

Commercialization Support for Business Program



Guidelines.....

Introduction

This document is to assist you in completing the application form under the Commercialization Support for Business Program (CSB). This is a general guide and the information is being updated on an ongoing basis. Because of the unique nature of each project the guide cannot take every potential scenario into consideration.

The guidelines are not intended to represent rigid rules. Some projects may carry certain activities and project activities which fall outside the normal program guidelines. Applications falling outside normal guidelines will require additional due diligence and may prolong the review and approval process. Applicants are encouraged to outline their funding request in their proposals with a business case as justification.

Financial Assistance:

The CSB Program targets Manitoba entrepreneurs and businesses seeking to develop and commercialize innovative products, processes, and expanding into new markets. Products must be disruptive to the marketplace by replacing imports (CSB supported products are not currently manufactured by competitors in Manitoba).

The Program provides financial assistance to cost share eligible arms-length third party expenses on a 50/50 basis. The Government of Manitoba's total contribution to funded projects will not exceed 50 per cent of eligible/approved costs. Total government support from all levels of government (federal, provincial, municipal), including tax rebates, cannot exceed 75 per cent of total project costs.

All assistance will be tied to mutually agreed upon milestones outlined in the funding Contribution Agreement. Financial assistance may be required to be paid back in full in the event that the company is sold, or relocates its Manitoba operations outside of the province during the life of the project.

Program Funding Streams:

Streams 1, 2, and 3 are progressive and you may only apply to one of the first three streams at a time. Applicants wanting to apply directly to stream 2 or 3 must demonstrate that their project has advanced past the activities of the previous stage.

Streams 4, 5, and 6 are stand alone and you may apply to those streams at the same time, however;

You may apply to streams 4, 5, 6 and one of 2 or 3 at the same time depending on the project.

To apply to streams 2 through 6, the business needs to be incorporated.

The Funding streams are:

1. **Concept Development** (up to \$25,000) – The purpose of the stream is to assist Business Entities or Individuals in developing their product or process idea to the stage where it can be determined if there is sufficient profit potential to pursue additional investment of time and money. This stream does not support research and development activities, and applicants need to have the concept outlined prior to applying to this stream.

Eligible Activities: Product design, product engineering, prototype development, market studies/assessment.

2. **Product Development** (up to \$40,000) –The purpose of the stream is to assist Business Entities with pre-commercialization activities needed to prove that the concept is technically and financially feasible.

Eligible Activities: Technical feasibility or engineering analysis, prototype building and testing, product and process development, trial production, market research or analysis.

3. **Product Commercialization** (up to \$200,000) - The purpose of the stream is to assist Business Entities with moving their product from the prototype stage to full scale commercial production or implementation of a new process into new full scale commercial use.

Applications under Stream 3 are required to submit a business plan which fully explains the commercialization of the product or process. In some instances if the business plan and the commercialization plan are written separately, please submit both.

Financial assistance for any software development or modifications that are necessary to accommodate the integration of new technology i.e. software required to operate a piece of equipment is limited to a maximum of \$20,000. If the product itself being commercialized is software, full program limits apply.

Stream 3 assists with 50% of the cost of producing free food samples to assist the applicant in introducing a new food product to the marketplace to a maximum \$2,000. Eligible costs are those related to producing the samples only, not for the cost of distributing them. These must be included in an overall Stream 3 application and not stand alone.

Eligible Activities:

- A. Internal development of new technology/product – assistance with external costs of product or process development, such as:
 - Production facility design studies using third party consultants;
 - Design of technical literature, including owners' manuals;
 - Tooling and moulds;
 - Technical consultants, including engineering tests and analysis;
 - Trial production costs;
 - Software modifications;
 - Modification of equipment, hardware, software to accommodate the new technology

- B. Technology Transfer – assistance with transferring technology from research laboratories or areas outside of Manitoba such as:
- Technical consultants;
 - Changes to tooling and moulds
- C. Productivity Improvement – assistance with any stage of process redesign related to using innovation to reduce production costs or increase competitiveness, such as:
- Technical consultants, including engineering and software;
 - Modifications to equipment, hardware and software;
 - Direct costs of transferring the technology;
 - Certifications costs related to productivity improvement
4. **Market Development** (up to \$30,000) – The purpose of the stream is to assist Business Entities in preparing materials and engage in activities that will enable them to enter new markets outside of Manitoba. This stream has two components: Trade Show assistance and Market Development.

Trade Show Assistance

This component supports companies who want to participate in tradeshow events outside of Manitoba. Companies may receive assistance to attend up to two tradeshow in one fiscal year (based on the Department's year end of March 31), but not to attend the same tradeshow for more than two years in a row.

Applicants wanting to apply under this component need to provide:

- Event information – name, location, date;
- Purpose of participation in the event;
- Products to be promoted at the event;
- Breakdown of the costs for the event including quotes

Eligible expenses that may be covered at 50%:

- One economy class airfare
- Tradeshow space
- Onsite translator
- Rentals of equipment for booth (furniture)
- Electrical hook-up for the booth
- Tents (for outside shows)
- Costs of additional marketing at a show (i.e. participation in sampling section/activity)
- Costs of 3rd party booth attendant
- Cost of 3rd party booth design
- Reimbursement of gasoline expenses, when it is shown to be less expensive than flying
- Renting turnkey booths (where a company obtains a booth that includes lights, power, walls, etc)

Ineligible expenses:

- Company labour at the booth
- Printing or production of marketing materials or display booths
- Website development
- Accommodations
- Ground transportation
- Per diems / food / meal costs
- Conference fees
- Costs of goods or samples
- Costs of shipping
- Costs of extra baggage
- Costs of marketing giveaways and samples

Market Development:

This component supports companies who want to engage 3rd party consultants to design marketing materials to allow the company to enter new markets outside of Manitoba. Each request under this component needs to include:

- The 3rd party proposal or statement of work, outlining the work being done with breakdown of activities showing the design and production costs of the marketing material;
- The 3rd party information – name, contact details, website address;
- Purpose and scope of the proposed marketing project;
- Estimated start and finish dates of project

5. **Certification Assistance** (up to \$15,000) – The purpose of the stream is to assist Business Entities to obtain plant or product certification.

Eligible Activities:

- International Standards Organizations certifications;
- Hazard Analysis Critical Control Point food safety regulations;
- Certification from other regulators such as Canadian Food Inspection Agency / Organic Producers of Manitoba;
- Canadian Standards Association Certifications

6. **Intellectual Property** (up to \$25,000) - The purpose of the stream is to assist Business Entities or Individuals with legal fees associated with securing intellectual property rights relating to their product or process. Applicants may seek assistance under this funding stream at any time in the development process.

Eligible Activities:

- Legal work for copyrights, intellectual property and patents.

Who is eligible?

- Individuals (sole proprietors)
- Business Entities – Manitoba for-profit: incorporated businesses, sole proprietors (individuals), business co-operatives, partnerships, joint-ventures (both corporate or individual), that had:
 - For the immediately preceding calendar year, less than 50 full-time equivalent employees: or
 - Gross revenue of the corporation and its affiliates (determined on a consolidated basis, where applicable) for the most recently completed fiscal period is less than \$15,000,000.

At least 25% of the full-time equivalent employees of the corporation and its affiliates are resident in Manitoba.

Who is not eligible?

- Not-for-profit organizations;
- Business Entities, or Individuals principally engaged in:
 - Real estate, local retail, restaurant, hospitality, natural resource exploration, primary farming, fishing, trapping, or logging activities;
 - Professional practice which is regulated by a governing body of the profession;
 - Insurance or financial services, or
 - Crown corporations, municipalities, towns and cities, consulting based companies.

Eligibility

In order to be considered for funding, eligible applicants must:

- Meet the definition of a sole proprietor or business entity as outlined in the funding parameters for the specific stream of funding for which they are applying;
- Demonstrate a viable business case;
- Demonstrate their proposal is innovative, that is:
 - Something that is new and disruptive in the market place (not currently manufactured in Manitoba)
 - The process of turning new ideas into new products, processes, or markets that create commercially viable opportunities
 - Improvement to a product or process that the market did not anticipate
 - The introduction of an invention into the market
 - New ways of doing things that add value to the user.
- Be accessing / opening a new market for the company outside of Manitoba

Evaluation

If determined eligible to enter the Program, all applicants, regardless of stream, are required to submit the necessary information, as per the requirements of each funding stream. Merit of each proposal will be based on a technical and business case evaluation as follows:

Business Case Criteria:

- Soundness of the business case;
- Meeting Program objectives and outcomes;
- Applicant's ability to successfully transition through the commercialization lifecycle;
- Previous achievement of milestones as identified in the application and funding agreements (e.g., the applicant's ability to demonstrate market demand for the innovation and demonstrated ability to access capital for continued development); and
- Evidence of financial capacity to cover the proposed activity costs.

Technical Criteria:

- Technical feasibility;
- Export potential of the product/process or an ability to reduce Manitoba's imports;
- Potential for incremental economic development benefits for Manitoba – including job creation as a result of their product/process;
- Product or process direct contribution to market sectors identified as Manitoba's economic priorities; and
- Assessment of existing infrastructure (e.g., water and sewer; transportation network; labour force etc.) in order to further build momentum and support provincial program investments in a particular market.

Repeat Applicants:

Applicants who have received funding in the past are eligible to apply for subsequent streams. Each new request will be evaluated based on the current business case and technical merits. All things being equal, applicants who received funding in prior streams will receive funding in subsequent streams so long as:

- The amount of anticipated investment that returns to the Province is equal or greater to what might be achieved by supporting a new applicant;
- Their product/process is demonstrating quantifiable progress toward the agreed upon milestones and outcomes outlined in the business case and funding agreement;
- Alternative funding has been exhausted; and
- Continued provincial support is required to leverage additional capital to support the company's projected outcomes;

New applicants may take priority over returning applicants when:

- The amount of anticipated investment that returns to the Province is equal or greater to what might be achieved by supporting a returning applicant;
- Their personal or levered investment exceeds the required contribution;
- The returning applicant they are competing against is able to succeed through subsequent stages without further provincial investment.

Projects approved for funding in one stream are not guaranteed funding in subsequent streams and are not guaranteed to receive maximum assistance for any component. Applicants are to outline in the Request section of the application form what activities they are undertaking and their respective costs.

Financial Capacity:

At the time of application, applicants must demonstrate their ability to fund the project. Applicants will need to provide information to support their claims, such as; company year to date financial statements (income statement and balance sheet), company or personal bank records, letters from financial institution confirming loans, lines of credit, or other forms of proof of financial position.

In-kind Contributions:

Up to 10 % of the total project cost may come from in-kind contributions.

Example 1:

Assume the total estimated project cost is \$60,000.

The maximum support under program guidelines is 50% or \$30,000

The maximum amount of the in-kind contribution is 10% x \$60,000 or \$6,000

The maximum amount of eligible 3rd party expenses that an applicant may claim assistance for is \$30,000 less \$6,000 or \$24,000.

Example 2:

Assume that a software development company is developing a beta version of software, and has have applied under Stream 2 of the Program.

Total project costs are \$140,000 made up of \$20,000 3rd party programming costs and \$120,000 of internal costs.

The maximum support under program guidelines is 50% x \$140,000 or \$70,000

The maximum amount of the in-kind contribution is 10% x \$140,000 or \$14,000

The maximum amount of eligible 3rd party expenses that an applicant may claim assistance for is 50% x \$20,000 or \$10,000.

Total assistance available would be:

\$10,000 for the eligible 3rd party expenses and;
\$14,000 for eligible in-kind

Total available assistance would be \$28,000

Eligible In-kind Contributions:

- Donations of equipment and materials to the applicant company/organization, if reasonable, and based on the lesser of fair market value or depreciated book value to the donor. An accurate description of the donated equipment or materials must be provided and retained with the company/organization for possible audit.
- Donations of space necessary for a participant to conduct the project, claimed at a cost not exceeding fair market value.
- Costs of shared utilities, maintenance of facilities, computer services rentals and insurance, based on usage and charged at documented actual costs.
- The cost to the donor organization in salaries and fringe benefits for time donated is eligible as in-kind contribution if calculated at no more than comparable market rate for work by an individual in the same technical/professional or similar category.
- Sub-contracting or consulting fees are admissible as in-kind expenditures if the sub-contractor or consultant is providing specific services for a specific project for which company would otherwise have to pay. The claim must be accompanied by documentation of the duties performed by the participant or consultant. The fees charged as in-kind expenditures must be reasonable and must not exceed fair market value.
- Actual and reasonable travel and accommodations costs incurred while on business for the project, and supported by appropriate vouchers.

Ineligible In-kind Contributions:

- Any expense that is funded by another agency;
- All remuneration or fees paid to the Board of Directors members;
- Training or attendance at conferences and seminars for staff on the payroll of the company, which is provided free of charge;
- Donations/contributions in the form of knowledge, goodwill and other such intangibles.
- Repairs and maintenance except repairs of special purpose equipment acquired during and for the project;
- Membership fees; and other professional fees unless they are directly associated with the project;
- Unless specifically approved under the Program, project promotion and sales activity travel;
- Utilities;
- User manuals except first drafts and essential technical documentation;
- Administrative expenses;
- Costs of equipment except as specifically approved; and
- Federal and provincial income taxes, fines or costs related to the prosecution of claims against the government; and land and buildings.

Application Process:

- You may apply directly to the Program or through your Industry Consultant / Business Development Specialist who will act as your contact person during the life of your project and work with you directly to identify your business development needs. A list of Industry Consultants / Business Development Specialists can be found at: <http://www.gov.mb.ca/ctt/busdev/financial/csb/index.html>
- Submit only **one** application indicating which funding streams you are applying for. Under the "Request" portion of the application form, outline the amount of funding requested with a breakdown of activities under that stream and the cost of each of the activities.
- Applications may be submitted through your Industry Consultant / Business Development Specialist or emailed to csb@gov.mb.ca.

Program Notes:

- Reimbursement under the program is not retroactive.
- Reimbursement is based on invoices and proof of payment in full (receipts, credit card statements, bank statements, etc.) incurred from the date of official approval and in accordance with the terms of the Contribution Agreement.
- Information on the reimbursement process will be included in the Contribution Agreement.
- Copy of consultants work (i.e. study, marketing plan) must accompany the request for reimbursement.
- Business plan writing is not an eligible activity under any stream of the Program
- Applicants for streams 2 through 6 needs to be incorporated.
- Applicants need to have ownership of their intellectual property.
- If you are engaging a 3rd party to perform work on your project, your application must include the consultant's proposal or statement of work outlining the work being performed, the cost breakdown, and timelines.
- GST is an ineligible expense