

Ontario

Next Generation of Jobs Fund & Advanced Manufacturing Investment Strategy

Helping Ontario Businesses Stay One Step Ahead

Ministry of Economic Development



- ❖ Ontario remains Canada's economic powerhouse, and one of the best places in the world to do business:
 - Deep pool of talent and skilled workers
 - Central location in one of the world's biggest markets
 - Broad base of export-oriented advanced manufacturers and service providers
 - Internationally renowned research facilities and scientists
 - Business cost environment that is among the lowest in the G7

- ❖ **Manufacturing plays a critical role in Ontario's economy:**
 - 13.5% of total employment (about 900,000 jobs)
 - 3rd largest manufacturing base in North America after California and Texas
 - Ontario produced 48% of Canadian manufacturing sales in 2007

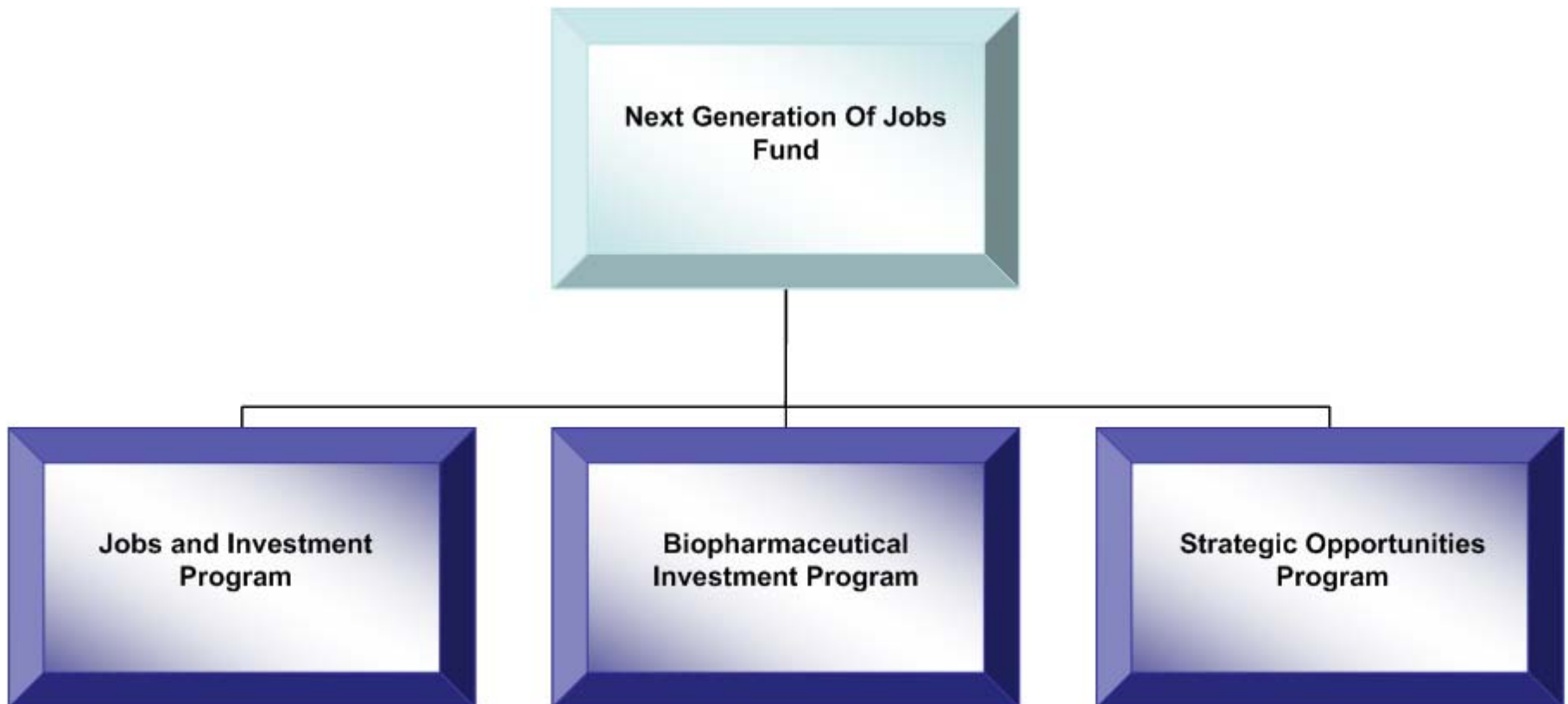
- ❖ **But this sector is facing considerable pressure:**
 - Growth of lower-cost competitors such as China and India
 - Restricted lending by financial institutions has led to liquidity problems
 - Price reduction mandates from buyers
 - Energy costs have been rising steadily
 - Canada-U.S. border delays / new processes

- ❖ The Next Generation of Jobs Fund (NGJOF) and the Advanced Manufacturing Investment Strategy (AMIS) support research, development and commercialization in innovative industries and attract new investments, create jobs and enhance competitiveness in areas of high market potential in Ontario.

The Next Generation of Jobs Fund

- ❖ The Next Generation of Jobs Fund (NGOJF) is the cornerstone of the government's economic development strategy to stimulate economic growth and create a sustainable and globally competitive workplace for the next generation of workers
- ❖ NGOJF is a \$1.15 billion program over five years to support job creation/retention in strategic areas of great potential for Ontario. The NGOJF program will:
 - Create and sustain jobs for Ontarians
 - Lever private sector investment in Ontario
 - Improve competitiveness of Ontario businesses
 - Foster innovation
 - Support Ontario's Go Green Plan
- ❖ The purpose of the fund is to support innovative investments in technology, research, development and commercialization across industries and attract new investments in strategic areas of Ontario's economy


- ❖ In order to create synergies and maximize resources, the NGOJF has 3 separate programs:





**Biopharmaceutical
Investment
Program**

- ❖ The Biopharmaceutical Investment Program (BIP) aims to leverage incremental, new R&D and manufacturing investment by firms capable of making high-impact investments, as well as late-stage, human health biotechnology firms.
- ❖ For more information visit:
www.mri.gov.on.ca/english/programs/bip/program.asp



**Strategic Opportunities
Program**

- ❖ The Strategic Opportunities Program (SOP) provides support for seed investments in three focus areas:
 - Bio-Economy / Clean Technology
 - Advanced Health Technologies
 - Creative Industries, such as Digital Media and Information & Communication Technologies.
- ❖ Projects must demonstrate:
 - Clear market potential
 - Commercial and economic potential, and
 - Clear pathway to a minimum target of creating or retaining 100 jobs.
- ❖ SOP will support industry-led not-for-profit research collaborations up to 25%
- ❖ Industry will contribute at least 30%

- ❖ For more information visit: www.mri.gov.on.ca/english/programs/sop/program.asp



Jobs & Investment Program

- ❖ The Jobs & Investment Program aims to support business expansion or retention and attract foreign investment
- ❖ The Jobs & Investment Program will provide up to 15% of the total eligible costs of a Project
- ❖ Approved funding will be provided in the form of a conditional grant (or a loan if preferred)

- ❖ In order to be considered for funding, a Project must:
 - Provide economic and environmental benefits to the Province
 - Demonstrate innovation
 - Invest \$25M or create/retain 100 high value jobs within five years
 - Address one or more of the NGOJF “Jobs & Investment” Priority Investment Targets

❖ The NGOJF Jobs & Investment Priority Investment Targets are:

- Green auto research, parts production and assembly
- Clean fuels research, development and commercialization
- Environmental technologies, clean industries and bio-economy
- Advanced health technologies
- Pharmaceutical research and manufacturing
- Digital media and information and communications technology
- Financial services
- Anchor investments to support cluster development (including services sector)
- Strategic investments uniquely advantageous to Ontario

The following types of projects are not eligible to receive Jobs & Investment Program funding:

- ❖ Start-ups/companies with no existing operations
- ❖ Restructuring
- ❖ Mergers and acquisitions (at least for the purchase of assets)
- ❖ Replacement technology
- ❖ Retail or personal services
- ❖ Government enterprises, real estate, or tourism
- ❖ Traditional farming, mining, or forestry
- ❖ Natural resource extraction or exploitation*
- ❖ Basic energy production, corn based ethanol production, or electrical generation projects**

*Note: Except for value-added resource processing

**Note: Development and manufacturing of equipment , or next generation biofuel production facility might be eligible

Eligible project costs:

- ❖ Fund a project that would not otherwise be undertaken
- ❖ Generally relate to one-time, non-recurring costs
- ❖ Are actual costs (not in-kind contributions)
- ❖ Are directly necessary for the completion of the project

| Eligible Costs | Ineligible Costs |
|--|--|
| Equipment and Machinery | Ongoing Costs of Production or Operations, including Labour |
| Construction/Leasehold Improvements | General Working Capital Requirements |
| Labour (one time, start-up related costs) | Land or Buildings (<i>except</i> purpose-specific buildings or retrofit construction) |
| Materials (prior to saleable product) | Transaction Costs |
| Overhead | Business Case Preparation |
| Research, Development, and Training | Vehicles and Off-Site Equipment |
| Other Costs: that are directly attributable to the Project | Costs Not Incurred in Ontario |

❖ Continuous Intake

- Applications for Jobs & Investment Program funding may be submitted at any time
- The Project “start date” will be the date on which a full and complete application is received and acknowledged by the Ministry

❖ Service Standards

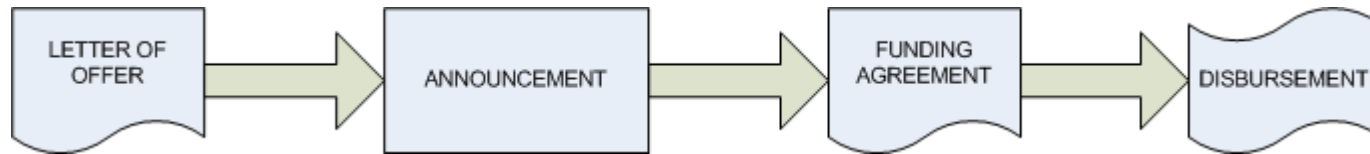
- MED will review and decide whether an application to the NGOJF is approved or not within 45 calendar days of receiving a complete application

- ❖ Proposals will receive detailed analysis by the Ministry and/or its agents to confirm that the project:
 - Meet the NGOJF Jobs and Investment Program objectives and eligibility criteria
 - Demonstrate a viable Project plan, budget, market and risk assessment and evidence of ongoing sustainability
 - Have the organizational, managerial and financial capacity to achieve the stated objectives of the Project

- ❖ Proposals will subject to:
 - External financial due diligence, and
 - Technology and innovation assessment

- ❖ NGOJF is a discretionary non-entitlement program and funding is awarded on a competitive basis:
 - Even if an application meets all of the program criteria, there is no guarantee that a grant (or loan) will be awarded, as there may be other projects that more effectively meet program objectives

- ❖ Final decisions regarding conditional approvals will be made by the Ministers of Economic Development, Research and Innovation, and Finance. In some circumstances, additional approvals may be required.
- ❖ Proposals will be referred to inter-ministerial committees for review and recommendations.
- ❖ If the Project is approved, the formal negotiation process between the Province and the Project proponent will begin.



- ❖ **Letter of Offer** – The Letter of Offer sets out the material terms and conditions of the Project.
- ❖ **Announcement** - An announcement of a successful Project is coordinated between the company and MED after the signing of the Letter of Offer, but before completion of Agreement negotiations
 - Announcement normally takes place at the Project facility
- ❖ **Funding Agreement** – Negotiations on a final agreement will vary, depending upon the complexity of each project
- ❖ **Disbursement** – Disbursements may begin upon the signing of the Agreement

Project Investment Commitment - \$100M. NGOJF Grant - \$15M (15%)

| Cash Flow | NGOJF Grant | Project Expenditures |
|---|-------------|----------------------|
| 1. 20% Advance upon signing funding agreement <ul style="list-style-type: none">20% of GrantCompany expenditures to earn the advance | \$3M | \$0 \$20M |
| 2. Further disbursements <ul style="list-style-type: none">80% of Grant reimbursed incrementally based on 15% of project expenditures | \$12M | \$80M |
| Total | \$15M | \$100M |

The Advanced Manufacturing Investment Strategy

Over a 5-year period, projects must create/retain 50 jobs or invest \$10M

- ❖ Open to advanced manufacturing innovations across all sectors; priority on projects that include research and development initiatives
- ❖ Targeted at innovative activities in advanced manufacturing:
 - Industrial R&D
 - Design, prototyping and engineering
 - New or advanced materials and products
 - Advanced manufacturing processes
 - Technology innovation
 - Robotics/software development
 - Waste reduction or energy conservation
 - Centres of excellence
- ❖ Focus on keeping the highest value-added manufacturing jobs to build on our key strength – a skilled workforce

Bioniche Lifesciences Inc., Belleville – Creation of an Animal Health and Food Safety Vaccine Manufacturing Centre. A loan of \$10 million supports a total investment of \$107 million.



Roxul Inc., Milton – Plant expansion and development of new insulation products that utilize recycled scrap material. A loan of \$10 million supports a total investment of \$103.7 million.

Skyjack Inc., Guelph – Creation of a Research and Development Centre of Excellence. A loan of \$2.48 million supports a total investment of \$24.8 million.



2Source Manufacturing Inc., Mississauga – Creation of a Centre of Excellence for aircraft bushings. A loan of \$5.13 million supports a total investment of \$17.14 million.

- ❖ Loan of up to 30% of eligible project costs (max \$10 million)
- ❖ Provided at the province's cost of borrowing plus 1%
- ❖ Repayable loans are interest free for up to 5 years provided the firm meets milestones and performance targets:
 - Cumulative job target (total facility employment over 5 years)
 - Project investment commitment (\$)
- ❖ The loan must be secured and the principal repaid, but the terms are negotiable including term length (up to 10 years)

Eligible project costs:

- ❖ Generally relate to one-time, non-recurring costs
- ❖ Are actual costs (not in-kind contributions)
- ❖ Are directly necessary for the completion of the project

| Eligible Costs | Ineligible Costs |
|--|---------------------------------------|
| Overhead | General Working Capital Requirements* |
| Construction/Leasehold Improvements | Land or Buildings |
| Labour (one time) | Labour (ongoing/operational) |
| Materials (prior to saleable product) | Business Case Preparation |
| Equipment and Machinery | Vehicles and Off-Site Equipment |
| Research and Development | Remuneration to Shareholders |
| Other Costs: that are directly attributable to the project | |

* Financial resources are not available for financial restructuring or regular capital reinvestment

- ❖ Proposals will be individually assessed based on:
 - the nature of the project, and
 - the financial capacity of the proponent corporation to perform the project and repay the loan
- ❖ Rigorous project and financial due diligence will be conducted in each case
- ❖ The Minister of Economic Development, in conjunction with the Minister of Finance, will approve all projects based on the recommendations of the AMIS Assessment Committee
- ❖ AMIS is a discretionary non-entitlement program and funding is awarded on a competitive basis:
 - Even if an application meets all of the program criteria, there is no guarantee that a loan will be awarded, as there may be other projects that more effectively meet program objectives

| NGOJF – Jobs & Investment Program | | AMIS |
|--|---|--|
| Type of Support | Conditional Grant (or loan if requested) | Incentive Loan |
| Level of Funding (percentage of eligible project costs) | 15% | 30% |
| Investment / Job Commitment | At least \$25M <u>or</u> 100 jobs created or retained | At least \$10M <u>or</u> 50 jobs created or retained |
| Funding Cash Flow | 15% of Incurred Expenses | 50% of Incurred Expenses |
| Funding Cap | No Cap | \$10M |

| | NGOJF – Jobs & Investment Program | AMIS |
|--|-----------------------------------|------|
| Program Application Form (signed) | Yes | Yes |
| Project Plan | Yes | Yes |
| Project Plan Charts (Milestones, Sources of Financing, Project Costs, Job Targets) | Yes | Yes |
| Security | No (except if loan is requested) | Yes |
| Past 5-years Audited Financial Statements | Yes | Yes |
| Most Recent Financial Statements | Yes | Yes |
| 5-year Detailed Forecast of Revenues and Expenses for the Company | Yes | Yes |
| Information for Financial Due Diligence | Yes | Yes |
| Documentation Confirming the Establishment of the Business | Yes | Yes |
| Environmental Compliance Assessment | Yes | No |
| Labour Compliance Assessment | Yes | No |

**For inquires regarding NGOJF and
the Jobs & Investment Program,
please contact:**

**North America:
1 (800) 819-8701**

**E-Mail:
info@2Ontario.com**

**For inquires regarding AMIS,
please contact:**

**North America:
(416) 325-6867**

**E-Mail:
amis@Ontario.ca**

Or visit us at: www.ontariocanada.com