Canadian accelerant

By Lauren Martz, Staff Writer

After seven years of building bridges between the Canadian research and business communities through technology transfer consortia, the government's Centres of Excellence for Commercialization and Research program has launched the country's first national health science accelerator—**Accel-Rx**. Its mission is to promote the development of new startups and attract private funding, but the challenge will be to reignite interest in early stage biotechs among Canadian VC firms.

The Centres of Excellence for Commercialization and Research (CECR) is providing Accel-Rx with C\$14.5 million (\$13.2 million) to begin operations, which will be managed by **CDRD Ventures Inc.**, the commercialization arm of **The Centre for Drug Research and Development (CDRD)**. **BDC Venture Capital** will provide a portion of the venture funding for the newcos coming out of the accelerator.

According to Accel-Rx's center director Natalie Dakers, the goal is to stanch the flow of venture money away from early stage technology to later-stage clinical programs that Accel-Rx believes is holding back innovation and growth in the biotech sector.

"The health science sector, in Canada in particular, is reliant on VC firms to get early stage companies off the ground," she said. "Most spinouts from universities are venture funded. When VC firms started getting out of early stage and moving toward clinical opportunities, this put Canada's technology commercialization at a disadvantage." Dakers is also president and CEO of CDRD Ventures.

The government launched CECR in 2007 in response to the low level of VC activity in discovery or preclinical-stage biotechs. Since then, the program has created and funded 27 centers across Canada whose function is to connect the local business community with researchers in 4 areas including health and life sciences. With 4 centers now operating independently, CECR has 23 different centers that still receive funding, and the goal is for each one to become self-sustaining.

"We already have established CECR entities, and we want to leverage the work that is already happening within these organizations. The CECR centers are validating technologies and positioning them to become companies. They already have established platforms and pipelines of potential companies," said Dakers.

CECR hopes Accel-Rx will boost the sector by providing new companies with seed funding and corporate development support. The premise is that once the companies get off the ground, the VC money will follow.

The accelerator brings together four health science CECR centers in addition to the CDRD: **MaRS Innovation**, the Vancouver **Prostate Centre's Translational Research Initiative for Accelerated Discovery and Development**, the **Centre for Commercialization of Regenerative Medicine** and the **Centre for Probe Development and Commercialization**. The participating CECR centers are separately funded and are not contributing money to the accelerator.

According to Raphael Hofstein, president and CEO of MaRS Innovation and director of Accel-Rx, those five CECR centers were selected because they are commercializing technologies in different therapeutic areas.

The Accel-Rx model

Accel-Rx will screen and select new companies nominated by the CECR partners and provide them with standard accelerator resources such as seed funding, mentoring and access to follow-on investors. The CECR partners will also use their experience in creating new companies to provide support in business planning, investment strategies, and technology validation and development.

Accel-Rx plans to select three to four companies per year and aims to increase that number in later years if the program is sufficiently successful. The model is designed to provide companies with enough initial funding to reach a value creation point and to position them to attract follow-on private funding in later stages of development.

In addition, companies nominated by the CECR partners will be evaluated independently by Accel-Rx from an investor and operations perspective. "We will partner with angels,

foundations, corporate ventures and other VC firms. This will bring investors to the table to give us an idea of what other investments may come for the company," Dakers said.

The Accel-Rx investment subcommittee will recommend selected companies to BDC Ventures based on an assessment of market needs and likely future funding interest. BDC will provide the newcos it chooses to fund with C\$500,000 (\$455,000) as convertible debt, and Accel-Rx will contribute funds as well. Accel-Rx will also provide an undisclosed amount of funding to the selected newcos that will vary according to how much is needed for initial operations.

"While a portion of the Accel-Rx funding will be used to help fill in those company gaps, the majority will go toward investment in the new companies," said Dakers.

The total amount of seed funding available to each company will vary depending on the company's needs, but the accelerator is aiming for about \$1–\$2 million (\$0.9–\$1.8 million) per company from the combination of funding from BDC, Accel-Rx and initial private sector investment. Each company will have a private sector partner such as a corporate venture, pharma, biotech or foundation, Dakers told *SciBX*.

"In addition to the funding that we will provide, there will always be a private sector portion. This is important because we need to know that we

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—Natalie Dakers, Accel-Rx

are not the only interested party from the start,” said Dakers. She added that a key metric for Accel-Rx will be the number of companies the accelerator funds that receive further investment from the private sector. “We would love to see the companies grow in Canada and raise further funding,” she said.

Dakers told *SciBX* she expects most of the companies selected to come from CECR projects. “Our preferred route of investment is to fund companies coming out of the partner CECR partner. As time goes on, we may look at other companies, but the appeal of the CECR partners is that they bring expertise, infrastructure and commercialization perspectives in their focus areas.”

Although most of the technology that will be developed through Accel-Rx companies originates from Canadian institutions, CECR centers also partner with organizations worldwide, and some technologies may be affiliated with universities outside of Canada.

“We consider this process to be a continuum. Universities are pumping out discoveries, CECR centers are validating the technology to attract private sector and company investment, and Accel-Rx is one option for them to help advance their technologies,” she added.

Hofstein told *SciBX* that the problem for life science startups in Canada is the shortage of finances. “The startups usually need C\$1.5 million [\$1.36 million] as a minimum,” he said. MaRS Innovation has successfully

developed companies such as **Xagenic Inc.** The organization helped provide Xagenic with about C\$2 million [\$1.81 million]. “The problem is, how many times can we raise this C\$2 million? Only once or twice,” said Hofstein. “Accel-Rx’s funding model can help raise more money for more companies.”

According to Dakers, the accelerator’s C\$14.5 million is intended to cover 5 years of activity. Hofstein said that Accel-Rx expects to begin funding companies by the beginning of next year.

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COMPANIES AND INSTITUTIONS MENTIONED

Accel-Rx, Vancouver, British Columbia, Canada

BDC Venture Capital, Montreal, Quebec, Canada

CDRD Ventures Inc., Vancouver, British Columbia, Canada

Centre for Commercialization of Regenerative Medicine, Toronto, Ontario, Canada

The Centre for Drug Research and Development, Vancouver, British Columbia, Canada

Centre for Probe Development and Commercialization, Hamilton, Ontario, Canada

MaRS Innovation, Toronto, Ontario, Canada

Prostate Centre’s Translational Research Initiative for Accelerated Discovery and Development, Vancouver, British Columbia, Canada

Xagenic Inc., Toronto, Ontario, Canada