

# I<sup>2</sup> Program Frequently Asked Questions

## **What is the Genome BC Industry Innovation (I<sup>2</sup>) Program?**

The I<sup>2</sup> Program offers repayable growth capital to businesses (with less than 500 employees), commercializing innovative life science technology-based products, processes or services.

The I<sup>2</sup> Program is a concrete step towards bridging the gap between innovation and commercialization in the BC bioeconomy. Life sciences includes any technologies that address human health issues as well as any biological challenges faced in the key economic sectors of Agrifood, Energy, Mining, Environment, Fisheries and Aquaculture, and Forestry.

Funding through the I<sup>2</sup> Program is non-dilutive, repayable and has success oriented service charges. It is allocated to promising technologies at the early stages of commercial development. The I<sup>2</sup> Program aims to provide risk capital that is concurrently matched by other public or private funding sources.

## **Is the I<sup>2</sup> Program a provincial program?**

The I<sup>2</sup> Program is a Genome BC initiative that is available to small-and medium-sized enterprises (SMEs) with operating facilities in BC.

## **Is the I<sup>2</sup> Program a permanent initiative?**

The I<sup>2</sup> Program is intended to be an ongoing initiative of Genome BC.

## **What is a small and medium-sized enterprise (SME)?**

A small- and medium-sized enterprise is defined by Industry Canada as a for-profit entity that has less than five hundred employees.

## **What are the objectives of the I<sup>2</sup> Program?**

The I<sup>2</sup> Program aims to:

- Commercialize innovative life science technology-based products, processes, and services;
- Stimulate greater private sector investments in commercialization activities in the bioeconomy;
- Increase the number of jobs for highly qualified personnel in BC;
- Enable company growth.

## **Why is Genome BC funding businesses?**

Through the I<sup>2</sup> Program, Genome BC is addressing a gap in private sector funding of the bioeconomy and the need to drive innovation, commercial success and economic prosperity in BC. More support is needed beyond the Research and Development phase to bring ideas through to commercially useful innovation.

Attracting early-stage capital for life science technology commercialization has been identified as a key challenge for SMEs in BC. By helping businesses access financing and private investment, as well as supporting technology commercialization, we are harnessing the entrepreneurial spirit of this province, nurturing great ideas and strengthening BC's economy.

## **Who will benefit from the initiative?**

The I<sup>2</sup> Program will help create an environment where businesses can thrive and compete in today's marketplace by exploiting life-science based technologies, ultimately strengthening BC's economy.

## **As an investor, how can I benefit from I<sup>2</sup> Program?**

Investing in technology commercialization is intended to encourage partnerships between SMEs and the investor community. While there is no funding to support angels or venture capital investors directly, investors working with businesses active in BC will be able to leverage their investments in companies that receive funding from the I<sup>2</sup> Program.

## **Eligibility**

### **Who is eligible for funding?**

The I<sup>2</sup> Program's repayable financing will be available to SMEs that meet the following mandatory criteria:

- SMEs (less than 500 employees) that are incorporated to do business in Canada and have operating facilities in British Columbia;
- Have a viable plan to successfully commercialize (i.e., generate significant revenues from sales and/or licensing activities) an innovative, life science technology-driven, new or improved product, process or service within four years of initial I<sup>2</sup> Program disbursement;
- Ownership or contractually binding access to the intellectual property rights to carry out the proposed technology development and to commercially exploit the results of the project;
- Have provided a current business plan that details the investment opportunity and recent financial statements;
- Have identified, at the time of application, matching funding from all other sources, including government and non-government as well as existing cash resources (these sources of funding must represent at least 100 percent of the proposed I<sup>2</sup> Program financing and be secured by the closing date of the I<sup>2</sup> funding).

### **Are there specific sectors that are being targeted by the I<sup>2</sup> Program?**

The I<sup>2</sup> Program will target the following sectors where the exploitation of life science based technologies will strongly benefit the province of BC in Agriculture, Energy and Mining, Clean tech and Environment, Fisheries and Aquaculture, Forestry, and Health.

### **How much funding is available?**

The I<sup>2</sup> Program launched in 2015 with an initial \$6.8 million pool of capital and was further augmented with another \$4 million in 2017. Eligible SMEs may request \$100,000 to \$1 million per company (and affiliates) to commercialize the development of their technology-based products, processes and services over a maximum five-year period. Only a limited number of exceptional SME's are likely to receive a full \$1 million in I<sup>2</sup> Program support.

### **How many companies will Genome BC fund under I<sup>2</sup> Program?**

It is expected that the requests for funding may exceed the amount of funding available. The total number of companies funded will depend on the amounts requested by the successful applicants.

### **What is the likelihood that I will receive funding?**

Only applications demonstrating the highest merit that fit with I<sup>2</sup> Program objectives, will be considered for funding. Many good projects and businesses may not receive support from the I<sup>2</sup> Program.

### **What are the attributes of a strong proposal?**

All eligible applications will be evaluated on their ability to achieve the objectives of the I<sup>2</sup> Program and on their strengths in the areas of management, technology readiness, market potential, financial capacity and economic benefits.

Strong projects will demonstrate:

- A complete and viable business plan;
- Qualified, experienced and complete management team;
- Technology readiness for commercialization, strong value proposition and necessary IP;
- Market potential (i.e., strategic or supply chain partnerships in place, potential customers/investors identified, etc.);
- Financial capacity to execute (i.e., non-Genome BC funding in place, existing revenues from other product lines, etc.) and ability to repay; and,
- Measurable economic benefits to BC.

### **What kinds of activities are supported by I<sup>2</sup> Program?**

I<sup>2</sup> Program supports activities in a variety of sectors; however, the funding is intended to support activities to validate commercial proof of concept and to commercially launch a product, process or service.

Examples of supported commercialization activities include, but are not limited to:

- Introduction of a new product, process or service to new or existing markets;
- Improvement of products, processes or services;
- Technology development/acceleration;
- Product certifications;
- Pilot projects (first user) and technology demonstration projects;
- Validation of market potential and end-user acceptance; and
- Support for marketing, human resources development, productivity, and process or quality improvement directly related to the commercialization of new opportunities.

### **What costs are eligible?**

The I<sup>2</sup> Program is providing repayable growth capital to SME's where these proceeds are to be allocated to all necessary activities for the development and commercialization of promising life science-based technologies that have the potential to provide benefits to BC. The company must also commit to using BC based suppliers of goods and services for the technology development program where feasible and market competitive, and to ensure that all or substantially all of its employees or contractors who work on the technology development program are residents of BC if feasible.

Genome BC reserves the right to make the final determination on the value of its support and to exclude expenditures deemed to be ineligible or outside the scope of the I<sup>2</sup> Program.

### **What types of activities and costs are ineligible?**

I<sup>2</sup> Program will not support costs that can be typically financed through conventional sources, such as land and buildings. Other non-eligible costs include: losses, amortization or depreciation of assets, fines, and penalties. Additionally, costs associated with certain activities, such as basic or applied research and lobbying, will not be supported.

### **Is there a limit to the number of times that I may apply?**

There is not a limit to the number of applications a company may submit.

### **Does my business have to be incorporated for at least a year?**

No. The eligibility requirements are that you must be incorporated at the time of application to the I<sup>2</sup> Program.

### **What if the parent and subsidiary combined have more than 500 FTEs – would the subsidiary (with less than 500) be eligible?**

No. If both the parent and subsidiary have more than 500 FTEs, then Genome BC would not consider the subsidiary as eligible under I<sup>2</sup> Program. On a related note should there be a controlling interest by an investment firm, such as a venture capitalist, only the FTE count for the company applying will be considered for eligibility purposes and not the FTE count of the venture capitalist.

### **If there is a company from outside BC that wanted to start a company in BC could they apply?**

Yes. However, the company must establish tangible operating facilities in BC (with personnel) at the outset of their I<sup>2</sup> funding.

### **Can money already invested in the company be considered part/all of the matching funding?**

A company can use its existing cash or investments only if applied to new activities and costs – i.e. costs that are incurred after the I<sup>2</sup> Program start date. This is essentially the net working capital at closing. (i.e. current assets less current liabilities.)

### **What do you require as proof or evidence of identified matching funding at the time of application? Is a letter of intent sufficient? Are projected revenues from future sales acceptable?**

Written proof, confirmed or conditional upon other sources of funding, will be considered acceptable. Examples of written proof include binding, term sheets, funding agreements, or current bank statements detailing existing cash balances or the unused portion of lines of credit. These documents will be reviewed in greater detail as part of Genome BC's due diligence.

Genome BC does not consider the following as sources of confirmed funding:

- Forecasted revenues from future activities;
- non-binding letters of intent;
- Commitments to raise equity;
- Commitments to obtain future bank financing; and
- Forecast Scientific Research & Experimental Design (SR&ED) credits. (however, accrued SR&ED refunds at closing will be an eligible source of funding if the company has a track record of receiving SR&ED refunds.)

### **Can the non-Genome BC sources of funding be changed after the initial application?**

Any changes to funding sources would have to be considered on a case by case basis. Generally speaking as long as the SME continues to be capitalized sufficiently (meeting mandatory eligibility requirements) Genome BC will continue to assess the investment opportunity.

### **If a SME's commercialization plan is to undertake a series of activities that will enable it to license its product to a large company, within four years, for a fee (revenue) is it eligible for the I<sup>2</sup> Program?**

Yes. Provided that the SME has the necessary IP rights to carry out the proposed technology development and it is feasible to commercially exploit the results within 4 years, the company would be eligible for financing from the I<sup>2</sup> Program. "Commercially exploit" includes out-licensing activities.

### **What is a viable business plan?**

It is recommended that you consult the [Canada Business Network](#) to access a variety of business plan

tools from the BDC and Canada's major banks to ensure that your plan is complete and contains sufficient information to be assessed as a viable business plan. Another source for business plan tips and templates is the [MARS Discovery District](#) (incubator)

Generally, a business plan should include:

- A description of the business and new product, process, or service being commercialized (please include a description of intellectual property and freedom to operate);
- An analysis of the marketplace (including industry factors, competition, and customers);
- A detailed sales and marketing strategy;
- A description of the management team and corporate governance structure;
- Operating/execution plan for commercializing the new product;
- Forecasted income statements, cash flow for the duration of the company's development work and up to an additional two years (pro-forma statements)

## Application

### How do I apply for funding through the I<sup>2</sup> Program?

Applicants are strongly encouraged to submit an Executive Summary (max. 5 pages) of their business plan highlighting:

- The company, team and BC-based activity
- The technology/service and value proposition
- The market opportunity
- The commercialization plan
- The financial requirements, prospective co-funders and risks involved

Submissions should be emailed to: Pat Brady, Director, Industry Innovation Programs  
[pbrady@genomebc.ca](mailto:pbrady@genomebc.ca)

Only those applicants with the strongest applications will be invited to submit their full business plan for further consideration.

### What are the application deadlines?

Applications are accepted at any time. However, the Board of Directors of Genome BC will make the ultimate investment decisions. Board meetings and I<sup>2</sup> Program investment decisions are made approximately quarterly.

### Can I review my application with you before submitting it?

Genome BC staff will not be reviewing nor assisting applicants to prepare their first submission of an Executive Summary prior to its submission. However, we will be available to discuss your company's eligibility for I<sup>2</sup> funding before your submission.

### How do I know if my application was received?

All applicants will receive an acknowledgement notification, confirming that their application has been received.

## How will I<sup>2</sup> Program investment opportunities be assessed and approved?

All proposals will be assessed and approved in five stages:

### Stage 1

The first stage will consist of an initial assessment of the Executive Summary to determine if the SME's business plan meets the mandatory criteria under the I<sup>2</sup> Program. During this stage, applicants will also be assessed to determine how strongly they align with the goals of the I<sup>2</sup> Program, whether they demonstrate a high likelihood of success and tangible benefits to BC and whether they will have non-Genome BC matching funding secured by expected closing.

### Stage 2

Assuming a positive assessment in Stage 1, Genome BC will invite the company to submit a full business plan and/or other form of presentation to Genome BC for the second stage of assessment.

### Stage 3

Assuming support of Genome BC in Stage 2, a formal due diligence process is conducted to determine the likelihood of commercialization and clearly establishing a pathway to success. A confidential third party review of the company's technology, IP and/or market will often be performed at this time.

If significant gaps are identified during the due diligence process, funds will not be advanced but Genome BC will endeavour to point the company toward resources and partners that are able to help remedy the deficiencies.

### Stage 4.

If a company is successful at Stage 3, then the next stage is to negotiate and reach agreement on a term sheet detailing:

- Key financial terms
- Repayment terms
- Identification of commercialization milestones and tranche advancement requirements, if any
- Closing conditions, co-funding and target dates
- Information rights

### Stage 5.

Upon completion of due diligence and negotiating the term sheet, the company will be asked to formally present to Genome BC in the fifth and final stage of the review process. The Board of Directors of Genome BC will make the ultimate investment decision. Board meetings and investment decisions are made approximately quarterly. Genome BC will seek input from the I<sup>2</sup> Advisory Council comprised of experienced businesspersons from the field of technology commercialization, entrepreneurs, and others in related fields that will provide strategic advice on the suite of investments under consideration by Genome BC. Members of this Committee are required to sign a confidentiality agreement and a conflict of interest agreement with Genome BC.

## Are there any fees to apply or to go through the assessment and due diligence?

There are no fees associated with the application or assessment process. However, an applicant can expect that during the detailed due diligence period, they may be required to fund the costs of Genome BC obtaining third party expert opinions – regardless of whether or not the I<sup>2</sup> Program makes an investment. Genome BC will obtain prior approval from the applicant before incurring these expenses.

### **Can you assure me that any confidential commercial information I submit will be protected?**

Assessment of the applications will be undertaken by Genome BC. All submitted information will be kept in strict confidence. Confidential commercial information will not be shared without the applicant's consent. Genome BC will execute a NDA.

### **Will Genome BC ask for missing information if I am not successful, will I be informed why so I can address any weaknesses in my application for a future submission?**

Genome BC staff may follow-up with clarification questions and may ask for the provision of new information. Genome BC will try to provide individualized support for any applicant. However, applicants must clearly demonstrate the ability to bring innovative ideas from the later stages of research and development to a commercialized product, process or service.

## **Investment (Loan)**

### **How are disbursements made?**

If you are successful in obtaining I<sup>2</sup> Program funding for your company, Genome BC will normally provide the repayable funding in an upfront disbursement at closing plus additional tranches triggered by the achievement of pre-determined milestones. Milestone events must be significant in nature for the development and commercialization of the technology. Milestone events must be described in a clear and objective fashion to avoid ambiguity whether they have been achieved or not. Ideally they are measurable.

Potential funding recipients are expected to have secured all non-Genome BC matching financing (minimum 100%) before closing of the I<sup>2</sup> Program investment.

### **What kind of reporting is required during the funding period?**

All successful applicants will sign a standard Loan Agreement with Genome BC. The Agreement outlines the obligations of the funding recipient, including Genome BC's information rights which will require, at a minimum, quarterly reports including company progress reports, financial statements, budget variance reports and pro forma cash flows. In most circumstances, Genome BC will require Board Observer rights. Genome BC retains visitation rights and the right to audit the loan recipient's business during the loan repayment period and while any royalty payment obligations are outstanding.

### **When must technology commercialization projects be completed?**

The duration of the commercialization project may vary, ranging from a few months to multiple years; however, project plans must demonstrate the ability to fully commercialize the technology within four years of the first disbursement from the I<sup>2</sup> Program.

### **What type of loan are you providing in this initiative?**

Through this initiative Genome BC will provide 'repayable funding' – essentially an interest-bearing loan that will be secured with a General Security Agreement.

### **What is the I<sup>2</sup> Program loan security?**

Genome BC loans will be secured with a General Security Agreement (GSA) granting an interest in all of the company's and any subsidiary's present and after acquired property. The GSA includes a double negative pledge on all intellectual property.



## **What is the I<sup>2</sup> Program loan interest rate?**

I Program loans are interest-bearing. Interest is calculated from the time of disbursement, compounded annually, and accrued until the repayment schedule is launched. Interest will be at a “below market” rate, usually RBC Prime plus %. Interest penalties will be incurred if there are loan repayment defaults.

## **How long do funding recipients have to repay the I<sup>2</sup> Program’s loan?**

Funding recipients will be required to repay the I<sup>2</sup> Program loan principal and any accrued interest starting from the earliest of the following typical “Commercialization Triggers”:

- four years from the first disbursement of funds from the I<sup>2</sup> Program ;
- the date that the commercialized technology achieves pre-negotiated revenue and/or sales volume targets;
- target revenues from licensing the technology;
- the company achieves a significant financial milestone such as an IPO or change of ownership control.

Recipients will be required to make quarterly repayments of the principal and accrued interest amortized over the two years following the occurrence of a Commercialization Trigger. Therefore, the funding recipient will have a maximum of six years to repay Genome BC’s total principal and interest amount from its initial disbursement. There is no prepayment penalty. I<sup>2</sup> Program loans also carry a Royalty obligation.

## **What is the I<sup>2</sup> Program royalty obligation?**

A royalty obligation is part of the I<sup>2</sup> Program agreement. The royalty agreement is structured so that Genome BC receives a low, single-digit annual royalty payment if the technology financed results in significant commercialization revenue. The royalty payments usually commence in the year of the Commercialization Trigger. The cumulative royalty payments are capped at 2X the amount of the I<sup>2</sup> Program loan principal.

## **Are there any cash fees to close (set up) the I<sup>2</sup> Program loan facility?**

There are no cash fees associated with the application process nor the execution of the I<sup>2</sup> Program loan transaction. However, the company will pay for all legal expenses incurred by the Genome BC to document and execute the I<sup>2</sup> Program loan transaction.

## **Are there any non-cash fees to close (set up) the I<sup>2</sup> Program loan facility?**

At closing, Genome BC will receive a Warrant - the right to purchase that number of shares of preferred or common stock of the company equal to 2% of the total I<sup>2</sup> Program loan divided by the Exercise Price. The Exercise Price will be equal to the per share price of the most recent equity round (common or preferred). The Warrant will have a ten year maturity and standard anti-dilution protection.

## **Do you offer grants or subsidies under the I<sup>2</sup> program?**

No, grants and subsidies are not provided under the I<sup>2</sup> Program. I<sup>2</sup> Program recipients will receive funding that they are responsible to repay (a repayable contribution).

## **What happens if the loan isn't repaid?**

Genome BC expects that I<sup>2</sup> funding will be repaid. If funds are not repaid, Genome BC will take appropriate measures to collect the amount owing from this loan default condition. The company (borrower) shall also be in default upon the occurrence of a material impairment of the prospect of repayment of the I<sup>2</sup> Program loan.



### **What control does Genome BC want over my business if I accept this loan?**

Genome BC will not take a role in the operation of your business. Further, Genome BC will not be taking any equity positions in businesses that receive funding under this program other than Warrants

### **If I am successful, can I pay back the loan early? Is there a penalty?**

There is no penalty for early repayment. Repayment of the loan shall not release the company from its royalty obligations as set out in the I<sup>2</sup> Program royalty obligation. In fact, early repayment may trigger reductions in the Royalty Cap.

### **Will you provide loan guarantees?**

No, loan guarantees will not be offered under the I<sup>2</sup> Program, i.e., the intention is NOT to provide a guarantee to another lender.

### **Will you offer a line of credit for growing businesses?**

Applicants will not be offered a line of credit under the I<sup>2</sup> Program.

### **Do you provide asset-based financing?**

Genome BC will not provide repayable financing based solely upon the assets you have in your business. We base our decisions on a variety of factors that will include: market potential, management strength, technology readiness and financial capacity.

### **Will you provide financing based upon future projections for a newly invented technological product?**

Yes, an applicant does not have to have existing revenues to be eligible to receive I<sup>2</sup> Program funding. It is required that the business be incorporated and have secured all other sources of non-Genome BC matching funding at the time of disbursement.

### **What are the tax implications of an I<sup>2</sup> Program repayable loan?**

It is recommended that you seek independent professional tax and accounting advice to assess and determine the full tax implications of your company being in receipt of an I<sup>2</sup> Program repayable loan.

### **Are existing or potential tax credits considered matching funding?**

If your company has an existing refundable tax credit receivable with the Scientific Research and Experimental Development (SR&ED) program and a valid track record for the receipt of past SR&ED tax credit claims, then 75% of the existing SR&ED receivable tax credit will be an eligible amount for the purposes of defining matching funding for I<sup>2</sup> Program investments. However, future unaccrued SR&ED tax credits will not be considered matching funding. It is also recommended that you seek independent professional tax and accounting advice to assess and determine what costs and activities of your activities might be eligible for federal or provincial tax credits.

### **Who can I contact for more information?**

Contact Pat Brady, Director, Industry Innovation Programs  
[pbrady@genomebc.ca](mailto:pbrady@genomebc.ca)