and ecosystem reference does not create a conflict of interest;
- have a founding team larger than one;
- be an Alberta-based company with an Albertan footprint, which is determined by the following: significant physical and corporate operational presence in Alberta, appropriate Alberta ownership, and discernible intent that operational benefits will flow primarily within the province of Alberta; a

company with fewer than 50 Full Time employees, and less than \$1,000,000 annual reoccurring revenue;

- be a legal entity with up to date corporate filings¹:
 - 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
- demonstrate previous investment into the company by the founding team

The Applicant must have a letter of recommendation from an approved Alberta-based entrepreneur program or a Technology Development Advisor to be eligible for funding. You'll find the current approved list of entrepreneur programs on our [website](#).

We designed this program for Digital SME's at the validating stage of their [journey](#) not receiving funding from other Alberta Innovates programs.

The ideal Applicant will have:

- a minimum viable product (MVP) to test with customers
- performed preliminary customer discovery work to inform the development
- a technology that could scale up in one to two years, if successful
- digital technologies employed in an innovative way and/or with proprietary features to allow for a competitive advantage over existing solutions
- no significant capital or regulatory barriers, not addressed by the Project, that may be better addressed by other funding resources
- completed a lean canvas, business model canvas, or similar tools to demonstrate an understanding of the problem to be solved and the customer profile
- a traction roadmap or similar tool to demonstrate customer acquisition targets for the next three years and what is required to get to those targets

Funding Structure

Alberta Digital SME's (the "**Applicant**") may be eligible for up to \$50,000 in funding over a maximum one-year term. We require the applicant provide a minimum 25 percent cash contribution over the length of the project. For example, Total Project Costs, as defined in the Application form, will be to a maximum of \$66,666 with \$16,666 as matching investment from the Applicant and \$50,000 from Alberta Innovates. Project funding starts upon execution of the Investment Agreement. The funds are provided to cover Eligible Expenses only.

We will provide funding at the completion of each milestone except for the first milestone where a partial payment, up to \$10,000, will be released upon execution of the Investment Agreement.

¹ Please note, Alberta Innovates will perform a corporate search and may also seek bankruptcy and litigation searches.

Projects will have three milestones. Individual milestones cannot exceed \$20,000, to a maximum of \$50,000 for all three.

Project milestones are based on business outcomes, with activities required to reach those milestones developed in an agile fashion, or development sprint, throughout the funding term. Milestone payments and a decision to continue with the project will be made based on Alberta Innovates' assessment of successful achievement of the milestone.

Successful Projects will require close collaboration between the Applicant and their Technology Development Advisor (**TDA**) for milestone approval. Contact with a TDA is encouraged prior to applying however a TDA can be assigned after approval.

What can the funding be used for?

Project Eligibility Criteria – To qualify for funding all Projects must:

- have the first milestones activities identified to a maximum of \$15,000;
- have three defined business milestones to be reached during the term of the project to measure progress;
- be completed within the one-year term; and
- submit to other criteria that Alberta Innovates may develop from time to time.

Third party contractors, including developers, should be sourced locally unless the resources don't exist in Alberta or there is a strong business need presented in the application to connect nationally or internationally to achieve business outcomes. Contractors must be legally permitted to enter, remain in, and perform the services in Canada during the Project Term.

Project activities included in a milestone may include:

- (a) Customer and/or client discovery;
- (b) Digital market assessment and segmentation analysis;
- (c) Data-driven, online market assessment testing;
- (d) Product development based on client feedback;
- (e) Advanced market assessment or segmentation analysis;
- (f) Advanced sales and/or marketing strategies; or

Eligible and ineligible expenses

We only fund reasonable costs incurred after the effective date on an Investment Agreement signed by Alberta Innovates and you. Any costs incurred prior to the effective date in the Investment Agreement, or costs greater than market prices are deemed ineligible. Costs must be incurred between arm's length entities.

Applicant employee salary costs (including T4 or contract employees) can be covered to a maximum rate of \$50/hr. Founders (more than 15 percent equity in the Applicant company) may claim salary costs for work directly related to the Project to a maximum of 50 percent of the total Alberta Innovates Investment.

Service providers must be at arm's length from the Applicant; they cannot have any legal relationship with the Applicant (including equity, convertible debt, shareholder, or beneficiary of the current application).

Please refer to our standard form Investment Agreement found on our [website](#) to get an in-depth understanding of eligible and ineligible costs.

Milestones will be linked to business outcomes including traction metrics and customer discovery outputs. Once a milestone is completed, the next milestone's activities may be adjusted based on previous learnings.

HOW TO APPLY



STEP 1 Pre-Application Connection

Applicants connect with an Ecosystem Reference Program through the Regional Innovation Network and/or a Technology Development Advisor for a letter of support.



STEP 2 Application and Evaluation

Applicant submits their Application online.

Applications outline current state of the opportunity, Applicant's management and project team, business outcomes for three milestones, activities for the first Milestone of the Project, and the Applicant's current financial state.

Alberta Innovates' merit review focuses on the recommendation from the Ecosystem, the business opportunity, the founding team, financial position, the project and the overall success and size of the return to Alberta against the Performance Indicators listed on page 4.



STEP 3 Project Management and Follow-up

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

The Investment Agreement will include items such as reporting on milestones and payment terms based on performance.

TDA's will monitor the progress of the project and provide coaching to the Applicant.

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

Program Objectives and Performance Measurement

The Alberta-DT program is designed to pilot a new funding mechanism for digital SME's to catalyze their journey of customer discovery and product validation (milestones) towards product/market fit or quickly come to a decision to stop, pause for more information, or pivot to reallocate resources to the next best problem to be solved.

Over the life of a project, Alberta Innovates and the Technology Development Advisor employ an active project management philosophy, regularly monitoring performance and supporting the Applicant to reach their objectives.

Once projects are completed, we will continue 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.

The Alberta-DT Program contributes to the strategic outcomes of Alberta Innovates by accelerating high potential digital company growth to achieve economic and social impact for Alberta.

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



APPLICANT BENEFITS

- Access to business expertise to accelerate commercialization
- Access to capital to advance business metrics towards product/market fit
- Advancement in traction and customer discovery acumen

SHORT TERM



SHORT TERM PROGRAM OUTCOMES

- Advancement of SME's Product/market fit knowledge
- Advancement of business traction

SAMPLE OF PERFORMANCE INDICATORS

- SME progression along client journey
- SME milestone attainment
- New customer acquisition, activation, retention & referral
- SME Satisfaction rate



MID / LONG TERM PROGRAM OUTCOMES

- Improved entrepreneurial ecosystem supports and collaboration
- Increased adoption and commercialization of digital technologies and products

SAMPLE OF PERFORMANCE INDICATORS

- New Digital SME jobs created
- Digital SME revenue growth
- Digital SME export growth
- \$ Equity investment and capital raised
- Digital SME survival rate
- Digital SME Follow-on investment

LONG TERM



ALBERTA STRATEGIC OUTCOMES

- Enable digital technology and platforms
- Commercialize digital innovations

EVALUATION PROCESS

During the different phases of the program, we leverage internal staff and may also engage external expert reviewers to evaluate the Applications submitted.

We retain 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.

The assessment criteria and all investment decisions are at the sole discretion of Alberta Innovates.

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 an Alberta-DT 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 we may modify this guide from time to time in keeping with any changes to the program.

We 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, we require the Applicant to sign our standard form Investment Agreement. A copy of the Investment Agreement is available on our [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.

EQUITY, DIVERSITY AND INCLUSIVITY (EDI)

We believe the Research and Innovation ecosystem is stronger and more sustainable when it is broadly reflective of the overall diversity of our community and therefore we embrace the principles of Equity, Diversity and Inclusivity.

CONTACT INFORMATION

Tracey Kelly, Business Partner, Regional Innovation

Email: Tracey.Kelly@albertainnovates.ca

Version 1.4 –Sept 2021