

# BIOSCIENCE INDUSTRY LEADERS DISCUSS ISSUES THAT MATTER

At OBIO's 2nd Annual Québec and Ontario  
Bioscience CEO Dinner Event



On May 31, 2011 OBIO together with event sponsors, Sanofi, Torys, BDC and PWC hosted the Second Annual Québec/Ontario Bioscience CEO dinner.

The tradition started in 2010, to provide bioscience industry leadership with a unique opportunity to connect and discuss industry issues in a relaxed interactive setting while enjoying a fine meal and refreshments. Building on last year's positive word of mouth, the 2011 event was over-subscribed. This year, over 50 guests from across Canada came together at, 'The Rosewater Supper Club' in downtown Toronto for a cocktail reception before joining tablemates and embarking on the evening's agenda.

The conversation was enriched by the perspectives of guests from British Columbia and Manitoba in addition to Québec and host province, Ontario. Attendees included industry leadership from therapeutic, device, diagnostic and healthcare IT companies, lawyers with sector and IP expertise; accountants with industry experience in programs such as SR&ED (Scientific Research and Experimental Development Tax Incentive Program) and financial and capital market executives.

This year's gathering was designed to build on conversations that started

at the 2010 Québec/Ontario Bioscience CEO Dinner. Each table of guests was asked to choose three questions from a list of seven prepared by Helen Findlay, OBIO director. Questions were designed to provoke discussion on a range of industry-relevant topics including: branding; industry sustainability and growth; government policy and opportunities for collaboration across country-wide networks.

The first topic of discussion at most tables was branding – the ongoing effort to create a clear understanding of human health bioscience and its potential to deliver innovative health care solutions and therapies from Canada. Branding was seen as an important objective, both locally and nationally, to ensure a common understanding throughout the ecosystem that supports and benefits from the indigenous health science biotechnology industry. Beyond branding, guests described the need to articulate industry's ability to generate value while reducing system healthcare costs and creating both direct and ancillary jobs.

Next, discussion turned to industry advancements over the last year. Several companies were able to discuss financings that had closed in recent months enabling development pipelines to continue to move forward. Many of the evening's guests had participated in OBEST™ (Ontario Bioscience Economic Strategy Team) over the last several months and expressed the view that OBEST represents a much needed framework to develop and implement a strategy for a commercially viable human health bioscience industry. Daniel Billen, PhD., chair of the OBEST Advisory Board was present and recognized

for his leadership and for encouraging industry to develop goals and strategies that industry will implement while partnering with government to develop supportive policies.

Participants then spoke to the need for effective deployment of existing government programs and put forward ideas for future policy. Participants referenced examples of effective and highly competitive programs in other global jurisdictions where governments support health science biotechnology by creating an environment with favourable conditions for growth and sustainability. Programs that provide non-dilutive options for early stage companies were presented as being particularly attractive.

Programs that provide funding while de-risking technologies were recognized as particularly important by increasing follow-on investment opportunities.

One such program was the Small Business Innovation Research Program (SBIR) funded by US federal agencies. The SBIR provides small businesses with feasibility and pre-commercial research funding for ideas that meet high priority research and development needs detailed by the US government and which have potential for commercialization. The SBIR program is highly competitive and focuses on performance and go/no-go decision points which results in the early termination of non-viable projects. Depending on the type of program, companies in the SBIR program are eligible for either grants (supply side) or procurement contracts (demand side). It has been shown that companies which successfully pass through the SBIR program

are able to attract angel and venture capital funding.

Referencing the SBIR program, a proposal was advanced for a Canadian program which would be funded using a similar model. As with the US SBIR program, a Canadian program would enhance university-company collaboration, attract follow-on investors and create sustainable spin-off companies and jobs. One suggestion would stipulate that government funded organizations such as, Genome Canada focus on high risk early stage companies for a specified time period.

When asked about government created fund of fund programs guests noted the lack of investments to date made by Québec's Teralys Capital Fund (2008) and the Ontario Venture Capital Fund (2008) into local venture capital firms with bioscience technology portfolios. The group proposed a number of alternative funding vehicles including providing tax incentives to encourage direct investment by institutional investors or pharmaceutical companies. One table of guests put forward a particularly innovative proposal for a themed lottery managed by the Ontario Lottery Corporation as a way to provide a pool of risk capital for the health science and biotech sectors.

Guests also discussed the role of an equity-based financing alternative such as, flow-through shares (FTS) to fund research and development activities. A FTS program similar to what is currently available in the resource sector, would be most attractive to early-stage,

pre-revenue public companies possessing undeducted SR&ED expenditures and tax credits that could be passed on to FTS investors. Investors would then benefit from the tax credits – and future capital gains.

Participants emphasised the importance of maintaining the SR&ED program and recommended expanding eligibility and increasing expenditure levels. As recommended in OBIO's 2009 and 2010 industry reports (found at [www.OBIO.ca](http://www.OBIO.ca)) industry experts again felt that the OITC (Ontario Innovation Tax Credit) should increase the allowable portion of qualifying SR&ED expenses from 10 per cent to 37.5 per cent to 'level the playing field' with Québec operating companies.

Industry CEOs advancing products along commercial pathways and other experts at the dinner emphasized the need for a shift in government procurement policy away from a single minded focus on cost containment. Instead strategic procurement should take into account the value created when adoption of innovative technologies addresses healthcare needs, contributes to economic growth and increases global competitiveness of indigenous companies. This concept also forms one of the OBEST strategies to address the vital role of procurement in enabling innovation. The ongoing strategy engages government and industry stakeholders in identifying healthcare priorities and enhancing industry's responsiveness so that procurement and commercial development become two

sides of the same coin.

It is impressive how much ground the group covered in just a few hours. As part of the evening's wrap-up, guests emphasised the benefits of the evening's discussion and encouraged OBIO to continue to use these dinner events to capture innovative thinking and the best ideas across geographical and sector boundaries.

#### ABOUT OBIO™

The Ontario Bioscience Industry Organization (OBIO) is a private sector, membership-based organization that is Ontario's leading advocate for the life science sector. OBIO is engaged in advocacy to enable the successful development and commercialization in Ontario of life science technology through investment, strategic alliances, stakeholder engagement and industry promotion. Our goal is to build a leading bioscience cluster in Ontario to deliver innovative products / services to a global market.

#### ABOUT OBEST™

The Ontario Bioscience Economic Strategy Team (OBEST) was developed by OBIO following consultation with leaders of Ontario's bioscience companies who provided the impetus for developing a province-wide strategic vision to support the growth and viability of Ontario's bioscience industry. OBEST includes all stakeholders in the Ontario bioscience community who want to create the conditions for sustainable growth of Ontario's bioscience industry.



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