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FOR THE **REGULAR MEETING OF CITY COUNCIL**  
TO BE HELD ON **THURSDAY, SEPTEMBER 15, 2005 AT 7:00 P.M.**  
IN THE **COUNCIL CHAMBER, TOM DAVIES SQUARE**

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**ADDENDUM (RESOLUTION PREPARED)**

*(Two-thirds Majority Required to Deal with the Addendum)*

1. Declarations of Pecuniary Interest

**PRESENTATIONS**

2. Report dated 2005-09-13 from the General Manager of Growth & Development regarding Neureka Restructuring - Request for Support. **AD1 - AD3**  
**(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED)**
  - ▶ Mr. Doug Nadorozny, General Manager of Growth & Development
  - ▶ Mr. Jim Skinner, Industry Expert

**BY-LAWS**

- |          |   |  |
|----------|---|--|
| 2005-232 | 3 | A BY-LAW OF THE CITY OF GREATER SUDBURY TO APPOINT MARK MIETO CHIEF ADMINISTRATIVE OFFICER AND TO AUTHORIZE AN EMPLOYMENT AGREEMENT WITH MARK MIETO                                      |
| 2005-233 | 3 | A BY-LAW OF THE CITY OF GREATER SUDBURY TO APPOINT LORELLA HAYES AS CHIEF FINANCIAL OFFICER/TREASURER AND TO AUTHORIZE AN EMPLOYMENT AGREEMENT WITH LORELLA HAYES                        |
| 2005-234 | 3 | A BY-LAW OF THE CITY OF GREATER SUDBURY TO AUTHORIZE AN AGREEMENT TO AUTHORIZE THE MAKING OF A GRANT BY WAY OF LOAN TO NORTHERN CENTRE FOR BIOTECHNOLOGY AND CLINICAL RESEARCH (NEUREKA) |

(Next Agenda Item: **CIVIC PETITIONS**)

**2005-09-15**

**ANGIE HACHÉ  
ACTING CITY CLERK**

**CORRIE-JO CAPORALE  
COUNCIL SECRETARY**

# Request for Decision City Council



Type of Decision											
Meeting Date		September 15, 2005				Report Date		September 13, 2005			
Decision Requested		<input checked="" type="checkbox"/>	Yes		No	Priority		<input checked="" type="checkbox"/>	High		Low
		Direction Only				Type of Meeting		<input checked="" type="checkbox"/>	Open		Closed

Report Title
Neureka Restructuring - Request for Support

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
Background Attached	

Recommendation
<p>That City of Greater Sudbury Council approve a repayable loan in the amount of \$150,000 to the Northern Centre for Biotechnology and Clinical Research (Neureka!) to support the restructuring of the organization. Funding to come from the Industrial Park Reserve Fund and,</p> <p>THAT all necessary by-laws be prepared.</p>
Recommendation Continued

Recommended by the Department Head
 Doug Nadorozny, General Manager Growth and Development

Recommended by the C.A.O.
 Mark Mieto Chief Administrative Officer

AD 1

## ***City Involvement***

In February 2005, Neureka approached the City of Greater Sudbury to provide a guarantee for a \$1 million line of credit to ease a 'temporary cash shortage'. Economic Development staff partnered with federal and provincial development staff to review the request and collectively seek solutions.

Early impressions were that there were more serious issues at play and that the cashflow problem may only be a symptom of larger problems. Expertise to properly evaluate the opportunity and risk of further investment in Neureka did not exist locally, so an external expert was retained. The expert, Jim Skinner, began his engagement June 1, 2005 and spent most of that month on site at Neureka to provide the agencies with proper information to make a decision.

## ***Present Status***

Three levels of government have come together in an effort to do what is right for public interest, economic development and the future of our community. Dismantling of the organization would have negative implications for other life science opportunities in our region over a long term. Effort to restore the health of Neureka as an operational entity should be measured and controlled with constant oversight and milestone objectives.

The proposed recovery of Neureka has been broken into Phases.

Phase One - Restructure  
Immediate to 90-day time horizon

Jim Skinner has been retained by Neureka to lead the turnaround effort. The expected cost of the restructure phase is approximately \$450,000. In cooperation with federal and provincial partners, the City of Greater Sudbury has been asked to provide one-third of this amount. It is recommended that the amount be provided as a repayable loan, secured by the valuable base of assets currently at Neureka.

As of this date, both federal and provincial partners have provided their respective one-third contributions. FedNor's contribution was advanced by the City which will be repaid. The contribution by the City of Greater Sudbury in the form of a repayable loan by Neureka is critical to achieving the goals of the restructuring plan.

In a very short period of time, Mr. Skinner has been able to achieve some tangible positive results and he has also identified a greater potential market than even his own initial estimates indicated.

Phase Two - Recovery to Sustainability  
90-day to 3 year time horizon

The investment required for this phase is uncertain and will be determined by November 2005.

**Report Prepared By**

Don Dewulf  
Business Development Officer

**Division Review**

Name  
and Title

**Executive Summary:**

Northern Centre for Biotechnology and Clinical Research (Neureka!) is nearing its 10-year anniversary as one of Greater Sudbury's flagship efforts toward economic diversity. All three levels of government have supported Neureka financially to an amount in excess of \$7 million over its existence. With that money, Neureka has built world-class facilities and an industry reputation for solid clinical research management. Funding to date was believed to be sufficient to bring the company to self-sustainability. It did not. With all of its major funding programs expired, Neureka finds itself in a difficult situation.

Through the engagement of an industry expert, Jim Skinner, Neureka and its funding partners have ascertained that the operation requires restructure to pave the way for long term recovery and sustainability.

Neureka has created a core business of clinical research with high profile clients and quality staff. Though currently unprofitable, with proper management, that business should continue to provide excellent current and future job opportunities for Greater Sudbury and maintain positive relations with the major life science companies that comprise Neureka's client base.

**Background:****History**

Neureka Research Incorporated was founded in December 1996 as a diverse group of local stakeholders came together with a vision of building a life sciences industry in Sudbury. In 1998, the company saw its first clinical trials business, at this point, very modest in size and employment (2 employees and 1,645 square feet). In 1999, the company changed its legal status to not-for-profit. Finally, in 2002, the company changed its name to Northern Centre for Biotechnology and Clinical Research (Neureka!).

**Employment**

Starting with 2 positions in 1998, Neureka currently employs 40 people in well-paid and skilled positions. The bulk of these individuals are nurses in the clinical research division.

**Investment**

Government has invested over \$7 Million in Neureka through its history. The City of Greater Sudbury provided \$250,000 at the pre-startup phase; the provincial government has provided ongoing funding to a total of roughly \$6,000,000 and the federal government just over \$1,000,000. The funding provided, particularly in the later stages, was believed to be sufficient for the company to reach self-sustainability by this time.

**Revenues**

In 1998, Neureka entered the clinical research industry and proceeded to increase that base of customers and activity to a peak in 2002 where the company saw revenues of \$1.49 million. Concurrent with this revenue growth was the formation of the Biotechnology division and entry into several research projects. Revenues in clinical trials have declined each year since 2002 to an expected level of \$700,000 in 2005.

AD3