

LEVERAGING THE \$7 MILLION FUND

Designated for
Ontario Bioscience
Companies
Announced in
May 2010



During the fall of 2009, with Ontario's bioscience industry fighting for survival due to an inability to raise capital in the midst of a world-wide economic crisis, OBIO mobilized industry CEOs to take action. With a sense of urgency derived from the need for a plan to ensure the survival of the industry, OBIO organized its first province-wide consultation process ultimately generating a set of recommendations for industry survival and growth.^{1,2} These recommendations were provided to the Ontario provincial government and detailed changes to existing provincial capital and tax programs which when implemented would have a positive impact on biotech companies.

The ensuing engagement and dialogue between industry and government on the nature of the challenges facing the industry as a whole resulted in the formation of a special fund – a one-time allocation of \$7 million in special financing to Ontario bioscience companies announced as part of the Ministry of Research and Innovation (MRI) commercialization strategy in May 2010.

For an industry where many companies are operating with less than a year's cash – Ontario's bioscience industry saw the \$7 million fund as an important step particularly during a period of provincial fiscal restraint. Working collectively industry achieved recognition by government that existing programs are often inaccessible to bioscience companies whose capital requirements and long development time lines put them at a disadvantage when multi-industry programs force them to compete with less complex business models such as IT or clean-tech.

OBIO's Access to Capital Committee developed recommended guidelines for investment framework, eligibility criteria and timelines which were vetted by industry and presented by OBIO at an industry

consultation session conducted by MRI in May, 2010. Investment guidelines recommended financing of \$500,000-\$1,000,000 in the form of a grant which together with a matching term sheet would lead to a value creation milestone.

In the fall of 2010, the Investment Accelerator Fund (IAF) announced eligibility requirements and investment criteria for the \$7 million fund. The fund is managed by MaRS and delivered by the IAF as a 'side car' fund to the Investment Accelerator Fund (IAF). The IAF program provides seed-stage financing to start-up companies. With only one out of 32 existing IAF deals benefitting a bioscience company, the IAF program has not historically been able to meet the needs of Ontario bioscience seed-stage companies over the last three years. Establishing the \$7 million fund required several months of preparation and the adoption of a different set of requirements for a program aimed at established commercial companies.

Later-stage, investor-backed companies that qualify for financing receive between \$500,000 and \$1 million by way of convertible debenture or other equity-based instrument. Early-stage companies eligible for funding under the IAF and requiring more than the maximum of \$500,000 are eligible for up to an additional \$500,000 from the \$7 million fund. This increased financing should provide more bioscience start-ups access to the IAF.

There are approximately 23 public companies in Ontario which can be considered, 'human health bioscience companies'. Of these, 14 have a market capitalization of less than \$50 million; none of these are profitable and most have ongoing clinical trials. Despite having access to public sources of capital, these companies have the same challenges accessing capital as private companies – they can



The relationship between programs as proposed by OBIO

be considered 'listed privates'. Denied access to this fund, public companies will have to wait for the markets to improve or for government programs which establish other thresholds such as whether a company is pre-revenue or cash flow positive.

Almost a year post-announcement, an effective delivery program is in place and roughly half the fund has been committed. Intended as 'one-time', the \$7 million fund uniquely addresses needs articulated by industry. Successful recipient companies will advance development programs closer to commercialization and enhance their ability

to attract additional investment. Replenishment of the fund is an important way to advance Ontario's competitiveness in the field of bioscience. Let's not miss the opportunity.

References:

1. Industry Generated Recommendations for Sustainability and Growth of Ontario's Bioscience Industry in 2010 and Beyond (www.obio.ca)
2. Industry Generated Recommendations for Sustainability and Growth of Ontario's Bioscience Industry in 2011 and Beyond (www.obio.ca)

Ontario Bioscience Industry Organization: *OBIO works on behalf of both public and private bioscience companies developing and commercializing therapies, diagnostics and devices. OBIO's mandate is to encourage growth of the sector through advocacy and policy and program proposals. OBIO works to improve the operating climate so companies can access capital, create jobs and contribute to Ontario's economic growth.*



For more **ACROSS CANADA** information visit our **COMMERCIALIZATION** Web Portal at www.bioscienceworld.ca

Julia was diagnosed at **four months old** with a virus in her heart.

It would take a **transplant** to save her life.

Her **heart** arrived four weeks ago.

She's a **real miracle**

Donations to Children's Miracle Network create miracles by funding medical care, research and education that improves the lives of over 2.6 million children each year - children just like Julia.

To **DONATE**, or to find other ways to help, visit ChildrensMiracleNetwork.ca

