The Quebec Government reaffirms its support for venture capital funds

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On March 17, 2016, Finance Minister Carlos Leitão tabled the Quebec Government's 2016-2017 budget in the National Assembly. The budget contains several measures intended to foster job creation and economic growth, with a special emphasis on innovation, environmentally friendly practices, and digital technologies.

The Quebec Government's economic plan includes $65 million in additional funding for three technology seed funds. Factoring in the leveraging effect of matching private investments, $125 million will be available to finance Quebec's innovative technology businesses. The government's first announcement in this regard is a partnership with the multinational Merck & Co. and the Fonds de solidarité FTQ, which will create the AmorChem II fund. This fund will invest in 15 promising new projects in the life sciences sector originating in Quebec universities and research centres.

The initial closing amount of the fund has been set at $50 million. The Quebec Government will contribute $20 million, and Merck and the Fonds de solidarité FTQ will each invest $15 million. The fund will be open to additional investors in subsequent rounds.

The first fund managed by the AmorChem team was launched in 2011. Its objective is to increase the commercial value of innovative research carried out in Quebec. Its $41 million capitalization is now fully committed to some 20 promising projects.

Another 2016-2017 budget measure will create the **InnovExport** fund, to support innovative Quebec businesses with more than 50 projects focused on export markets. The businesses that will benefit from its support will be at the seed or start-up phase, and will already have the support of an incubator, an accelerator or an equivalent structure.

Based in Quebec City, the fund has a capitalization of $30 million. Half of this amount is being funded by the Quebec Government, but the fund can also count on financial support from institutional investors ($12.7 million) and from 15 entrepreneurs ($2.3 million) who will take part in selecting and working with the businesses.

The 2016-2017 budget earmarks $30 million for the creation of a new clean technology seed fund with a target capitalization of $45 million. The details related to the rollout of this initiative will be made public at a later date.

The Quebec Government has also announced a $16 million contribution to the second closing of the **Teralys Capital Innovation Fund**. This amount comes on top of a matching investment by the Federal Government and $64 million in private capital, for a total of $96 million. This round follows the first closing, which reached $279 million in size. As a result, the fund has reached its target of

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$375 million, making it the largest fund of funds in Canada.

The mission of the Teralys Capital Innovation Fund is to finance venture capital funds that focus on financing innovative Quebec businesses in the life sciences, green and industrial innovation, and information and communications technologies sectors. To date, it has committed to investing more than $170 million in ten venture capital funds and in five businesses with high growth potential.

Lavery Capital is pleased with these measures which allow the Quebec Government to reaffirm its support for the venture capital industry as a vector of economic development and job creation. The announced measures will help support several innovative businesses at each stage of development and in every sector of the knowledge economy, while fostering the emergence of qualified and internationally competitive venture capital managers in Quebec.

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