



# Digital Traction Program

*July 6, 2022*

## *Continuous Intake*

### **About Alberta Innovates**

Innovation is the catalyst for sustainable jobs, economic and community strength, improved health and environmental benefits. [Alberta Innovates](#) leads and accelerates innovation from discovery to use across all sectors in all parts of the province. As Alberta's largest research and innovation agency, we are uniquely positioned to propel great ideas forward to improve the lives of Albertans today and for generations to come.

Alberta Innovates believes the research and innovation (R&I) ecosystem is stronger and more sustainable when it is broadly representative of the overall diversity of our community. We strive to ensure that all interested and qualified parties have an equitable opportunity to participate and contribute to the ecosystem and that our processes are inclusive.

The projects that our programs invest in are critical to how Alberta Innovates achieves positive impact for Albertans in alignment with the Government of Alberta's R&I priorities, as expressed in our corporate Business Plan. (See the most recent Business Plan on our [Publications](#) page on our website.) Accordingly, it is essential for project outcomes to align with those of the program.

The Digital Traction Program is managed through the Entrepreneurial Investments business unit within Alberta Innovates. Entrepreneurial Investments supports innovation across all sectors in Alberta by providing Coaching, Community, and Capital to Alberta businesses commercializing new technology with the goal to grow the province's economy.

## Program Overview

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 (the "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 is essential to gain traction and product/market fit.

The Program provides high-growth potential, scaling, digital SMEs access to small amounts of non-dilutive funding and business coaching. Understanding the importance of customer discovery 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.

The objectives of the Digital Traction Program are to:

- Accelerate commercialization,
- Advance business metrics towards product/market fit,
- Grow traction and customer discovery acumen.

The key outcomes (i.e., measurable effects) the program will accomplish for the benefit of Albertans are:

- Increased adoption and commercialization of digital technologies and products,
- Improve Digital SME survival rate, revenues and exports,
- Expand follow-on investment, equity investment and capital raised.

## Funding

The Program provides support for up to \$50,000.

- Funding is for a maximum one-year project term.
- The applicant is required to contribute a minimum of 25 percent for each milestone.

- Up to \$10,000 will be paid upon execution of the investment agreement towards the first milestone.
- Funding is paid directly to the applicant and disbursed upon receipt and approval of a three consecutive milestone-based reports. Funding disbursement is as follows:
  - Milestone 1: Alberta Innovates contribution up to a maximum of \$15,000 (includes payment upon execution of agreement, up to \$10,000)
  - Milestone 2: Alberta Innovates contribution up to \$20,000
  - Milestone 3: Alberta Innovates contribution up to \$20,000

Note, applicant employee salary costs (including T4 or contract employees) can be covered to a maximum rate of \$50/hr. Founders, holding 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 per milestone.

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.

Alberta Innovates only funds reasonable costs incurred after an Investment Agreement is signed by Alberta Innovates and the Applicant. Any costs incurred prior to the signing of the Investment Agreement, and costs greater than market prices, are ineligible. Costs must be incurred between arm's-length entities. Please refer to Schedule C in the Investment Agreement posted on the [Digital Traction web page](#) for detailed information, including eligible and ineligible expenses.

## Key Dates

The Applicant may apply at any time, as this Program is open for continuous intake.

## Eligibility

We designed this program for Digital SMEs at the validating stage of their [journey](#); it is highly recommended that applicants are not receiving funding from other Alberta Innovates programs at the time of application.

### The ideal applicant will have:

- a minimum viable product (MVP) to test with customers,
- not previously received Digital Traction funding,
- performed preliminary customer discovery work to inform the development,
- a digital technology employed in an innovative way and/or with proprietary features to allow for a competitive advantage over existing solutions,
- a digital technology that could scale up in one to two years, if successful,
- 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, and
- 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.

Project activities are developed in an agile fashion or development sprint to achieve milestone outcomes. Once a milestone is completed, the next milestone may be adjusted based on previous learnings.

## Applicant Eligibility

The Digital Traction Program is open to For-Profit Organizations

In addition, to qualify for funding, the Applicant must:

- Exist as a corporate person, with up-to-date corporate filings;
- Be authorized to undertake the proposed project, and execute a grant with Alberta Innovates on our standard terms; and
- Not otherwise be prohibited from receiving Alberta Innovates funding, for instance due to a past bad debt or otherwise not be in good financial standing with Alberta Innovates or its subsidiaries, InnoTech Alberta and C-FER Technologies.
- Be incorporated in Alberta AND/OR incorporated in another jurisdiction and extra-provincially registered in Alberta;
- Be a General Partnership, Limited Partnership or Limited Liability Partnership and registered in Alberta.

- Companies must be Alberta-based with an Alberta footprint, which includes a 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.
- Have fewer than 50 full-time employees, and less than \$1,000,000 annual reoccurring revenue.
- Have a founding team and/or advisors.
- Demonstrate previous investment into the company by the founding team.

**Please note:** For Applicants that are **not** post-secondary institutions, Alberta Innovates may perform corporate, bankruptcy and litigation searches, and conduct other forms of due diligence on the Applicant company and its principals.

## Service Provider Eligibility

Service Providers are required to:

- Demonstrate that the relationship between the Applicant and the service provider does not create a conflict of interest
- Be at arm's length from the Applicant (i.e., no legal relationship with the Applicant including equity, convertible debt, shareholder, or beneficiary of the current application)

**Note:** For partners, collaborators and/or service providers that are **not** post-secondary institutions, Alberta Innovates may perform corporate, bankruptcy and litigation searches, and other forms of due diligence.

## Project Eligibility

To qualify for funding, all Projects must:

- Align with the objectives of the Digital Traction Program,
- Have a Project Start Date at least forty-five (45) days from the application submission date,
- Have the first milestone activities identified to a maximum of \$15,000,
- Have no more than three defined milestones based on business and technical outcomes to be reached during the project term,
- Be completed within a one-year term;
- Comply with other criteria that Alberta Innovates may develop from time to time.

## Project Expenses

Schedule C in the [Investment Agreement](#) outlines the eligible and ineligible expenses for projects in the Digital Traction Program.

# How to Apply

The Program will accept applications on a continuous basis



## PHASE 1 Pre-Application Connection

All interested Applicants must engage with a [Technology Development Advisor \(TDA\)](#) prior to applying online. TDAs provide guidance and coaching and assess an applicant's Digital Traction readiness. They can recommend suitable alternative Alberta Innovates funding programs and help direct applicants to external funding opportunities.



## PHASE 2 Application and Evaluation

Access and submit application form on the [online application portal](#) at any time.

Applications outline:

- Current state of the opportunity,
- Applicant's management and project team,
- Business and technical outcomes for three milestones,
- Activities for the first Milestone of the Project, and
- The Applicant's current financial state; please refer to the [Financial Documents Resource](#) on the program webpage for details.



## PHASE 3 Monitoring and Reporting

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

- TDAs will monitor the progress of the project and provide coaching to the Applicant.
- Reporting includes Progress Reports (2) and Final Report (1).

## Evaluation Process

All applications are reviewed and evaluated to determine fit with the Digital Traction objectives and intended outcomes. Alberta Innovates staff and external expert reviewers are engaged to evaluate Applications.

Alberta Innovates evaluates submitted Applications to the Digital Traction Program based on the business opportunity, the founding team, financial position, the project and the overall success and size of the return to Alberta against the Performance Outcomes.

Alberta Innovates retains the sole right to determine the evaluation process and assessment criteria and does not disclose the names of its reviewers to ensure their objectivity and impartiality. Internal and external parties involved in the evaluation are subject to confidentiality and conflict-of-interest policies set by Alberta Innovates.

All investment decisions are at the sole discretion of Alberta Innovates.



## Performance Measurement

Alberta Innovates invests in research and innovation activities on behalf of Albertans to help build a healthier, more sustainable and prosperous future for the province.

To maximize the impact of these investments, our funding is tied to achievement of results and outcomes. For this reason, Alberta Innovates funds on a milestone completion basis. This means the Applicant must submit a Progress or Final Report and demonstrate sufficient progress before Alberta Innovates advances the next milestone payment.

The Investment Agreement outlines the responsibilities the Applicant has in reporting Project outcomes to Alberta Innovates over the course of the Project and following completion of the Project. Outcomes of the Project may be monitored for up to five years after Project completion, so Alberta Innovates can evaluate the economic, social, health and/or environmental benefits to Alberta resulting from our investments.

Alberta Innovates has a common set of performance metrics it monitors, both at the individual Project level and for the aggregate Program. These metrics may evolve over time.

## Terms and Conditions

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](#) for your reference.

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.

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.

Should you have any questions about this guide or what is expected, please contact Alberta Innovates (see contact information below). Please note that Alberta Innovates may modify this guide from time to time in keeping with any changes to the program.

## Contact Information

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