



Ag-West Bio Technology Commercialization Investment Fund

Description & Guidelines

The Ag-West Bio fund is designed to provide seed capital and help secure matching funds for early stage companies in the agricultural biotechnology, bioproducts, bioprocesses, natural health products, functional foods, and agtech sectors. Our investment is repayable and allocated to promising technologies at the early stages of development, often considered too risky for traditional private capital sources, and at a stage too early for venture capital attraction. Companies must demonstrate potential for exceptional benefit to Saskatchewan. Companies can be start-ups but must be beyond the research stage and must have attained initial start-up capital – usually in the form of private investment from company founders, friends, and family. Companies should be beyond the proof of concept stage, and in the scale-up or product and market development stages and have some form of formal ownership or control of the technology being utilized. Funded companies can be based outside of Saskatchewan but must have a Saskatchewan incorporated affiliate with substantial presence in the province, typically defined as the number of employees residing in Saskatchewan and significant economic and/or research activity. Companies must become AWB members.

Investments range from \$50,000 to \$300,000 and are targeted to initiatives where a clear pathway to commercialization can be demonstrated. We work with companies to help establish this pathway, and link them to other stakeholders in the industry. Investments are repayable and can take the form of debt or equity, with flexible terms. In addition, repayment includes a royalty based on company revenue. We help companies establish near term milestones; funding is usually tied to successful execution of these milestones, and advanced in tranches.

Funding Process

Meeting with the company to discuss its business plan, stage of development, technology and revenue strategy is the first step. The discussion focuses heavily on market opportunity, plan and challenges involved. Once we determine the company is beyond the early research stage, with a promising technology, capable management and a feasible plan, we invite the company to submit a detailed business plan or other form of presentation outlining its commercialization plan. At this point we perform a business plan gap analysis and may decline to consider investment because of deficiencies or improper fit, or point the company toward industry stakeholders, resources, and additional funding sources capable of augmenting the plan. This stage is the most time-intensive and often involves AWB staff providing path finding assistance. If a company can fill the gaps in its plan, it can move on to the next stage of thorough due diligence.

The Ag-West Bio Technology Commercialization Investment Fund selection is highly competitive and only a limited number of companies receive investment. Successful companies are subject to thorough due-diligence and a prescribed approval process. Ag-West Bio uses a formal due-diligence process to determine the likelihood of commercialization and clearly establishing a pathway for success. We ask the company more questions, aimed at outlining important investment details on key aspects of the technology, the company, and the commercialization plan. The questions are tailored to the company's particular industry and technology and focus on critical items involved in the investment decision. At this point we may also ask the company to authorize a confidential third-party technical review of the technology, if needed.

If significant gaps are identified during this process, we do not consider investment, but highlight the deficiencies, pointing the company toward resources and information able to help remedy the deficiencies, if

possible. If a feasible commercialization pathway is identified, we move to the next stage: the identification of commercialization milestones, tranche advancement requirements, a term sheet, and eventually an investment agreement.

Funding Decisions

We are governed by a dedicated board of directors that comprises ag-tech and bio-industry leaders. The board makes the final investment decision and provides valuable commercialization input. Board meetings and investment decisions take place quarterly.

Reporting Requirements

If an investment is made, we closely monitor the company through quarterly reporting and ongoing correspondence aimed at identifying risks, and opportunities to offer the company assistance.

Repayment

When the company achieves commercialization, generally defined as gaining significant revenue from the licensing or sale of product resulting from the technology, the investment goes into repayment, usually in monthly installments. In addition, a royalty agreement based on revenue, obligates the company to make annual payment based on the revenue outlined in its year-end financial statements. If the investment was in the form of equity, we look for a mutually beneficial point to exit the investment. The goal is successful commercialization, industry growth, jobs, and the generation of increased knowledge and wealth in the province of Saskatchewan.

Typical loan terms are as follows:

Interest rate:	RBC prime plus 3%
Interest accrues:	from the time money (principal) is advanced
Money is advanced:	in stages (tranches) that correspond to pre-commercialization milestones
Repayment trigger:	is usually upon significant revenue or market traction, or a set future date
Repayment:	usually monthly blended payments of principal and accrued interest, amortized over 3 – 5 years
Royalty payment:	usually 1X principal advanced, paid annually based on a percentage of revenue

Mentorship

The process ends when the company has fully repaid its obligation. At this point we encourage the company to maintain Ag-West Bio membership and an open dialogue with us. We may invite the company principal to become a mentor in our mentorship program. Through this program we encourage new clients to become protégés and work with experienced mentors identified through our close contact to private industry. The mentorship program is a valuable component of our Technology Commercialization Fund.

Ag-West Bio Commercialization Fund – Process Summary

The investment decision process can be summarized in the following steps. If the company openly provides accurate information in a timely fashion, the decision process usually takes 3-4 months.

1. Meeting with AWB to discuss company, opportunity, technology, market, revenue plan and risks.
2. Company provides its business plan.
3. AWB performs a business plan gap analysis and directs company to resources and industry stakeholders to help fill gaps in plan. However, if the gaps identified at this point are too significant, or the risk identified is too great, the process stops here. If gaps are small enough, or if gaps are sufficiently filled, the company moves on to the next step.
4. If appropriate, company principal is encouraged to become a protégé in the mentorship program.

5. The company answers detailed commercialization questions tailored to the company, the technology, the industry, and the plan.
6. AWB completes formal investment due diligence. If a promising technology and an economically feasible commercialization pathway are identified, then move to step 8.
7. If the gaps identified during due diligence are too significant, AWB highlights the deficiencies and directs the company to resources and partners able to help remedy the deficiencies, if possible.
8. AWB Board investment decision (quarterly).

Investment Closing and Next Steps

9. Designation of commercialization milestones and corresponding investment tranche advancement requirements.
10. Execution of a Letter of Offer and Term Sheet.
11. Execution of an Investment and Security Agreement.
12. Advancement of funds based on tranche requirements.
13. Company reporting and ongoing communication.
14. Commercialization repayment trigger.
15. Repayment period begins.
16. Obligation fully repaid. Company principal may be asked to become a mentor to new entrepreneurs.

For more information about Ag-West Bio's Technology Commercialization Fund, please contact:

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