

**Commercialization
Support for Business
Program
&
Manitoba Innovation
Sidecar Fund**



Surveys Identify Issues of Concern

- Accessibility
- Time required to receive a response
- Too many contact points
- Small funding levels
- Reliance on eligible expenditures
- 10% limitation on in-kind contributions
- Lack of a clear pathway

Addressing the Issues

- Accessibility
 - Earliest phase is now open to individuals and companies
 - Simplified application procedures
 - Reduced number of streams
 - Online application
- Time Required to Receive a Response
 - 21 day target, 90% of the time for Streams 1 & 3
- Too Many Contact Points
 - Financial Services is the sole contact point

Responding to Entrepreneur Needs

- Funding Levels
 - Adjusted based on industry input to meet venture requirements
- Lack of a Clear Pathway
 - Streams now tie funding to stage of development and flow from one to another
- Reliance on Eligible Expenditures
 - Replaced with achievement of stated outcomes
- 10% Limitation on In-Kind Contributions
 - Removed

Seven Streams to Four

- Stream 1 – Product Development
 - Targets seed stage ventures
 - Maximum support = \$ 50,000
 - Accessing appropriate programs
 - Advice on next steps
- Stream 2 – Commercialization
 - Scalable ventures not ready for traditional funding but with a plan to get there
 - Targets start-up stage ventures
 - Contributions from \$50,000 to \$250,000
 - Contributions may be repayable

Streams 3 and 4

- Stream 3 – Market Development
 - Formerly Stream 4
 - Development of Marketing Materials or Trade Show Assistance
 - Maximum support - \$30,000
- Stream 4 - Capacity Building
 - Funding under this Stream is provided to third parties to provide appropriate support to Manitoba small businesses including such groups as incubators, industry associations, TR Tech and Innovate Manitoba

Limits to Consider

- Limits are venture not project based. Cumulative venture support amount = \$250,000.
- Stream 1 \$50,000 max, Stream 2 \$250,000 max, Stream 3 \$30,000 max
- Provincial support provided by CSB, other provincial grant programs and provincial tax credits is limited to 50% of funds raised
- Projects in excess of \$250,000 are beyond the scope of CSB; however, ventures are free to apply to the Province directly for such funding.

CSB Goals

- Focus on specific stages of venture development
 - Company over project focus
- Market validation as a cornerstone
 - Market over customer
 - Flow based on stage of development
 - Third party validation
- Outcome orientation
- Improved service experience
- Measuring success over time

Market Validation

- Goal – help companies fail fast with minimum capital and time expended
- Using a proven three part model developed by Dr. Rob Adams, The University of Texas at Austin
 - Ready – Stream 1
 - Aim – Stream 2
 - Fire – Side Car Fund
- Meant to be inclusive and evolutionary
- Description provided on the website

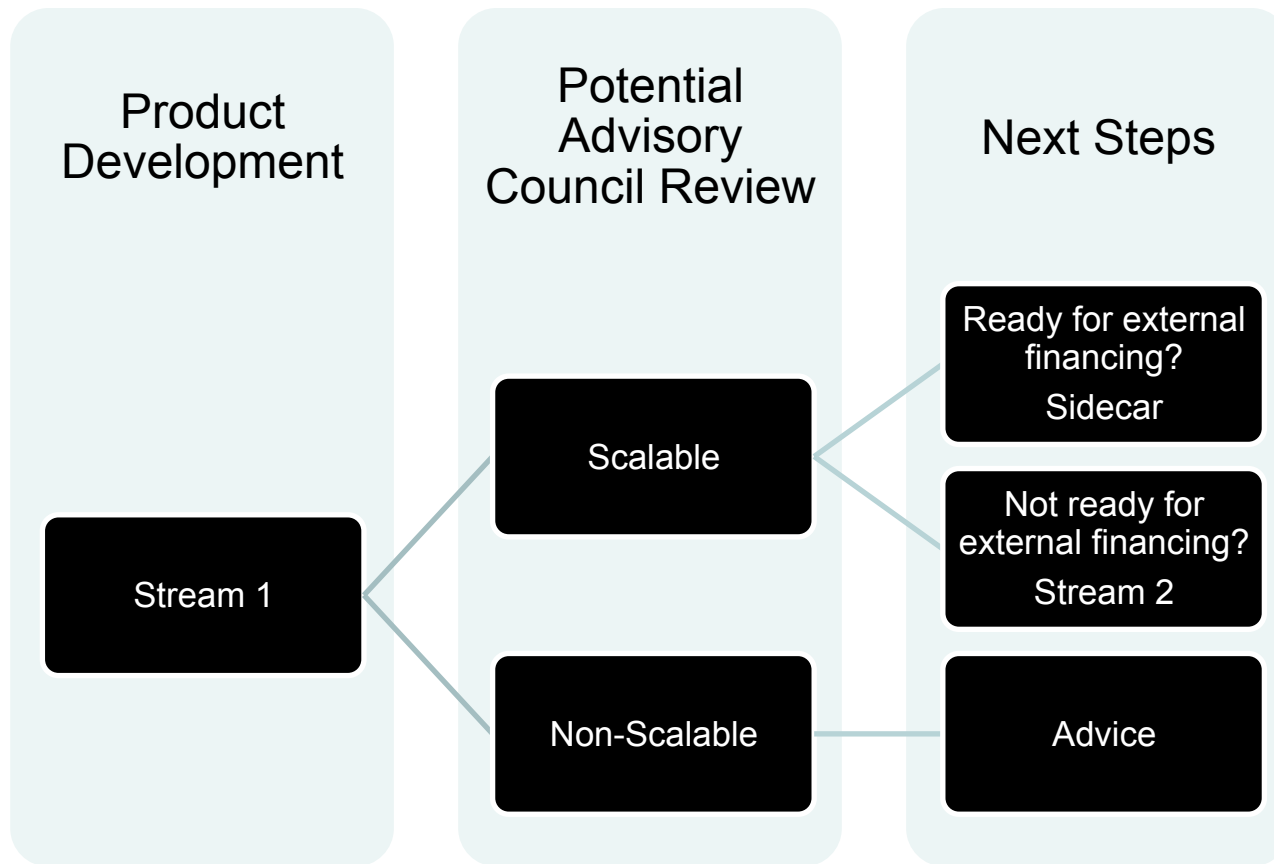
Scalable Companies

- Evaluation may be by Advisory Council
- Model is based on best practices identified by experienced investors from across North America
- Key components – Market, Management, Merchandise and Money
- Definition is on the website

Advisory Council

- Seven Members
 - Experience as either investors or operators
 - One national representative
- Provide advice and guidance
 - Advice on venture development
 - Resource suggestions for venture management
 - Pathway for financing

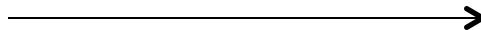
CSB Funding Path



Measuring Success

- Attainment of 21 day goal (Streams 1 and 3)
 - On-line application process
- Meeting outcomes set by the venture
- Economic impact (Longitudinal Study)
 - Analysis of revenues (Financial statements)
 - Analysis of job creation (T4 data)
 - Analysis of tax revenue (T4 data)
 - Bureau of Statistics multiplier
- Increased Investment
 - Additional capital leveraged from all sources (longitudinal)



	Pre-Seed	Seed	Start-up	Growth	Maturity
Funding Source	CSB 1 \$ 0 – 50K	CSB 2 \$ 50 – 250K	Sidocar \$ 200 – 500K	Angel, VC, and debt	
Revenue	\$ 0	\$0 – 1,000,000	\$ 1,000,000 – 5,000,000	\$ 5,000,000 +	
Business Style	Lifestyle & Scalable	Scalable	Scalable 		
Market Validation Stage	Ready	Aim	Fire		

Manitoba Innovation Growth Sidecar Fund

Manitoba Jobs and the Economy

What is a Sidecar Fund?

“An investment strategy in which one investor allows a second investor to control where and how to invest the capital. The sidecar investment will usually be used when one of the parties lacks the ability or confidence to invest for themselves. The strategy will place trust in someone else's ability to gain profits.”

Source: [Investopedia.com](https://www.investopedia.com)

Why a Sidecar?

- Addresses a key funding gap for scalable businesses in Manitoba - \$400,000 - \$1 million
- Helps Manitoba investors grow companies faster
- Aids in the diversifying the portfolio of local angels making them better angels
- Builds on the strengths and knowledge of local investors

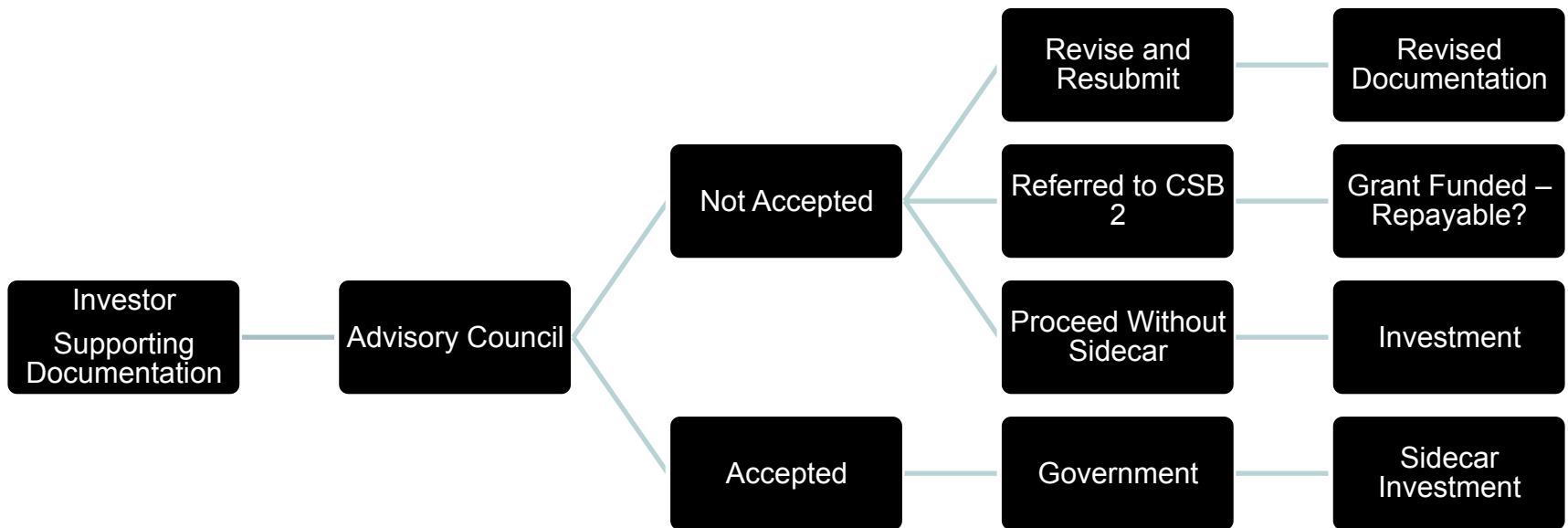
Key Points

- Investor or management approaches the Fund early in the process
- The fund makes investments in Manitoba ventures and is not a grant program
- Private investors must be willing to share the deal
- It is “patient” money. Anticipated exit in 5-8 years.
- Investments are made on the same terms and conditions as the private sector partners
- Province relies on the private sector investors to perform the due diligence
- Venture must remain in Manitoba while the Province is an investor

Process

- Venture or investors, approaches Jobs and the Economy
- Investor can make use of the Small Business Venture Capital Tax Credit
- Terms sheet, cap table and all materials used in due diligence are reviewed by the Advisory Council
- Advisory Council examines materials and recommends a course of action
- Course of action is communicated to the investors and venture management
- Rejected deals can reapply if they address issues identified

Sidecar Fund Decision Process



Measurement

- Economic
 - Increased sales
 - Job creation
 - Salary increases
 - Multiplier (Developed in conjunction with Bureau of Statistics)
- Investment
 - Additional capital raised
 - ROI

Contact

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