

ALBERTA INNOVATION VOUCHER PILOT PROGRAM

QUESTIONS AND ANSWERS

INFORMATION FOR APPLICANTS

1. When can a business apply for an Alberta innovation voucher?

Businesses can apply for an innovation voucher starting October 26 by downloading an application from www.technology.gov.ab.ca. The application deadline is November 20, 2009.

2. When will applicants know if they've received a voucher?

All applicants will be notified of their status in early 2010 followed by a public announcement and online publishing of the list of voucher recipients.

3. How many innovation vouchers will be awarded?

This depends on the number and quality of applications received. In the first round, 93 vouchers worth up to \$10,000 and 86 vouchers worth up to \$50,000 were awarded.

4. Has the program changed since it was first announced in November 2008?

Based on the lessons learned during the program's first round, some changes will be made to ensure the program continues to remain flexible and meets the needs of business:

- The application form has been updated to allow applicants to save and print a copy for their records or to share with prospective service providers.
- The application window has been reduced from eleven to four weeks in response to requests from applicants. This will allow award decisions to be made sooner.
- The approved service provider list has been updated to include additional information about the service providers and what services they can provide.

5. Where can innovation vouchers be redeemed?

Innovation vouchers can only be redeemed at approved service providers across Alberta. A list of approved service providers can be found at www.technology.gov.ab.ca.

6. What's an approved service provider and where do I find more information about them?

An Approved Service Provider is an organization that provides innovation support services (such as business services, prototyping and testing services, intellectual property management, etc.) and has an agreement with Advanced Education and Technology under the Voucher Program. During the program's pilot, Approved Service Providers include universities, colleges, research institutions and other publicly funded and non-/not-for-profit organizations that have the expertise and capacity to provide the required services under the program. More information on Approved Service Providers can be found online at www.technology.gov.ab.ca under the Innovation vouchers link.

7. Why can't I use my voucher wherever I want?

The purpose of the program is to assist innovators in bringing ideas to market and to encourage partnerships with organizations within Alberta's innovation system. Approved Service Providers have a wealth of resources for entrepreneurs and can help businesses determine what the best "next steps" are in commercializing their products or services. If the requirements of a project falls outside of the expertise or capacity of the Approved Service Providers, the work can be sub-contracted (through an Approved Service Provider) to for-profit organizations, including those who operate outside of Alberta.

8. Who can apply for a Voucher?

The Innovation Voucher Pilot Program is open to small businesses operating in Alberta that require the assistance of an Approved Service Provider to bring a new product or service to market.

Businesses must meet the program's eligibility criteria:

- The applicant's business is a technology or knowledge driven business developing new products or services for growing markets.
- The applicant's business must have a gross revenue of \$5,000,000.00 or less in its immediately preceding fiscal year and has fewer than 51 employees.
- The applicant's business must be registered in Alberta or Canada and undertake more than 50 per cent of its business activity in Alberta and will continue to do so for the next 18 months.
- The applicant must not have previously been awarded a Voucher in the amount being applied for. This includes vouchers that have been received by the applicant but never used.

Businesses must also commit at least 25 per cent of the overall project costs, excluding any in-kind contributions.

9. How does a business apply for a voucher?

Starting October 26, businesses can visit www.technology.gov.ab.ca to download the application form. Before a business applies they should read the program criteria which is available on the website and speak with an Approved Service Provider to discuss their project.

10. How will businesses be informed about the application window?

The second round of the program will be communicated through advertisements in local newspapers, e-mail to stakeholders and Approved Service Providers and information posted online at www.technology.gov.ab.ca. Advanced Education and Technology will be offering an information session to interested companies and service providers across the province via the Community Futures video conferencing network on October 20. Please visit the webpage for additional information.

11. What type of services can a voucher be used for?

The use of technology to move concepts to commercialization.

- Specialized business and professional services required to commercialize a product or service. This includes services such as those required for protection of intellectual property, development of business plans and market studies for innovative products and services.
- Specialized services required to obtain pre-commercial seed and venture capital financing for new and innovative high-tech products and services.
- Specialized services required to access unique human resource expertise.
- Product testing, certification and demonstration necessary to move product and/or service to market

12. Under what circumstances would a voucher be worth less than the full amount of \$10,000 or \$50,000?

It depends on the project cost. Innovations vouchers can be used as partial payment (75% of the total eligible cost of the services received or the maximum value of the voucher, whichever is less) for services received at approved service providers. For example:

Voucher with a Value up to \$10,000		
Project Cost	Amount Voucher Can Be Used For	Contribution From Business
\$8,000	\$6,000	\$2,000
\$13,335	\$10,000	\$3,335
\$15,000	\$10,000	\$5,000

Voucher with a Value up to \$50,000		
Project Cost	Amount Voucher Can Be Used For	Contribution From Business
\$44,000	\$33,000	\$11,000
\$66,700	\$50,000	\$16,700
\$80,000	\$50,000	\$30,000

The formula was chosen because the intent of the program is to assist businesses that are strongly committed to achieving success and willing to apply their own funds to their project. The program is a three-way partnership between business, government and service providers.

13. Why are there two denominations of vouchers?

The two denominations are intended to aid different levels of business activity:

- A voucher to a maximum value of \$10,000 is for smaller fee-based services such as marketing studies, business advice, company formation, intellectual property advice, etc.
- A voucher to a maximum value of \$50,000 is for more substantial technology development activity such as product prototyping, lab verification, field testing, etc.

Through consultation with potential service providers, it was felt that these amounts would be meaningful and effective in addressing different needs of business.

14. Is in-kind funding allowed for the 25% portion a business needs to contribute?

The 25% portion must be a cash contribution to the cost of the project as the voucher program is for businesses that are strongly committed to their project and are willing to put in their own funds. Please note that work performed by the applicant business does not count towards the eligible cost.

15. How often can a business receive a voucher?

Businesses can receive only one \$10,000 voucher and one \$50,000 voucher over the life of the program.

16. If a business only needs \$5,000 to pay for a service from a provider, why would they receive a \$10,000 voucher?

Vouchers are worth up to \$10,000 or \$50,000. At the time of application, potential voucher recipients may not have formalized what they require from a service provider to assist them in bringing their product or service to market. As such, the details regarding the cost of service may not have been fully negotiated. By permitting the voucher to vary in value up to a set maximum, this allows the business to have flexibility when acquiring service.

To ensure that unutilized voucher funds are not expended outside the parameters of the program, the funds are given directly to the service provider and not the voucher recipient. In addition, we do not pay the service provider until the work has been completed and signed off and the recipient has paid their portion of the cost (minimum 25% of the cost of service).

17. Is preference being given to businesses in priority sectors?

Preference may be given to businesses involved in priority sectors such as clean technology, health, biotechnology and information and communications technology, as they are aligned with overall Government of Alberta strategic priorities. Regional industry sector needs will be taken into account as well.

ABOUT APPROVED SERVICE PROVIDERS

18. Who determines what Approved Service Providers charge for their services (including overhead)?

To ensure program flexibility and to accommodate the specific needs of individual projects, Advanced Education and Technology does not determine what Approved Service Providers can charge for their services. As recipients are able to use their voucher at any of the providers in Alberta, they can “shop around” and negotiate the best value for their money.

19. What if the type of service that is required does not exist in Alberta?

Vouchers can only be used for services or support delivered through participating Alberta Service Providers. In cases where the required service is not available in Alberta, Approved Service Providers can subcontract the work outside of Alberta (including internationally).

20. Will the voucher program take business away from for-profit businesses that provide similar services as the approved service providers?

During the course of the pilot, only publicly funded and non/not-for-profit organizations will be eligible to receive a voucher as payment. However, if the service required by the business is not available within any of the approved service providers, service providers are able to out-source the required service. This would include being able to sub-contract to a for-profit/ private business. Not everyone will qualify for an innovation voucher and there are a growing number of businesses that require assistance in bringing their product or service to market.

GENERAL INFORMATION

21. Why did government develop this program?

The Government of Alberta developed this program to assist businesses and entrepreneurs in the pre-commercial to early start-up stages of development. During these early stages, many promising businesses have difficulty securing funding as proof of concept may not exist and investors are not yet willing to commit resources. This program helps young businesses make connections with the various supporting agencies and to access professional expertise and services, which they may not be aware of otherwise.

22. What type of consultation took place while developing the voucher program?

When designing the voucher program, input was gathered from a variety of different sources including, the Value-Added and Technology Commercialization Task Force, investors and investor groups, small Alberta businesses, other Government of Alberta ministries and service providers from across the province. In addition, since Alberta was one of the first jurisdictions in North America to develop an innovation voucher program, it consulted with countries who have existing innovation voucher programs like United Kingdom, Ireland, and Norway, to gain first-hand knowledge of the success and the challenges they've faced. This insight was vital in shaping Alberta's program.

23. What is the purpose of the innovation voucher Pilot Program?

The purpose of this pilot program is to assist businesses and entrepreneurs in the pre-commercial to early start-up stages of development. During these early stages, many promising businesses have difficulty securing funding as proof of concept may not exist and investors are not yet willing to commit resources. The program creates the opportunity for young businesses to make connections with the various supporting agencies and to access professional expertise and services, which they may not be aware of otherwise. This assistance will allow small businesses to leverage their limited financial resources by sharing the cost of commercialization projects with Advanced Education and Technology (businesses must be willing and able to cover a minimum of 25% of the total cost of service).

24. Why is the innovation voucher Program a pilot?

Launched in November 2008, this two-year pilot gives the province the flexibility to make enhancements to better serve the needs of Alberta's small businesses. Future funding of the program depends on the success of the pilot and lessons learned.

25. What's the typical process for development of a new technology-based product or service and why is this program important to a business during the pre-commercial stage?

Bringing new products and services to market start with the generation of new ideas. From there, businesses move their ideas through the pre-commercial development and commercial stages. The Innovation Voucher Pilot Program is targeted at the difficult pre-commercial stage where the majority of new businesses fail. During this stage, businesses often need access to specialized infrastructure (such as labs or fabrication centres) and business development expertise (marketing, intellectual property management, business strategy, etc.) that will help them to create a product prototype or obtain partnerships and arrangements necessary to commercialize their product. Beyond the voucher program, during the later stages of commercialization, various other sources of funding become available, such as private equity investments, loans, sales revenue and public equity markets.

26. Why is the program not available for larger businesses?

The Innovation Voucher Pilot Program is targeted at Alberta's small sized businesses as well as new business start-ups. Larger businesses tend to have more established networks, access to investor funding and other resources they can tap into when developing new products and services. Smaller businesses generally don't have access to the same level of support and the Innovation Voucher Pilot Program is responding to that need.

27. Some might argue that the values of the vouchers are too little to help entrepreneurs bring their ideas to market. Will the program help businesses or is the funding just a drop in the well?

The Innovation Voucher Pilot Program, as part of *Alberta's Action Plan: Bringing Technology to Market*, will help create an environment where small businesses can succeed and partnerships are encouraged through strategic government support. The Innovation Voucher Pilot Program is complemented by other Action Plan programs:

- an Alberta Scientific Research and Experimental Development Tax Credit
- enhanced investment environment created by the Alberta Enterprise Corporation, \$100 million fund of funds
- enhanced access to regional business development services

These government support programs are designed to provide early-stage assistance to businesses and to enable them to seek additional support from other sources and to be sustained by the market.

AWARDS SELECTION

28. How are voucher recipients selected?

A selection committee will review all applications for eligibility, relevance to the program and alignment with government and local industry priorities.