

# Mentorship, Capital and Continuation (MC<sup>2</sup>) Capital Spring 2021 Program Package

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### *I. MC<sup>2</sup> Capital Program Overview*

The Centre for Aging + Brain Health Innovation's (CABHI) **Mentorship, Capital and Continuation (MC<sup>2</sup>)**, presented in partnership with National Bank, offers **MC<sup>2</sup> Capital**, a first-of-its-kind investment fund dedicated to support the growth of early-stage healthtech companies. This program seeks:

- Ontario or Nova Scotia-based health technology companies, or Canadian companies with headquarters/traction in Ontario, that have a solution that can improve the lives of aging adults.
- Companies that need access to capital to grow and scale.

[Apply now](#) to receive up to \$300K CAD in investment.

CABHI recognizes that there is an early-stage funding gap for Ontario and Nova Scotia health technology companies. We also know that it can be difficult to scale a business without access to potential buyers, subject matter experts, and international markets, such as those in the US, Japan, or UK, for example.

CABHI has heard this feedback and created MC<sup>2</sup> Capital, a first-of-its-kind early-stage investment fund dedicated to support the growth of early-stage healthtech companies in Ontario and Nova Scotia.

In MC<sup>2</sup> Capital, each participating company may receive an investment of up to **\$300,000 CAD** and access to CABHI's [Acceleration Services](#) to help grow and scale their solution. These services include, but are not limited to:

- **Coaching and mentorship** from CABHI's [Coaches Community](#), a group of 100+ subject matter experts, including clinicians, end-users, entrepreneurs, industry partners, legal and regulatory affairs experts, marketing and sales leaders, organizational decision makers, researchers, venture capitalists, and more. This includes tailored deep clinical expertise from CABHI's Scientific Officers from the [Rotman Research Institute](#) and the [Canadian Consortium on Neurodegeneration in Aging](#).
- **Practical tools, training, and professional development** through CABHI's unique startup curriculum, designed to help companies solve their most pressing challenges.
- **End-user testing and customer discovery** through our diverse, international community of older adults, caregivers, health care providers, and decision makers who help companies refine and market their solutions to improve end-user uptake and increase sales.
- **Customers and distribution channels** through CABHI's Innovation Network, a group of 200+ care delivery and industry organizations that are supported and activated to test, adopt, and procure innovations.
- **Perks and benefits (e.g., financing, legal, regulatory)** from our Innovation Network Partners that help companies grow and scale.

### Why CABHI

Since its inception, CABHI has helped companies acquire customers, grow revenues, expand sales pipelines, incorporate in new jurisdictions, and obtain carry-on investments (including Seed, Series A, and debentures). To date, CABHI innovators and companies have secured more than ~\$150M CAD in carry-on investments and more than 45% of CABHI companies have received follow-on funding.

Some of our notable Innovation Network Partners include:



## II. Important Dates

Program applications open	February 1, 2021
Deadline for applications	March 1, 2021
Shortlisted applicants notified	March 11, 2021
Shortlisted applicants' pitch day	March 17–19, 2021
<a href="#">CABHI Summit 2021</a> : MC <sup>2</sup> Capital Pitch Competition	March 25, 2021

Due diligence process <ul style="list-style-type: none"> <li>• Data room review</li> <li>• Due diligence sessions</li> </ul>	April 5–23, 2021 April 26–30, 2021
Selected applicants notified	May 17, 2021
Final date for contracts to be signed	May 31, 2021
Program starts	June 1, 2021

### III. CABHI Investment

Each participating company may receive up to \$300,000 CAD in investment from CABHI via an unsecured venture debt or post-money SAFE agreement to help selected companies achieve a business milestone over a 12-month period.

CABHI's investment will be released in tranches, as aligned with specific business milestone(s). As a founder-friendly solution accelerator, CABHI offers both unsecured venture debt and convertible equity deals on more favourable terms. We believe that founders need to be properly incentivized while remaining competitive within the global ecosystem. CABHI will work with each company to select the right funding option that makes sense from a cash flow or capitalization table perspective.

#### Unsecured venture debt via royalty:

- Eligibility: Early revenue is required
- Funding: Up to \$300,000 CAD (principal)
- Return: Principal plus a 20% return
  - For example, if CABHI invests \$300,000, then \$360,000 is returned to CABHI by the royalty maturity date
- Payment: 5% of gross revenue is paid to CABHI each quarter
- Royalty: Begins on start date
- Maturity: 3-year post start date
  - If royalty is not paid back during the term, a one-time balloon payment is made at royalty maturity
  - For example, if CABHI invests \$300,000, and cumulative gross revenue over the 3-year term is \$5.5M, a one-time balloon payment of \$85,000 is made at royalty maturity

Each of CABHI's Unsecured Venture Debt Via Royalty agreements include warrants rights. **This allows us to lower the cost of your financing and provide you with access to additional follow-on capital.** The high-level terms of the warrant are:

- Warrant: Equal to 10% of CABHI's investment (up to \$30,000 CAD)
- Warrant Expiry: 10 years

- **Warrant Price:** Based on current institutional priced round share price, at the time of exercise. If a company has not raised a priced round, the Warrant Price would be set at the price per share at their next qualified financing.
- **Shares Issued:** Common shares
  - For example, if CABHI invests \$300,000, CABHI reserves the right, but not the obligation, to invest an additional \$30,000 at the Warrant Price, within a 10-year period.

#### **Equity deal:**

- **Eligibility:** All companies
- **Funding:** Up to \$300,000 CAD (investment)
- **Instrument:** Modified post-money SAFE
- **Valuation Cap:** Depending on the stage of the company, CABHI's standard valuation cap is between approximately \$2.55M CAD (\$2M USD) to \$5.11M CAD (\$4M USD). For companies who have already raised a priced round or have outstanding convertibles at a valuation cap greater than \$4M USD, we will work with you to define an appropriate cap based on your current stage.
- **Discount:** 20%
- **Pro-rata Rights:** Yes

## **IV. Innovation Themes**

CABHI supports innovations that address challenges associated with aging adults. Examples of challenges that CABHI seeks to solve include these innovation themes:

1. Aging in Place
2. Aging Indigenous, Diverse, and Rural Populations
3. Care Provider and Caregiver Support
4. Care Coordination and Navigation
5. Cognitive Health

View more information about CABHI's Innovation Themes [here](#).

## **V. Application Process**

1. **Online applications:** Applications are submitted online and then reviewed and scored by CABHI's review panel. Shortlisted companies are invited to participate in a virtual pitch meeting.
2. **Shortlist selection:** Shortlisted companies will present to CABHI's Pitch Day judges. Companies will have 10-minutes to present, followed by a 10-minute Q&A. If selected, each applicant must also submit a three-minute pitch video along with their pitch deck (guidelines to be provided). This video will be showcased at CABHI's Summit.
3. **CABHI Summit MC<sup>2</sup> Capital Pitch Competition:** Each shortlisted company's three-minute pitch video will be shown at the [CABHI's Summit](#), a virtual event with a live audience. Finalist companies

will be selected, announced, and then invited to take part in the final due diligence process for a chance to receive an investment from CABHI via the MC<sup>2</sup> Capital program. The virtual event audience will also vote to select their own People's Choice Award Winner.

4. **Final due diligence and investment review:** The companies selected at the CABHI Summit MC2 Capital Pitch Competition will provide CABHI access to their data room and participate in a due diligence day meeting, to determine eligibility for the investment by CABHI of up to \$300,000 CAD.
5. **Selection and contracting:** Following a successful due diligence process, CABHI will inform all selected companies and proceed with contracting of their unsecured venture debt or a Post-money SAFE agreements, prior to the start of MC<sup>2</sup> Capital in May 2021.

## VI. Program Eligibility

- The applicant must be a registered Ontario- or Nova Scotia-based company, or a Canadian company with headquarters or traction in Ontario, that has a solution focused on the aging and brain health sector, or a healthtech solution that has an application to improve the lives of aging adults.
- Solutions must clearly address at least one of the five [CABHI Innovation Themes](#).
- The company must have an MVP/prototype completed.
- CABHI's funds must be used to help the company achieve a business milestone, such as:
  - Developing a marketing and sales plan for the product launch
  - Further developing, testing, and advancing a solution
  - Growing a sales team and/or advertising services to increase annual recurring revenue
  - Demonstrating product-market fit (e.g., high renewal rates and low customer churn)
  - Alleviating working capital shortages to satisfy a sales contract
  - Hiring personnel to help with a regulatory or patent submission (e.g., FDA/Health Canada)
- The solution has freedom to operate (i.e., the solution has no risk to potential infringement).
- The applicant must use CABHI's investment in accordance with CABHI's [Eligible Expenses Guideline](#) (Link available at the end of this program package and on the program page on the website).

## VII. Evaluation Criteria

All applications will be evaluated based on the following criteria:

1. **Company and team experience (30%):** Why are you and your employees uniquely qualified to be solving this problem and/or working on this solution? What is your demonstrated track record of success? Who else is helping you to be successful?
2. **Quality of solution (30%):** Why did you pick this idea to work on? How do you know people need what you are making? What standard of care/solutions are your customers



using now to address this problem? What advantage(s) does your solution have over existing standards/products/practices.

3. **Market opportunity/growth potential (20%):** What is the current size of the market and how big will it be in 5 to 10 years? Why did you prioritize this market? What is your business/service model and how will this get you customers? How do you make money?
4. **Competition/traction (20%):** What are the barriers challenging the adoption of your solution? Who are your key competitors, both in terms of competing product categories and firms? Why will you win against them?

## **VIII. Additional Rules and Obligations**

1. CABHI will not obtain any ownership rights to the intellectual property associated with the completion of your business milestone, but CABHI will have the right to disseminate the results of your business milestone.
2. CABHI reserves the right to select applications to maintain a balanced portfolio, which includes, but is not limited to, the distribution of companies across its Innovation Themes, founder diversity, and investment deal type.
3. CABHI may terminate negotiations or invite an alternate applicant to engage in negotiations if a contract is not signed in a reasonable amount of time (to be determined exclusively by CABHI).
4. CABHI reserves the right to decline any application and to modify or annul this Call for Innovations at any time, without incurring any liability.

## **IX. Resources**

The following application resources are also posted on the website's program page as downloadable PDFs:

- [Eligible Expenses Guideline](#)
- Unsecured Venture Debt Royalty Agreement
- Warrant Agreement
- Modified Post-Money SAFE Agreement
- French-language version of this program package

**For additional questions, please contact:**

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