



FUEL YOUR GROWTH

Canadian Grants: A Crash Course in Non-Dilutive Funding

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Agenda

- I. Types of non-dilutive Funding
- II. Mandates of Funding Programs
- III. When to Access Programs
- IV. Pre-emptive VS retroactive
- V. The SR&ED Program
- VI. How Funding Programs Stack
- VII. Case Study





I. **Types of non-dilutive Funding**



What is out there:

	Stage	Amount	Format
Futurepreneur	Early	\$45K	Loan
IRAP	Early - Mid	\$50K - \$250K	Grant
CMF	Early - Late	\$50K - \$1M	Loan*
IDMTC	All	17.5% - of R&D	Tax Credit
SR&ED	All	64% - of R&D	Tax Credit
MITACS	Mid - Late	50% of human capital	Grant
BCIP	Mid - Late	\$250K - \$1M	Contract
SDTC	Late	\$250K - \$2M	Grant
Bridge Financing	Med - late	\$100K - ?	Loan



II. Mandates of Funding Programs



Futurepreneur

About

- Start up stage
- Loan with personal guarantee
- 45K for full time entrepreneur
- Works in conjunction with BDC

Requirements

- \$50 application fee
- Business plan
- MVP Prototype (if tech related)

Mandate

- Early stage entrepreneur from any discipline to start any business

Contingencies

- Personal guarantee
- Must begin payback after 1 year (interest only for first year)



Canadian Media Fund (CMF) Experimental fund

About

- Three funding stages
 - Pre-production – Idea stage
 - Production – Development of product
 - Marketing – Distribution & syndication of product
- Contributes 75% of costs of project with a cap of \$1M
- Funding is in form of a repayable loan

Requirements

- Business plan
- Financing plan 25% of total project costs
- Market channel partner

Mandate

- Companies building interactive digital media content
- Gaming, VR, Some data visualization

Contingencies

- Paid back within 7 years
- Paid back with 100%



Industrial Research Assistance Program (IRAP)

About

- Innovation funding for early stage technology
- Project based
- First grant is usually \$50K
- Funds up to 75% of R&D costs

Requirements

- Vetted IRAP application
- Functional early stage prototype of technology
- Project must address technological innovation

Mandate

- Fund innovative early stage Canadian Technology

Contingencies

- Paid as reimbursement within 30 days of payroll submission
- Monthly reports



Interactive Digital Media Tax Credit (IDMTC)

About

- Refundable provincial tax credit
- Filed at year end with federal SR&ED claim

Requirements

- Previously applied to provincial government 3 months before year end
- Paid application fee of % based on claim
- Digital content creation that contains audio, visual, interactive components

Mandate

- Provincial tax credit to incentivize of 17.5% on interactive digital media

Contingencies

- Audited by provincial government



MITACS

About

- Provides post graduate students & professor to work on specific company project
- Covers 50% of project cost of graduate and professor's wages

Requirements

- Specific project
- Cover 50% of graduate salaries
- Lab / working space
- Project plan

Mandate

- Facilitate graduate students into industry



Built in Canada Innovation Program (BCIP)

About

- Federal government will be first customer of a given product or service
- Contracts are \$250K - \$1M depending on the government agency

Requirements

- Business plan
- Prototype of technology from controlled environment
- Zero sales prior to the submission of application (sales can be made after application)
- General government / Military*

Mandate

- Aid in the commercialization & distribution of Canadian technology

Contingencies

- Product must be delivered to specification based on SOW
- Must suit the need of a specific government organization need
- Paid based on contract terms



Sustainable Economic Development Canada (SDTC)

About

- Non-dilutive financing
- SDTC will fund up to 1/3 of your firm's pre-commercial development and demonstration project (paid in milestones in advance – cash flow positive project)
- 2/3 of project cost must be co-invested by you and your partners
- Minimum SDTC investment of ~\$250K. Project sizes range from \$1M to \$XXM
- SDTC is looking for big wins in environmental benefits

Requirements

- Innovation (i.e. patents), Marketing plan
- Business (Management and Financing) Plan and Environmental benefits
- Prototype of technology ready for scale-up
- Zero commercial sales of technology prior to the submission of application
- Developing innovative technology

Contingencies

- Heavy due diligence of your invited detailed proposal
- First to commit funding & last to invest (need for strong industry pull partners)



Bridge Financing

About

- Loan
- Done by banks or private institutions
- Will require something to loan against in the event of default
- Amount of loan and terms of repayment vary

Requirements

- Asset which can be loaned against
 - SR&ED / IDMTC
 - Contract
 - Revenue
 - Inventory

Mandate

- Fund companies who are searching for short – medium term financing

Contingencies

- May require a personal guarantee
- High interest rates



III. When To Access Programs



When to Access Programs

	Business Plan	Prototype	Production	Commercialization
Futurepreneur	✓	✓		
IRAP		✓		
CMF		✓	✓	✓
IDMTC		Retroactive	Retroactive	Retroactive
SR&ED		Retroactive	Retroactive	Retroactive
MITACS		✓	✓	✓
BICP			✓	
SDTC		✓	✓	
Bridge Financing			✓	✓



Industries Programs Apply To

	Agritech (hardware)	VR Game	Medical Device	Consumer App	Ecommerce site
Futurepre neur	✓	✓	✓	✓	✓
IRAP	✓	✓	✓	✓	✗
CMF	✗	✓	✗	✗	✗
IDMTC	✗	✓	✗	Pending	✗
SR&ED	✓	✓	✓	✓	✗
MITACS	✓	✓	✓	✓	✗
BICP	✓	✗	✓	✗	✗
SDTC	✓	✗	✗	✗	✗
Bridge Financing	✓	✓	✓	✓	✓



IV. Pre-emptive vs. Retroactive Funding



Pre-emptive vs. Retroactive

Pre – Emptive - Grant

- Requires application
- Require proactive plan
- Requires business intelligence to file
- If approved will be for proposed invoice or grant amount

Retroactive - Tax Credit

- Requires documentation and proof of work
- Requires procedural documentation
- Required engineering / scientific intelligence to file
- Contingent on technical auditor, and proof of addressing program guidelines by CRA definition



Grant vs. “Funding” Impact on SR&ED

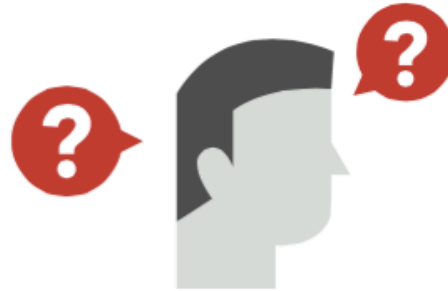
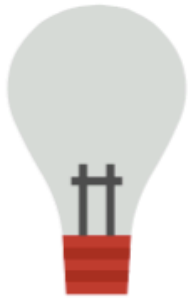
- Grant - non-repayable
- “Funding” - repayable and or secured
 - examples - loan, equity

“Funding” can be leveraged by SR&ED,
Grants reduce the amount of SR&ED you can claim.



QUALIFYING CRITERIA

Must meet three criteria to qualify for SR&ED:



1. Technological Uncertainty
2. Technological Challenges
3. Technical Content or Iterations



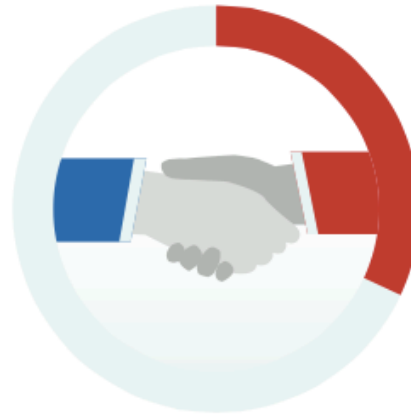
SR&ED BENEFITS

Return rates for SME CCPCs:



SALARIES

~64%



SUB-CONTRACTORS

~32%



MATERIALS

~42%



REFUNDABLE ITCs



SR&ED BENEFITS

Return rates for non-CCPCs:



SALARIES

~36%



SUB-CONTRACTORS

~18%



MATERIALS

~24%



NON-REFUNDABLE ITCs



VI. How the non-dilutive Funding Programs Stack



How do SR&ED & IDMTC Interact

	SR&ED	How much?	IDMTC	How much?
Futurepreneur	Yes	100% of eligible work	Yes	100% of eligible work
IRAP	Yes	Company paid portion of project	Yes	Company paid portion of project
CMF	Yes	100% of eligible work	Yes	100% of eligible work
MITACS	Yes	Company paid portion of project	Yes	Company paid portion of project
BICP	Yes	100% of eligible work	Yes	100% of eligible work
SDTC	Yes	Work not supported by SDTC	Yes	Work not supported by SDTC
Bridge Financing	Yes	100% of eligible work	Yes	100% of eligible work



Case study





Which programs would we use?

	Business Plan	Prototype	Production	Commercialization
Futurepreneur	Yes			
IRAP		Yes		
CMF		Yes	Yes	Yes*
IDMTC		Retroactive	Retroactive	Retroactive
SR&ED		Retroactive	Retroactive	Retroactive
MITACS		Yes	Yes	Yes
BICP			Yes	
SDTC		Yes	Yes	
Bridge Financing			Yes	Yes



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