

Atlantic Innovation Fund – Round IV

**GUIDE FOR PREPARATION AND SUBMISSION OF LETTER OF INTENT AND
PROJECT PROPOSAL**

to be used by proponents

Deadline for mandatory Letter of Intent – May 10, 2006

Deadline for complete Project Proposal – June 28, 2006

GUIDE FOR PREPARATION AND SUBMISSION OF LETTER OF INTENT AND PROJECT PROPOSAL

1.0 Purpose of guide

This guide has been developed to assist in the completion of letters of intent and project proposals. It also provides information on the criteria to be used by ACOA and the AIF Advisory Board in evaluating any project proposal.

2.0 Submission of letter of intent and project proposal

2.1 Letter of Intent

Proponents **must** indicate their intention to submit a project proposal by providing a mandatory letter of intent, including an electronic copy on diskette or PC-readable CD ROM, **by no later than 4:00 p.m. local time on May 10, 2006**. It should be marked “**Atlantic Innovation Fund – Round IV – Letter of Intent**”. **Project proposals received without an affiliated letter of intent will not be considered in this round of funding**. Letters of intent should be delivered either by courier or in person to any of the designated ACOA offices listed in Annex F. Letters of intent will be used for planning purposes to improve the overall efficiency of the project evaluation process. Specifically, they will help the Agency to identify, at an early stage, potential expert scientific/technical reviewers, the number and type of projects in specific sectors, and the resource requirements for sector review teams and account managers. To prepare a letter of intent, proponents **must** use the template available on ACOA’s website at <http://www.acoa-apeca.gc.ca> (select the link to the Atlantic Innovation Fund and then the link to How to Submit a Letter of Intent and Project Proposal). Letters should include:

- applicable sector (for guidance, refer to section C-2 in the Administration and Declaration Forms in **Annex A**);
- a general description of the research proposal including the project objectives, key project team members, anticipated deliverables and challenges;
- estimated project costs;
- estimated amount to be requested from the AIF program;
- sources of other financing;
- identified key project collaborators;
- commercialization potential of the research; and
- project governance.

Proponents must submit a separate letter of intent for each stand-alone project.

In preparing a letter of intent, proponents should demonstrate progress toward meeting the project readiness requirements outlined in section 3.6 (iii) of the main body of the Request for Letters of Intent and Project Proposals.

2.2 Project Proposal

The project proposal **must** be received by ACOA in its entirety **no later than 4:00 p.m. local time on Wednesday, June 28, 2006** either by courier or hand-delivered to any of the designated ACOA offices listed in **Annex F**.

Proposals sent by e-mail or fax will NOT be accepted.

Proposals must be marked “**Atlantic Innovation Fund – Response to Round IV Request for Letters of Intent and Project Proposals**” and follow the format as outlined in this guide. The proposal must also include a completed Administration Form and Declaration Form, which are available in a Word template. **Please provide two (2) double-sided paper copies of the entire project proposal, one (1) of which should be unbound, as well as an electronic version of the entire proposal on a diskette or on a PC-readable CD ROM, using Microsoft Office Suite of products (Word, Excel, PowerPoint), Rich Text Format (RTF) or Adobe’s Portable Document Format (PDF). Please ensure that paper and electronic copies are identical.**

3.0 Format

Project proposals must be complete, clear and concise. Proposals must be submitted using the following format:

- paper format – 8 ½ x 11;
- font size for text – 12;
- pages are to be numbered; and
- page foldouts, schematics, drawings, etc., may be included or attached for clarity of presentation.

4.0 Marking confidentiality of proponent’s information

All information regarding the terms and conditions, financial and/or technical aspects of a proponent’s proposal, which in a proponent’s opinion is of a proprietary or confidential nature, should be clearly marked “**PROPRIETARY**” or “**CONFIDENTIAL**” on each relevant item or page or in a statement covering an entire proposal.

Should a proponent provide the requested information to ACOA in confidence by indicating that the disclosed information is confidential, ACOA will treat it as such, unless otherwise required by the *Access to Information Act* and the *Privacy Act*.

5.0 Content of Proposal

Proponents must submit a separate proposal for each stand-alone project to facilitate overall project evaluation by ACOA. A stand-alone project has a distinct scientific/technological basis for the development of a product, process or service that is technologically innovative and commercially viable. Stand-alone projects are not dependent upon the success of other projects or activities. Where stand-alone projects from a proponent are complementary (e.g., same area of research), proponents should provide cross-references in each of their proposals to those projects.

5.1 Title Page

PROJECT NAME OR TITLE

*Under the Request for Letters of Intent and Project Proposals for Round IV
of the Atlantic Innovation Fund
Submitted by *proponent**

Please note that the “project name or title” could be used by ACOA for reporting and communication purposes.

5.2 Executive Summary

The executive summary is a representative synopsis of the information included in the proposal and should be suitable for distribution as a stand-alone document. The executive summary should not exceed two (2) pages.

It should include the following elements:

- project objective(s) and description (in plain language for a news release, if project is approved), including the resulting product(s) to be developed and its technical challenges;
- description of proponent;
- description and role of key collaborator(s);
- project cost, and assistance requested from the AIF program;
- project location(s) and time lines; and
- commercial applications and/or key economic benefits.

5.3 Project Description (including Technical Overview)

This section should outline the objective(s) of the proposed project and its envisioned end result.

Describe the “resulting product(s)” that would be developed during this project. Resulting product is broadly defined as a new technology-based product, process or service developed

under the project. The AIF seeks to support projects where the resulting product is not presently available in the market place, at least not in the form envisioned by the project.

If the resulting product would be a new product or new service that builds capacity usable for other product development activities, provide examples.

Provide, in a non-technical manner, a concise overview of the underlying technology and explain the innovative aspect(s) of the resulting product(s). Articulate if there would be any derivative applications for the new technology.

Provide an overview of the research and development that would be carried out in the project. Explain, in broad and non-technical terms, what scientific/technical challenges exist, the major activities that would be undertaken, the milestones and deliverables. Complete details of the scientific/technical process must be provided in section 5.9 (Technical Details); therefore, it may be advisable for proponents to complete section 5.9 before completing this section.

As the AIF can only support incremental activities (i.e., new or additional activities over and above existing/ongoing activities), explain how this project would be incremental.

5.4 Description of Proponent, Key Collaborator(s), Project Team, Control System

The information submitted under this heading should allow the Agency to assess the proposal against the essential criterion, “***Must demonstrate management capability to successfully undertake the project***”. The objective is to provide sufficient information about the managerial capability of the project team to undertake and bring the proposed project to successful completion.

The proponent and partners should have strong project management, financial control and technical development skills. Where weaknesses exist, remedial measures should be explained. This section should address the following:

- (a) Description of Proponent – describe in full detail the organization and its history (e.g., name and legal status; how long in existence; what it does; how it has grown); and, its size (e.g., in terms of annual sales or operating budget, and number of employees). Discuss the area of specialization; the proposed role in connection with the project; and historical track record in R&D, technology development and commercialization, particularly as this relates to the proposed project. Explain why the proposed project is relevant to the organization, and what it expects to gain from undertaking it. Discuss the governance structure of the organization (e.g., list of Directors, Executive Committee, Advisory Board). Provide an organization chart, list the key personnel and provide their résumés as appendices. In the case of a commercial proponent (i.e., private company), list the principal(s) and their percentage of ownership.
- (b) Description of Key Collaborator(s) and the Partnership Arrangement(s) – a “key collaborator” is defined as a participant who is actively involved in the project, who has a direct and material influence on the project’s direction, and without whose involvement

the project could be in jeopardy. Briefly describe the key collaborator(s) in terms of their name and legal status; size (e.g., in terms of annual sales or operating budget, and number of employees); area of specialization; proposed role in connection with the project; and estimated financial commitment. If the organization is making a financial contribution to the project, but is not actively involved, its contribution should be detailed in the financial information section. If a key collaborator is a private company, list the principal(s) and their percentage of ownership of the organization. Describe the organization's historical track record in R&D, technology development and/or commercialization, particularly as this relates to the proposed project. Indicate the strategic assets each key collaborator brings to the project. Outline the agreed partnership/collaboration arrangement(s). Letters of agreement, memoranda of understanding and/or other partnership/collaboration agreements should be included as appendices to the proposal. (Do not attach corporate brochures or annual reports.) Please note that proponents **must** disclose if any subcontract(s) would be awarded to a key collaborator under the project.

- (c) Project Team – name the Project Manager, the key members of the project team and state their specific qualifications and experience for the work involved. Highlight the unique expertise each offers to enhance the capability of the team to perform the work. Indicate provisions for back-up personnel for key positions. Provide an organization chart of the project team and describe the relationship of the team to the proponent. Detailed résumés for key research positions must also be included, as appendices. If a project team member(s) has not yet been identified, provide a statement of qualifications.

It is important that the roles of project team members (including representatives of key collaborators) be clearly described in a proposal.

- (d) Project Control System – project management and financial control are important considerations for the successful completion of a project. Good project management helps to avoid schedule compression in the final phase of a project. Outline the methods and system to be used in the project to control tasks, the schedule and costs.

5.5 Financial Information

The information submitted within this section should allow the Agency to assess the proposal against the essential criterion, “***Must have adequate financing for the duration of the project***”, as well as the desirable criterion, “*Leverages funding from other public and private sector sources*”.

Leveraging funds from other sources is a key consideration in the evaluation of proposals. Proponents are encouraged to seek out and submit applications to other government programs, universities, associations and research foundations. Proponents should also seek investment from the private sector.

To enable the Agency to assess the reasonableness of the proposed project costs and feasibility of the project financing, the proponent **must** provide a detailed breakdown of costs and financing. This should follow the format presented in the costs and financing templates

presented in **Annex C**. Proponents should only use those cost and financing line items that are relevant to their project. Proponents should review all the templates prior to preparing their information. These are:

- Template A – Project Costs;
- Template B – Wages and Salaries Detail; and
- Template C – Project Financing.

To ensure completeness of the required financial information, proposals should include the following:

- (a) Project Costs – a detailed description of costs considered eligible under the AIF program is contained in the Statement of Work Guide, **Annex E**. It should be noted that only incremental (i.e., new or additional) costs deemed essential for the implementation of a project are eligible. Provide detailed breakdown of each cost line. For non-cash transactions, provide rationale to support the value given. Explain, as appropriate, any significantly high or unusual cost element(s). Include quotes, as appropriate, to support specific cost items.
- (b) Project Financing – proponents should fully describe the source of their own contribution to the project (e.g., cash, working capital, other internal revenue source(s), anticipated project revenue). Explain, as appropriate, any non-monetary contribution expected from related parties, collaborators and/or third parties. Include letters of commitment received from financing partners (e.g., Letter of Offer, legal agreement) as appendices.
- (c) Historical Financial Information – proponents must provide their independently prepared (preferably audited) financial statements for the last three fiscal years. Proponents must also provide the latest monthly interim financial statement. Insert these as appendices. (Universities and Colleges, themselves, do not have to provide this information.) Depending on the nature of partnerships, the Agency reserves the right to request similar information from key collaborators, if required, to complete assessment of project proposals.
- (d) Projected Financial Information – proponents **must** clearly demonstrate their ability to finance their current operations and any follow-up activities, including the commercialization phase. As appendices, commercial proponents must provide projected statements for the company for the duration of the project including Cash Flow Statement, Income Statement, and Balance Sheet. These should be supported with an explanation of the key assumptions used in their preparation. Non-commercial proponents may be able to satisfy this requirement by providing detailed proof of financial commitment(s) from key project collaborator(s), as well as their willingness and ability to commercialize the research.
- (e) Other Considerations – it should also be noted that expenditures and cost commitments incurred prior to the closing date for project proposals are not eligible in calculating AIF financial assistance. For projects that are approved, eligible expenditures and cost

commitments incurred prior to project approval, but after the closing date for project proposals, may be included in the contribution from the AIF. Should a proponent proceed with a project, in whole or in part, prior to receiving a decision from ACOA, it would be at the proponent's financial risk.

5.6 Commercialization Potential/Strategy

The information submitted within this section should allow the Agency to assess the proposal against the essential criterion, “***Must demonstrate commercialization potential of project***”. The objective is to provide information about the commercialization potential of the proposed resulting product(s) and, ultimately, its potential to successfully achieve market penetration. Proponents should also comment under this heading on the desirable criterion, “*Includes private sector participation (for institutional proposals)*”. Meaningful private sector participation in a project is viewed as a key factor during the evaluation process as it will likely increase the chances for commercial success and represent a strategic advantage (e.g., private sector direct financial investment and concurrent collaboration; interest in commercializing the resulting product(s); past success at commercializing research; participation in the project as a potential end user of the resulting products; private sector affiliation with a company already selling or producing products for the targeted market; established distribution channels). In contrast, private sector participation in the form of supplier discounts on equipment, without accompanying advice, is not viewed as a strong private sector commitment. Accordingly, for institutional proposals, assuming that the evaluation of other criteria would be positive, it would be desirable to have an institution-led R&D project with meaningful/significant private sector participation leading to commercialization (or a private sector-led R&D project that builds research capacity at an Atlantic research institution).

Specifically, proponents **must** clearly outline their vision of the market potential of the proposed resulting product(s) described in section 5.3 of this annex. Elements to be addressed include the targeted niche within the market; the market need and size; the probable price and production strategy; the potential competitors and competing product, process or service; and the major challenges to market penetration. Proponents should also indicate if the associated research and development could yield other commercialization opportunities. It should be noted that the market/commercialization potential for all research projects should have been validated through market research. Proponents should reference and provide this supporting market research information. It is expected that proponents with early stage research projects may have to limit the commercialization discussion to these elements.

All proponents should recognize the need to have a marketing and sales strategy in place at the end of the R&D effort. Proponents, though, with projects closer to commercialization, are expected to discuss elements in their proposal such as the planned promotion, sales and distribution strategy, as well as the market penetration objectives.

For non-commercial projects, the private sector collaborator/partner should be involved in the writing of this section.

5.7 Economic Benefits

The information submitted within this section should allow the Agency to assess the proposal against the essential criterion of “***Must demonstrate significant economic benefits for Atlantic Canada***”.

Proposals must show how the project would result in significant economic benefits to Atlantic Canada such as the commercialization of a technology, product, process or service; the type of direct and indirect jobs to be created, specifically those that would attract highly qualified people; and/or the potential for exports/import replacement. These may be addressed in terms of short-, medium- and long-term benefits to the region.

5.8 Building Capacity

In addition to economic benefits flowing from the proposed project, there should be additional benefits from building research capacity in the region. The information submitted within this section should allow the Agency to assess the proposal against the essential criterion of “***Must support one or more strategic sectors or technologies***”.

Proponents should also comment under this heading on the desirable criteria that relate to the economic benefits of building capacity, i.e., “*Fills a gap in the Atlantic System of Innovation*”; “*Improves innovation capacity of the private sector*”; “*Is Pan-Atlantic in scope*”; “*Builds critical mass through networks/cooperation of existing and/or additional talent (researchers)*”; “*Attracts new firms, institutions and researchers to Atlantic Canada*”; and, “*Fosters national and international affiliations*”.

“Pan-Atlantic”, as defined in the Terms and Conditions for the AIF program, “means an area of coverage of a project containing at least two and preferably all Atlantic provinces. This area of coverage refers to the scope of a project, either in terms of the reach of its intended benefits (e.g., specific clients and/or general economic benefits) or in terms of the participants in the project (e.g., a group of research institutions and/or private sector firms or associations) or both.” Pan-Atlantic embodies the development of genuine partnerships and networks among organizations in Atlantic Canada that create research and/or commercialization synergies which could lead to joint opportunities. The intent under AIF is not to encourage proponents to open new offices in other Atlantic provinces or for organizations from various Atlantic provinces to present their stand-alone research projects under one AIF proposal.

The primary objective of the AIF program is to build capacity in areas of research that leads to the commercialization of resulting products which contribute to economic growth in Atlantic Canada. The AIF program does not fund basic research. However, in some cases, projects focused primarily on building research capacity could have significant economic benefits for Atlantic Canada (e.g., fills a recognized gap in the Atlantic system of innovation; introduces leading-edge science that could benefit or be essential to the competitiveness and growth of a key sector(s)/cluster(s) in Atlantic Canada; results in an increase in R&D capacity that would be used for other R&D projects, particularly those involving partnerships and collaboration with the

private sector; has good potential for downstream commercial development of research products).

Proponents are discouraged from submitting project proposals focused primarily on building capacity for basic research, that has no identifiable commercialization outcome. An example of the parameters of such a project would be an institution-led project with no private sector involvement, undertaking research that has no relevance to the current private sector mix in Atlantic Canada, and little potential for commercialization in the long term. Such projects would also rate poorly on the essential criterion of “must demonstrate commercialization potential of project” and the desirable criterion of “includes private sector participation” (refer to section 5.6, Commercialization Potential/Strategy).

5.9 Technical Details

The information submitted under this section (as well as under section 5.3 of this annex) should allow the Agency and scientific experts to assess the proposal against the essential criteria “***Must be scientifically and/or technically sound***” and “***Must support new or improved technologies or new applications of technologies***”, as well as the desirable criterion “*Builds on research excellence*”.

This section should provide an analysis that displays a clear understanding of the science and/or technology and the context of the application. Specifically, it should identify the major technical problems to be solved in order to achieve the desired objective(s), and the proposed approach for solving these problems. **Proponents must provide sufficient detail to enable independent scientific/technical reviews of the proposal by experts in the field.** This section should include:

- (a) Background – indicate the scientific basis for the proposed research culminating in one or more new or significantly improved technology-based products, processes or services, and comment on preliminary investigations related to this research. Identify references to key scientific and technical literature, and provide the scientific rationale and key assumptions that support this project. Describe how the proposed project would advance one or more aspects of science and/or technology. Identify whether the technology or technologies being developed have the potential to be embedded in, or to be a platform for, an array of product, process or service applications beyond the proposed project. If applicable, describe the potential for the proposed technology or technologies to be used in the long term commercialization plans of the organization.
- (b) Methodology – state the approach and methodology to be used to meet the project objectives and to develop the technology-based resulting product(s). Address the availability of equipment and facilities to support the methodology. For each major research activity (or phase), describe the work to be undertaken, including:
 - the activity objective;
 - anticipated scientific/technical challenges;
 - experimental procedures or research methods to be employed;

- expected duration of the activity;
- indicators of success;
- expertise required; and
- milestones and deliverables.

The methodology **must** also account for the time to be spent by each team member on the project. A summary schedule should relate key activities, milestones and deliverables to a project timetable and clearly identify target dates for completion. (Refer to the Statement of Work Guide in **Annex E** for suggested format.)

- (c) Technical Risk Assessment – (in order to develop applications of advanced technologies through technology-based products, processes and services, some risk has to be assumed. In general, the degree of risk is related to the level of technical innovation and the level of planning effort. The extent to which higher technical risks are acceptable is dependent upon how well they have been identified, defined, assessed, planned for and managed once encountered.) Describe in detail the technical risks involved, including technological uncertainties, and proposed approach for addressing the technical risks identified.
- (d) Intellectual Property (IP) – for any technologies to be transferred into the project (i.e., background IP) and/or technology to be developed (i.e., foreground IP), describe the intellectual property arrangements including the proponent’s rights to, and protection for, the intellectual property required to exploit the technology involved in the project. Describe the measures which would be taken to ensure that the resulting technologies would remain in and provide continuing benefits for Atlantic Canada.

Completeness with respect to criteria

Proponents must be able to demonstrate under sections 5.3 to 5.9 of this annex how the proposed project meets the essential eligibility criteria and as many of the desirable criteria as possible.

Incomplete proposals, and failure of a proposal to provide information in sufficient detail and depth to permit a complete assessment against at least the essential criteria, will render a proposal non-compliant, and the proposal not being given further consideration for funding.

(Note: The AIF program seeks to support R&D project proposals that have strong potential to lead to the development of new products, processes and services that can be successfully introduced into the marketplace. Accordingly, emphasis will be placed during the evaluation process on the criteria of commercialization potential of the project, management and financial capabilities to successfully undertake the project, and the scientific or technical soundness of the project.)

Project Readiness

Proponents must also demonstrate in their proposals that they would be in a position to conclude a Contribution Agreement and begin a project within six (6) months of notification of project approval.

5.10 Appendices

As a reminder, references have been made in this guide for proponents to include information as appendices to proposals. As appropriate, the following items should be included:

- (a) Proponent, Key Collaborator(s) and Project Team Information:
- proof of the legal existence of the organization(s) (e.g., letters patent, charter of incorporation);
 - corporate ownership structure, list of Directors, etc.;
 - list of any related, associated and affiliated company/organization and relevant information as appropriate (e.g., description, financial statements);
 - organization chart, résumés of key personnel or statement of qualifications, etc.;
 - project team chart, résumés, accomplishments, references, etc.; and
 - letters of interest, commitment and Memorandum of Understanding with collaborators/partners (i.e., details, level, timing, and monetary participation).

- (b) Financial Information:
- quotes supporting major cost items;
 - letter of offer, legal agreement, etc.;
 - independently prepared financial statements for the last three fiscal years;
 - latest monthly interim financial statements; and
 - projected financial information.
- (c) Commercialization Information:
- market study.

As the above may not be a comprehensive list, include any other relevant information to complete or to facilitate the Agency's assessment of the proposal.

Completeness of proposal package

Project proposals must include:

- **Administration and Declaration Forms (Annex A);**
- **Project Proposal (Annex B);**
- **Costs and Financing Templates (Annex C);**
- **Results Measurement Information (Annex D); and**
- **Appendices, as appropriate (refer to section 5.10 of this annex).**