

Capital Markets Report 2011

Prepared by the New Brunswick Securities Commission

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NEW BRUNSWICK
SECURITIES COMMISSION

COMMISSION DES
VALEURS MOBILIÈRES
DU NOUVEAU-BRUNSWICK



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Executive Summary

In 2010, as part of its *Fullsail* capital markets development initiative, the New Brunswick Securities Commission (NBSC) commissioned a capital markets study - "*A Platform for Market Development*". The 2010 study's objectives were to identify and quantify the components of the province's capital markets and their interrelationships.

Following the publication and consultation with stakeholders, the NBSC conducted additional research to enhance the information obtained from the 2010 study. The result of which is the following report. The intention is to update the data in this report annually to provide New Brunswick's capital markets stakeholders with a tool for analyzing and tracking trends in the capital markets. It focuses on the following areas:

- From what geographic regions do New Brunswick businesses obtain funding?
- What types of organizations provide funding?
- What specific industries are attracting investment?
- At what stage of development do these companies receive funding?

This report provides information on the major sources of funding that New Brunswick companies attract and a detailed analysis of venture capital investment. In addition, data was collected for angel investment, money raised using prospectus exempt securities distributions, money raised through government organizations, and funding provided by financial institutions.

Following the financial crisis of 2008, direct financing through various organizations decreased significantly throughout North America. New Brunswick was not immune: the province experienced a decrease of 10% in total funding to businesses.

There was a significant bright spot noted in 2010 relating to prospectus exempt securities distributions, commonly known as capital raising exemptions. The overall amount raised was \$185 million compared to \$125 million raised in the prior year. This was primarily due to the significant investment in the energy sector.

The industry sectors raising money in 2010 include – ICT (information & communications technology), life sciences, manufacturing, energy, agriculture, forestry and mining, services and real estate.

The largest contributors of equity in New Brunswick companies were investors from the United States with \$114.36 million, followed by Ontario with \$54.12 million and New Brunswick with \$13.23 million.

Information provided by Thomson Reuters for 2010 showed that New Brunswick attracted more venture capital than other comparable provinces including Nova Scotia, Manitoba, Saskatchewan and Prince Edward Island.

The financial industry, which includes banks, credit unions and others, provides the majority of the funds to New Brunswick businesses, mostly through debt financing. Money raised through loans and grants provided by provincial and federal agencies follows closely.

The range of investors financing New Brunswick businesses, combined with the diversity of industries attracting investment shows the diversity and potential for the provincial economy.

Introduction

The New Brunswick Securities Commission (NBSC) is a Crown corporation established by the Province of New Brunswick to regulate the securities industry and ensure the efficiency and integrity of capital markets in New Brunswick. The mandate of the NBSC is to protect investors from unfair, improper and fraudulent practices and to foster fair and efficient capital markets and confidence in the province's capital markets.

In 2010, as part of its *Fullsail* capital markets development initiative, the NBSC commissioned a capital markets study - "[A Platform for Market Development](#)" (2010 Study). Following the publication of the 2010 study and a consultation process with our stakeholders, the NBSC conducted further research on the information obtained from the 2010 study. Additional key metrics and other sources of data were used to enhance the 2010 study findings. This additional research represents an analysis of the various funding sources used by New Brunswick companies in 2008, 2009 and 2010. The NBSC welcomes comments regarding this report and will continue to work with our stakeholders to identify additional sources of information for future reports.

Throughout this report, terms and descriptions have been used that reflect those used by the source of the information. A Glossary of Terms has been provided. A Table Summary has been included to conveniently locate the information displayed in the tables used throughout the report as well as provide additional tables with relevant information for previous time periods.

New Brunswick capital markets

New Brunswick capital markets involve much more than the companies listed on various stock exchanges. The province's capital markets are diverse and are greatly influenced by large private companies and supported by a strong contingent of small and medium-sized businesses throughout the province.

A report published in 2010 entitled: '[The Alberta Capital Market: A Comparative Overview 2010 Report](#)'¹, provided relevant data regarding provincial publically-listed companies. It illustrated that New Brunswick does not play a major role in the public markets when compared to provinces like Alberta, Ontario, British Columbia and Quebec. For this report the NBSC has focussed on both private and public companies, as private companies obtain a significant portion of the capital raised in New Brunswick.

¹ Alberta Securities Commission – *The Alberta Capital Market: A Comparative Overview 2010 Report*
New Brunswick Capital Markets Report 2011

To provide an additional perspective on New Brunswick capital markets, venture capital (VC) investment information comparing the province to similar sized provinces is detailed in this report.

Purpose and scope of study

Expanding on the 2010 study, this report provides a description of the current New Brunswick capital markets funding landscape. This research is important to the NBSC in order to appropriately regulate the province's capital markets and to help it develop the infrastructure required to foster the growth of these markets. Understanding the sources and size of the funding received will provide insight for our stakeholders into what is required to attract more investment for New Brunswick companies.

This report includes information about:

- from what geographic regions do New Brunswick businesses obtain funding;
- what types of organizations provide the funding;
- what specific industries are attracting investment; and
- at what stage of development do these companies receive funding.

The information contained in this report will provide capital markets stakeholders an empirical view of how New Brunswick companies are raising money to fund their business as well as the level of funding in the province. It also provides an overview of the changes in funding within the province over time.

The report identifies the industries that are attracting money from inside and outside the province. Tracking this information over time will identify industries that are contributing or have the possibility of contributing to the province's economic growth.

Organizations and individual investors that contribute funds to companies through equity investment, debt financing or grants are the focal point for this report. New Brunswick capital markets are supported by the following funding sources:

- venture capital investments;
- prospectus exempt securities distributions;
- angel investments;
- banks;
- credit unions, caisses populaires and other lending institutions – (other loan grantors); and
- provincial and federal economic development agencies.

Methodology

The research methods include reviewing custom reports, internal filings, published documents and interviews with stakeholders (appendix A). Information was obtained from the following sources:

- VC investment data from Thomson Reuters;
- regulatory filings made with the NBSC;
- angel investment information collected through interviews with angel investment groups;
- grant information from annual reports and publications from various provincial or federal agencies;
- debt financing data from Statistics Canada; and
- Fédération des caisses populaires acadiennes.

The information contained in this report is reproduced from the source material; we have relied on the source for its accuracy.

This report identifies trends using data for the years 2008, 2009 and 2010. It should be noted that the size of some individual deals may significantly affect trends. As this document is intended to be the beginning of a longer period of analysis, more statistically significant trends will unfold over a longer period of time.

Statistics Canada does not disclose the annual amount loaned by banks and other loan grantors for New Brunswick. However, they do provide the data for the Atlantic Provinces. Though this information is not specific to New Brunswick, understanding trends within Atlantic Canada can help provide insight into this form of financing in the province. Due to Atlantic Canada's relative size and similarity throughout the region, trends noted for Atlantic Canada are likely to be similar to those for New Brunswick.

Dashboard analysis

The purpose of a dashboard is to display important information in a clear and useful fashion. For this report the dashboard displays the various funding sources broken down by industry sector for 2009 and 2010. The NBSC intends to update this dashboard on an annual basis to provide our stakeholders with a consolidated source of capital markets activity levels.

Following the financial crisis of 2008, equity financing through venture capital organizations and angel networks decreased significantly throughout North America. New Brunswick was not immune to the effects of the crisis. Its impact on funding received from these types of organizations was a decrease of approximately 53% and 15% respectively as noted in the dashboard (table 1).

Also noted in the dashboard, New Brunswick experienced in 2010 a decrease of 10% in the total funding that flowed into companies via equity investments and grants .

However, the amount of equity raised using prospectus exempt securities distributions was a significant bright spot noted in 2010. These distributions, commonly known as capital raising exemptions, increased by 47% to \$185 million in 2010, up from \$125 million in 2009. This notable increase was primarily due to a significant investment in the energy sector.

Overall VC investments decreased approximately 53% to \$15.68 million in 2010, down from \$33.62 million in 2009. This was due to a single \$22 million investment in the entertainment industry in 2009 made by a United States-based investor.

There was a 30% decline in grants from federal and provincial agencies from \$291.08 million in 2009 to \$203.56 million in 2010 due to a decrease in provincial grant funding. This was primarily caused by the uncertain economic conditions and tight credit conditions.

Other notable investment and grant funding examples in 2010 include:

- \$63.22 million in the agriculture, forestry, fishing and mining industries;
- \$44.90 million in the manufacturing sector;
- \$22.89 million in the real estate sector;
- \$73.99 million in 'other' industries such as arts, entertainment and recreation, wholesale trade, construction, and transportation and warehousing.

These investments and grants highlight the fact that funders are interested in a broad range of New Brunswick's business sectors. These business sectors, as outlined in the report, were chosen based on whether they were large enough to be considered independently, and the segmentation of these sectors was aligned with the business sectors reported by Thomson Reuters.

The business loans outstanding in the Atlantic Provinces show an increasing trend in 2010. The chartered banks are the largest funding source for business loans.

The outstanding business loans from caisses populaires in New Brunswick increased approximately 6.7% from \$544.58 million in 2009 to \$ 581.2 million in 2010. Data was requested from the New Brunswick credit unions regarding the amount of loans outstanding. This information was not available at the time this report was published.

Table 1: Dashboard - New Brunswick capital markets performance (2010)

2010 NEW BRUNSWICK CAPITAL MARKETS PERFORMANCE												
Funding Source	Industry									2010 Total (\$Mil)	2009 Total (\$Mil)	Change since 2009 (%)
	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Energy (\$Mil)	Agriculture Forestry Fishing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real Estate (\$Mil)	Other (\$Mil)			
Equity investment												
Venture capital investment												
By location of funder (VC)	-	-	-	-	-	-	-	-	-	-	-	-
Total venture capital (CAN)	4.35	-	-	0.50	-	-	-	-	-	4.85	1.40	247%
Total venture capital (US)	10.83	-	-	-	-	-	-	-	-	10.83	32.22	-66%
By type of funder (VC)												
Government	-	-	-	0.50	-	-	-	-	-	0.50	1.20	-58%
Retail	3.09	-	-	-	-	-	-	-	-	3.09	0.20	1444%
Private independent	10.83	-	-	-	-	-	-	-	-	10.83	32.22	-66%
Other	1.26	-	-	-	-	-	-	-	-	1.26		100%
Total VC investment	15.18	-	-	0.50	-	-	-	-	-	15.68	33.62	-53%
Angel investment	-	-	-	-	-	-	-	-	0.20	0.20	0.24	-15%
Exempt distribution	2.72	1.11	1.72	149.17	-	4.22	1.17	22.89	2.71	185.71	125.95	47%
Total equity investment	17.90	1.11	1.72	149.67	-	4.22	1.17	22.89	2.91	201.59	159.81	27%
Granting												
Provincial agencies	5.10	-	31.10	-	54.80	-	3.80	-	16.98	111.78	212.65	-47%
Federal agencies	0.05	-	12.08	-	3.90	0.30	21.36	-	54.09	91.78	78.43	17%
Total granting	5.15	-	43.18	-	58.70	0.30	25.16	-	71.08	203.56	291.08	-30%
Grand total	23.05	1.11	44.90	149.67	58.70	4.52	26.33	22.89	73.99	405.15	450.89	-10%
Debt financing*	-	-	-	-	-	-	-	-	-	20,654.50	19,859.28	4%

*The debt financing information provided by Statistics Canada was available for Atlantic Canada only. Included within this figure is NB specific information relating to outstanding loans made by the caisses populaires.

Charts and analysis

Venture capital investments in the New Brunswick capital markets

Direct VC investments in the New Brunswick capital markets experienced a significant decrease in 2010. A total of \$15.68 million was invested with seven companies in 12 separate deals in 2010, which represents a 53% decrease over the \$33.62 million invested in the same number of companies for 11 deals during 2009.

In 2008, a total of \$36.61 million was invested in 10 firms for 21 deals in New Brunswick (tables 2.0 & 2.1).

The charts below outline the total amount of money raised in 2008, 2009 and 2010, the number of companies which actually received money through VC investors and the number of deals that occurred during the same time period.

Table 2.0: Total VC investments in New Brunswick by industry sector (2008-2010)

Year	Total VC Investments by Industry Sector (\$ Amount)					
	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Energy (\$Mil)	Other (\$Mil)	Total (\$Mil)
2008	10.30	22.23	0.55	-	3.53	36.61
2009	0.66	10.22	0.54	-	22.20	33.62
2010	15.18	-	-	0.50	-	15.68

Table 2.1: Total VC investments (number of companies and direct investments) in New Brunswick by industry sector (2008-2010)

Year	Number of Companies and Direct Investments by Industry Sector											
	ICT		Life Sciences		Manufacturing		Energy		Other		Total	
	# comp-anies	# direct invest	# comp-anies	# direct invest	# Comp-anies	# direct invest	# comp-anies	# direct invest	# comp-anies	# direct invest	# comp-anies	# direct invest
2008	5	9	2	7	1	2	-	-	2	3	10	21
2009	2	2	2	5	2	3	-	-	1	1	7	11
2010	5	9	-	-	-	-	1	2	1	1	7	12

VC investments in information and communications technology (ICT) firms were \$15.18 million in five companies in 2010 as compared to \$660,000 in two investments in two firms in 2009, and nine investments for a total of \$10.3 million in five firms in 2008.

The life sciences sector attracted \$32.45 million for the years 2008 and 2009 combined. However, there was no reported VC investment in this sector in 2010. The energy sector attracted one investment of \$500,000 in 2010. Also in 2009 the entertainment and leisure sector attracted \$22.2 million classified as "other". Figures 1, 2 and 3 illustrate these changes.

Figure 1: Total VC investments (\$ amount) by industry sector (2008-2010)

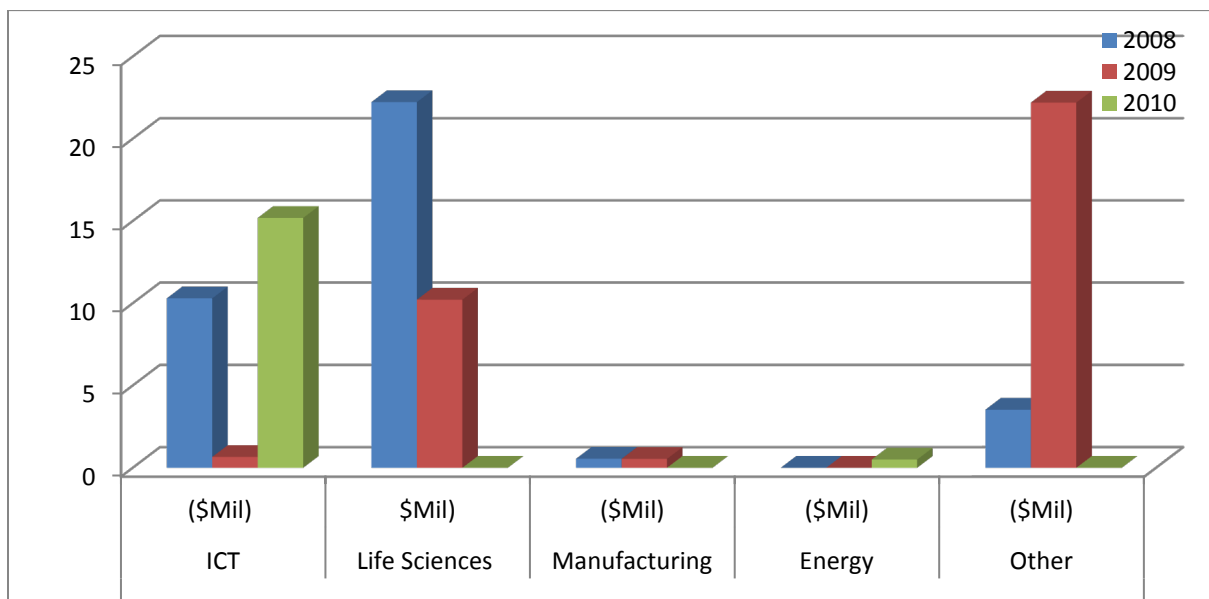


Figure 2: VC investments (# of companies receiving investment) by industry sector (2008-2010)

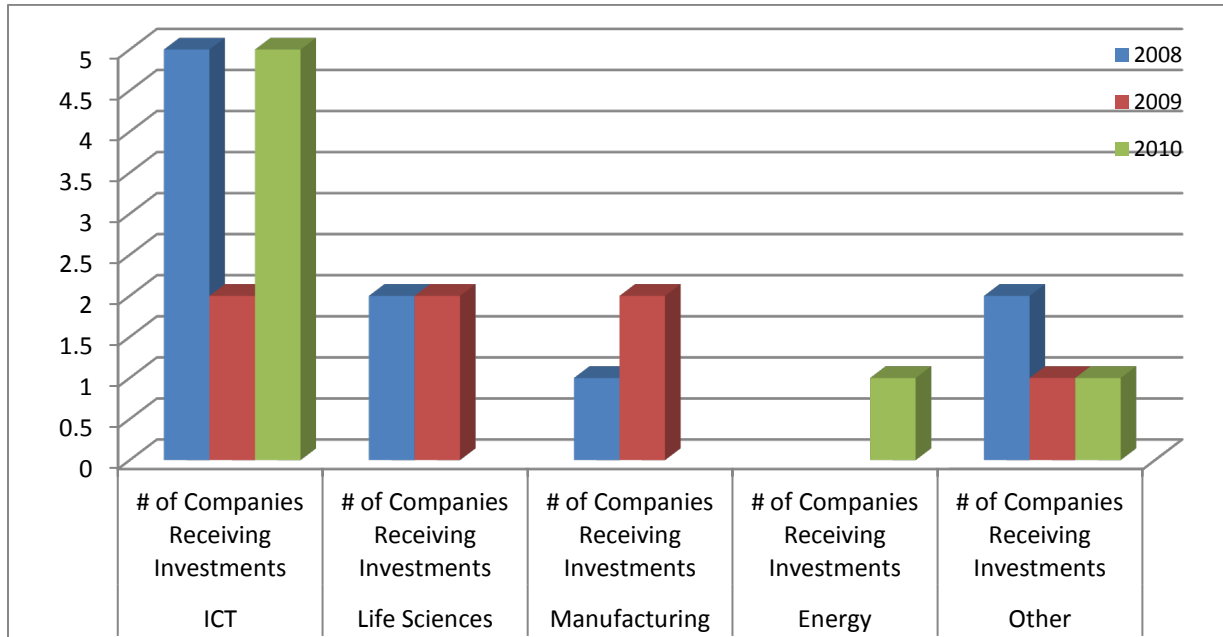
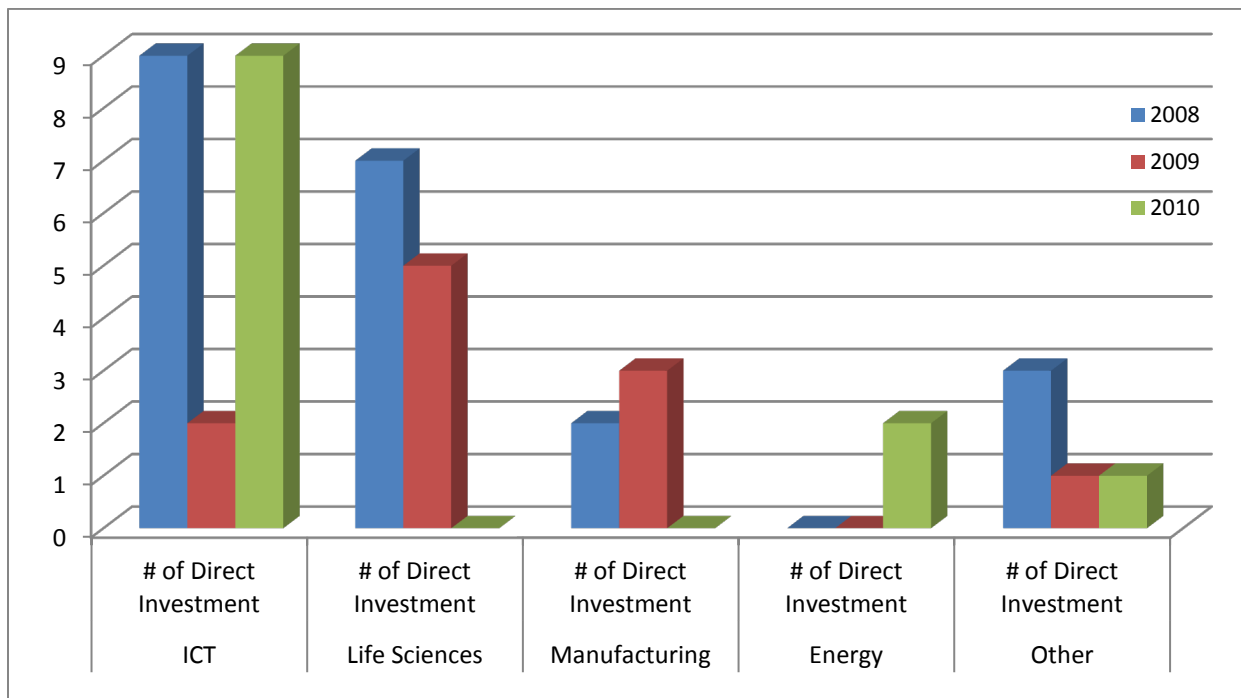


Figure 3: Total VC investments (# of direct investments) in New Brunswick by industry sector (2008-2010)



Types of VC funds

The life cycle stage of a company often defines the stage at which venture capital funds will invest. These stages can be broken down into three categories: seed, early and later. Many of the VC funding organizations are designed to invest at a particular stage of a company's life cycle. There are other VC organizations that will invest at any time; these are known as a balanced stage funds. The following describes the various types of VC funds currently investing in New Brunswick:

- Seed stage funds refer to funds that invest in newly-formed companies.
- Early stage funds refer to funds that invest in companies that have the product developed, and marketing, manufacturing and sales activities already in testing or production.
- Later stage funds refer to funds that invest in companies that have an already established product or service.
- Balanced stage funds refer to funds that invest at any stage of a company's development.

A new development for 2010 was the \$9.98 million invested in later stage companies. This highlights the fact that VCs are looking at companies in the province at all stages of their development. In 2008 and 2009 there was no investment from later stage funds.

Investments decreased sharply in balanced stage deals in terms of value from \$32.4 million in 2009 to \$3.68 million in 2010. There was a slight decrease in seed stage investments from \$900,000 in 2009 to \$500,000 in 2010. The early stage investments increased from \$300,000 in 2009 to \$1.52 million in 2010. See tables 3.1 and 3.2 in the Table Summary for full details regarding 2008 and 2009 years.

The total number of direct investments in 2009 and 2010 was the same: ten deals for each year, compared to 17 in 2008 (See table 3.0 below and tables 3.1 and 3.2 in the Table Summary).

The ICT sector attracted more attention with early, later stage investments and balanced stage investments in 2010. This is in direct contrast to 2008 and 2009 where there was no later stage investment (figures 4 and 5).

There was one seed stage investment in the energy sector in 2010, compared with no deal in 2008 and 2009 (figures 4 and 5).

Table 3.0: VC investments by types of VC funds (2010)

Type of VC Fund	Industry							
	ICT		Energy		Other		Total	
	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments
Seed stage	-	-	0.50	1	-	-	0.50	1
Early stage	1.52	1	-	-	-	-	1.52	1
Later stage	9.98	1	-	-	-	-	9.98	1
Balanced stage	3.68	5	na	1	na	1	3.68	7
Total	15.18	7	0.50	2	-	1	15.68	10

Figure 4: VC investments (\$ Mil) by types of VC funds (2008-2010)

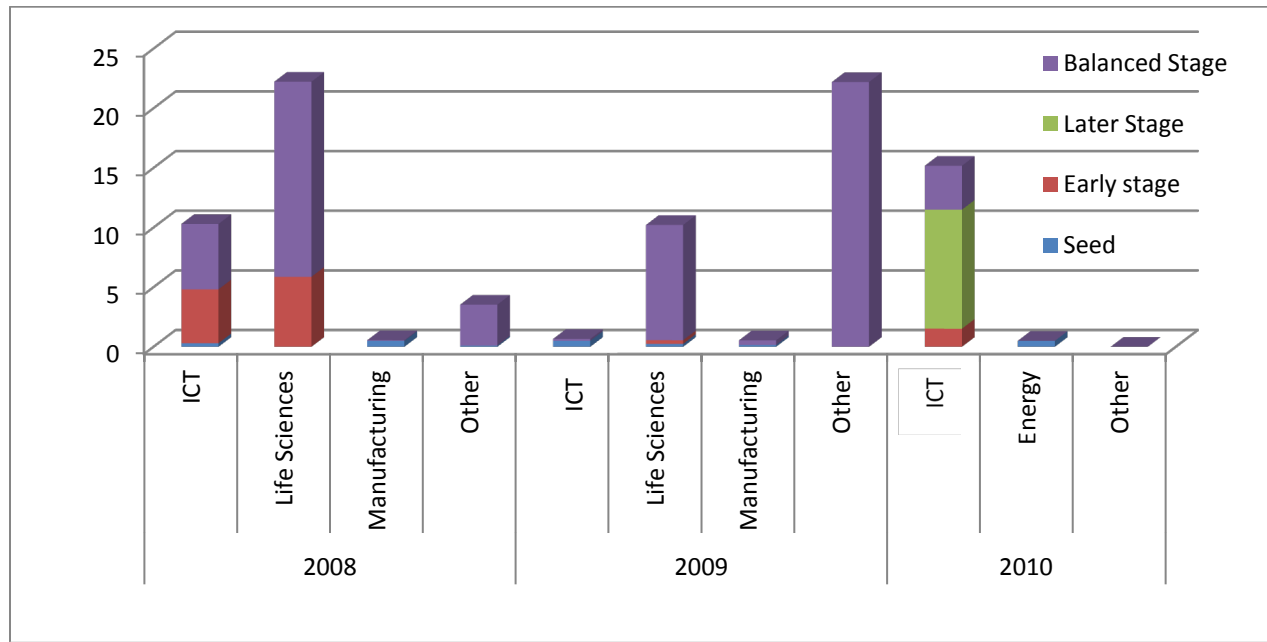
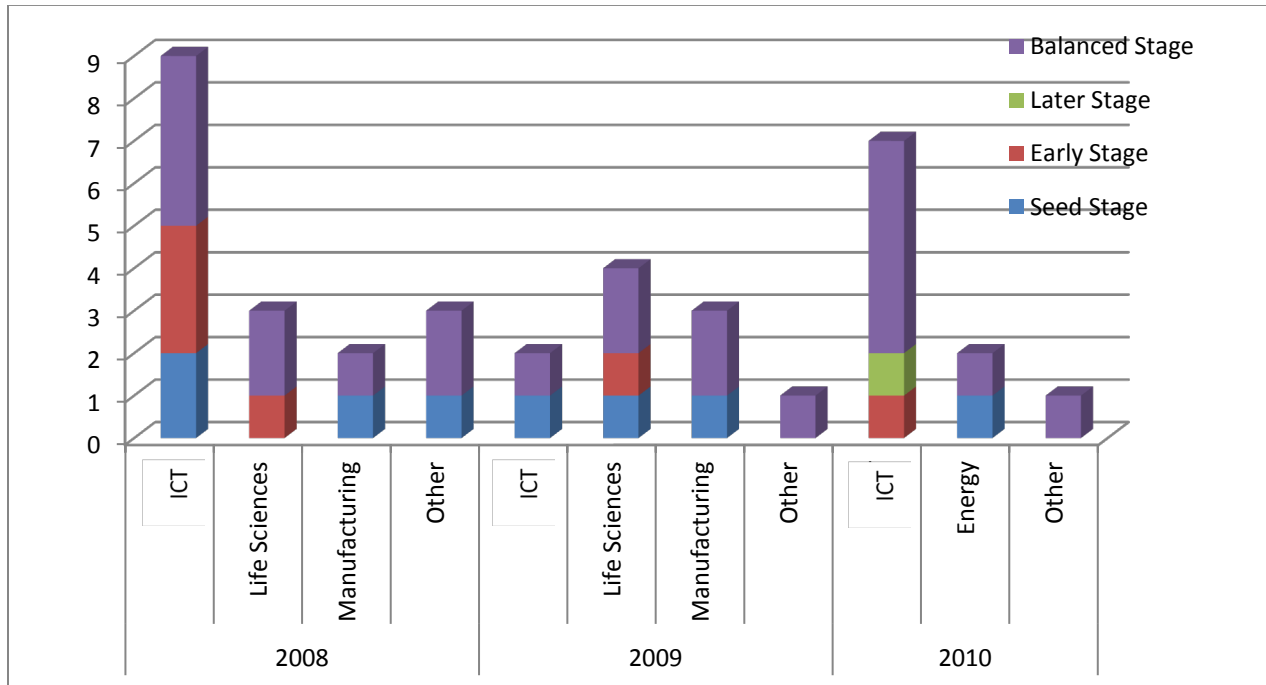


Figure 5: VC investments (# of direct investments) by types of VC funds (2008-2010)



Types of funders

Increase in retail funding, decline in government and private independent funding

In 2010, there were four types of funders providing VC investments for New Brunswick capital markets (see glossary of terms for definitions):

- government funds;
- private independent funds;
- retail funds; and
- 'other' funds.

Both government and private independent funds experienced decreased activity in 2010. Retail funds experienced increased activity from \$200,000 in 2009 to \$3.09 million in 2010. Corporate funds and institutional funds did not engage actively in 2010 or 2009 compared to a total of \$7.82 million invested in 2008 (table 4.0 below and tables 4.1 and 4.2 in the Table Summary).

Table 4.0: VC investments by types of funders (2010)

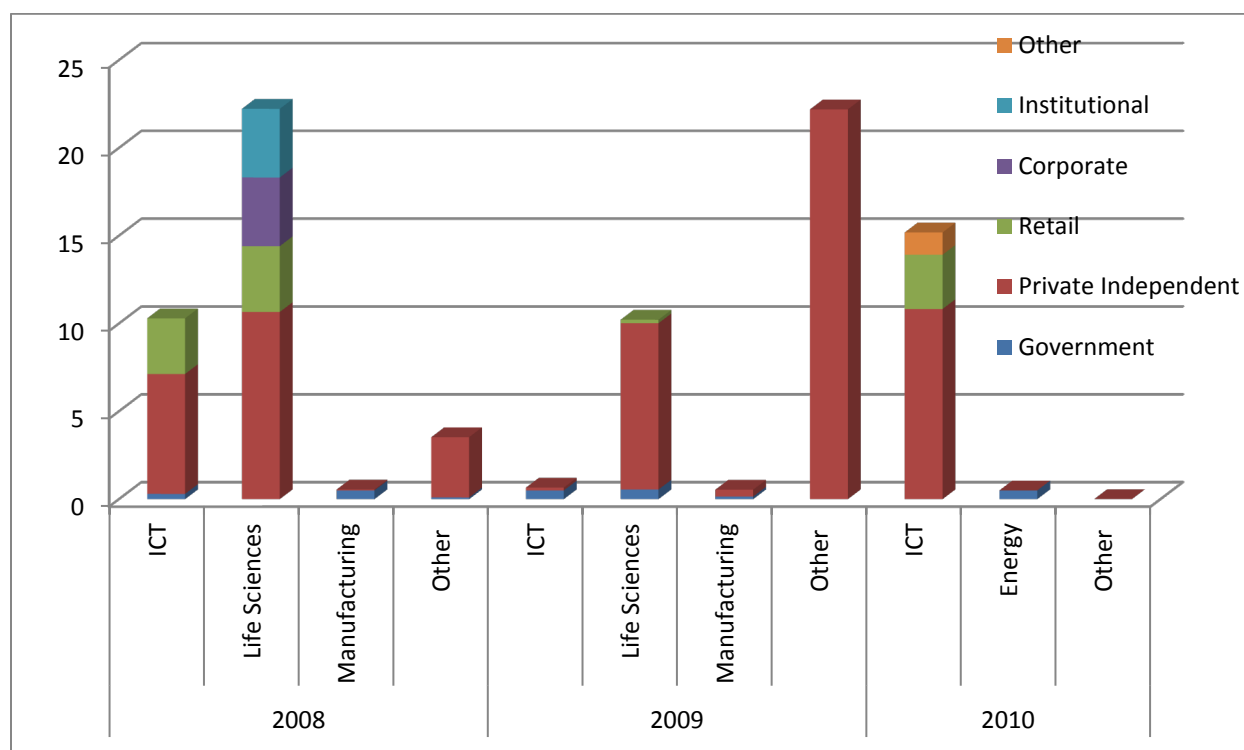
Funder Type	Industry			
	ICT (\$Mil)	Energy (\$Mil)	Other (\$Mil)	Total (\$Mil)
Government	-	0.50	-	0.50
Private independent	10.83	*na	na	10.83
Retail	3.09	-	-	3.09
Other	1.26	-	-	1.26
Total	15.18	0.5	na	15.68

*na – unable to obtain the required information

Figure 6 below indicates that in 2010 government focused all of its funds on the energy sector, and almost all private independent funds, retail funds and 'other' funds focused on the ICT industry.

In 2009, the entertainment and leisure sector attracted \$22.2 million from private independent financing while the life sciences sector attracted the second largest amount with \$9.47 million invested from the same type of funder (figure 6). In 2008, a large portion of the VC investments of \$22.23 million went to the life sciences sector with the majority from private independent funds. This group also invested \$6.83 million in the ICT sector (figure 6).

Figure 6: VC investments (\$ Mil) by types of funders (2008-2010)



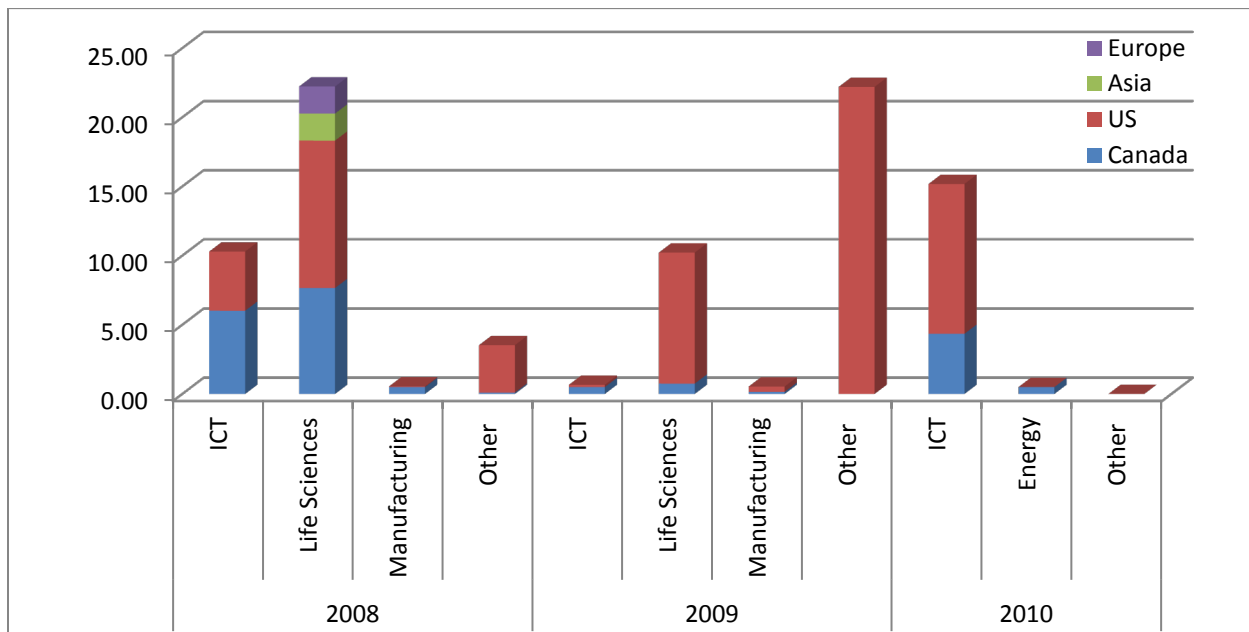
Locations of the funding sources

Increase in investments from Canada, decrease in investments from the United States

In 2010 funding from the United States investors decreased to \$10.83 million from \$32.23 million in 2009. However, funding from Canadian investors jumped from \$1.40 million in 2009 to \$4.85 million in 2010.

In 2008 there were investments of \$3.92 million from Europe and Asia in addition to the funding coming from the United States and Canada. However, in 2009 and 2010 only American and Canadian investors made VC investments in the province (figure 7).

Figure 7: VC investments (\$ Mil) by funding source locations (2008-2010 summary)



In 2010, Canadian VC investments were mainly focused on the ICT industry with \$4.85 million invested compared to \$500,000 in the energy sector. It is noteworthy that most of the investments from American investors were directed to the ICT sector, totalling \$10.83 million in 2010.

In 2009, American investors provided \$22.20 million for 'other' industries, including \$9.47 million in life sciences. A total of \$1.20 million was provided by Canadian investors.

In 2008, American investors supplied \$10.66 million in funding to life sciences and \$4.28 million to ICT. This investment from the United States indicates that these VC capitalists play a significant role in the New Brunswick capital markets (table 5.0 below and tables 5.1 and 5.2 in the Table Summary).

Table 5.0: VC investments by funding source locations (2010)

Funding location	Industry							
	ICT		Energy		Other		Total	
	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments	(\$Mil)	# of direct investments
Canada								
British Columbia	1.52	1	-	-	-	-	1.52	1
New Brunswick	-	-	0.50	1	-	-	0.50	1
Quebec	1.57	1	-	-	-	-	1.57	1
Unknown	1.26	1	-	-	-	-	1.26	1
United States								
New York	9.98	1	-	-	-	-	9.98	1
Unknown	0.85	4	na	1	na	1	0.85	6
Total	15.18	8	0.50	2		1	15.68	11

VC investments comparison by province

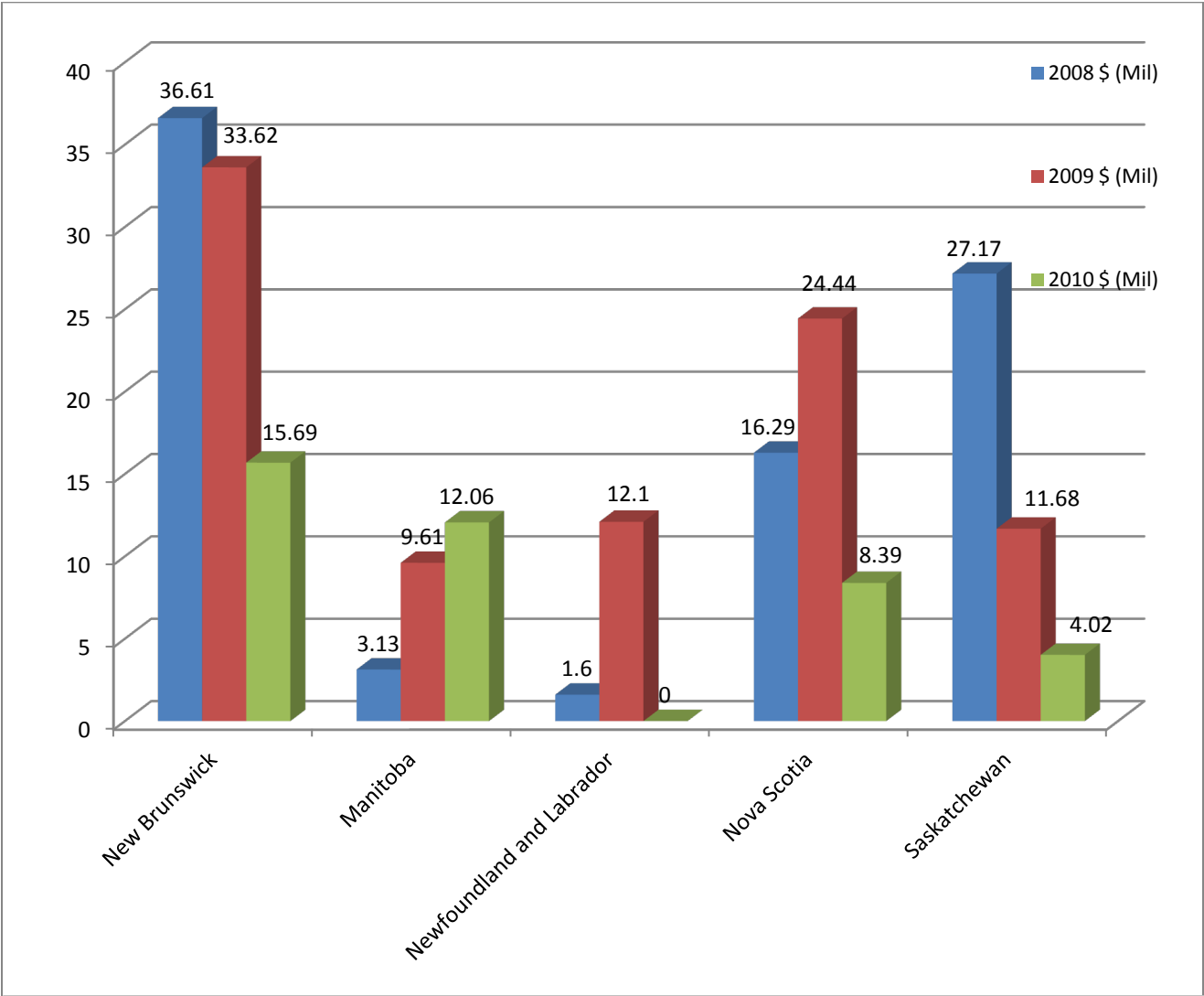
New Brunswick attracted more VC investments

New Brunswick's VC investment data has been compared to Manitoba, Nova Scotia and Saskatchewan. No information was available for Newfoundland and Labrador in 2010. These provinces were chosen because the size and nature of their capital markets share a number of similarities with New Brunswick.

Figure 8 shows the total dollar amount of VC investments into these provinces from 2008 to 2010. New Brunswick received the largest amount of VC investments annually from 2008 to 2010.

Newfoundland and Labrador received the smallest amount of investments with \$1.60 million in 2008 but had a significant increase in 2009 to \$12.10 million.

Figure 8: VC investments comparison by province (2008-2010)



Manitoba experienced an increase from \$9.61 million in 2009 to \$12.06 million in 2010, while other provinces all experienced significant decreases:

- New Brunswick: from \$33.62 million to \$15.69 million;
- Nova Scotia: from \$24.44 million to \$8.39 million; and
- Saskatchewan: from \$11.68 million to \$4.02 million.

VC investments distribution within the major industries of the five provinces' capital markets since 2008 indicates that life sciences, energy and ICT were the primary industries. Agriculture/forestry/fishing and manufacturing industries received less attention from VC funders on average (table 6.0, and tables 6.1 and 6.2 in the Table Summary).

Table 6.0: VC investments comparison by province (2010)

Province	ICT (\$Mil)	Life Sciences (\$Mil)	Energy (\$Mil)	Agri/Forest/Fish (\$Mil)	Other (\$Mil)	Total (\$Mil)
New Brunswick	15.19	-	0.50	-	-	15.69
Manitoba	-	3.81	5.75	2.50	-	12.06
Newfoundland and Labrador	*na	na	na	na	na	na
Nova Scotia	4.84	1.55	-	-	2.00	8.39
Saskatchewan	-	2.02	-	-	2.00	4.02

*na – unable to obtain the required information

Prospectus exempt securities distributions in the New Brunswick capital markets

There was an increase in prospectus exempt securities distributions reported to the NBSC from \$125.95 million raised by 17 firms in 2009 to \$185.71 million raised by 20 firms in 2010 (table 7.0). Not all prospectus exempt securities distributions are required to be reported to the NBSC. Research will continue to determine if an appropriate method to collect this data is required.

Table 7.0: Prospectus exempt securities distributions (2009-2010)

2009 Total		2010 Total		Change since 2009	
(\$Mil)	# of issuers	(\$Mil)	# of issuers	(\$Mil)	# of issuers
125.95	17	185.71	20	47%	18%

In 2010, New Brunswick firms raised \$12.71 million from investors within the province and approximately \$173.02 million from outside (i.e., Nova Scotia, Ontario, Alberta, Prince Edward Island, British Columbia, Newfoundland and Labrador, Quebec, Saskatchewan, and the United States).

American investors were the largest contributors accounting for \$103.53 million invested primarily in the energy sector (\$103.08 million) in 2010. Much of this was from investors in Georgia and Texas who contributed \$30.92 million and \$36.07 million respectively. Connecticut and New York were also actively engaged in the exempt market in New Brunswick with \$15.46 million and \$10.46 million (table 7.1).

Table 7.1: Prospectus exempt securities distributions by investor location (2010)

Investor Location	Industry								
	Energy (\$Mil)	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real Estate (\$Mil)	Other (\$Mil)	Total (\$Mil)
Canada									
New Brunswick	0.52	2.44	1.08	0.34	0.13	1.17	4.81	2.22	12.71
Nova Scotia	2.40	0.06	-	-	-	-	1.10	0.04	3.60
Ontario	43.16	0.10	0.03	1.34	3.77	-	5.57	0.15	54.12
Alberta	-	0.01	-	0.04	0.22	-	2.77	-	3.04
B.C.	-	0.01	-	-	0.04	-	0.25	-	0.30
PEI	-	-	-	-	-	-	1.81	-	1.81
Newfoundland	-	-	-	-	0.06	-	-	-	0.06
Quebec	-	-	-	-	-	-	6.51	-	6.51
Saskatchewan	-	-	-	-	-	-	0.03	-	0.03
Canada Total	46.08	2.62	1.11	1.72	4.22	1.17	22.89	2.41	82.18
United States									
New Hampshire	0.01	-	-	-	-	-	-	0.15	0.16
Wisconsin	5.15	-	-	-	-	-	-	-	5.15
Connecticut	15.46	-	-	-	-	-	-	-	15.46
Georgia	30.92	-	-	-	-	-	-	-	30.92
New York	10.31	-	-	-	-	-	-	0.15	10.46
Nebraska	2.58	-	-	-	-	-	-	-	2.58
Texas	36.07	-	-	-	-	-	-	-	36.07
Illinois	2.58	0.15	-	-	-	-	-	-	2.73
United States Total	103.08	0.15	-	-	-	-	-	0.30	103.53
Grand Total	149.17	2.76	1.11	1.72	4.22	1.17	22.89	2.71	185.71

A total of \$82.18 million was raised from Canadian investors in 2010, of which Ontario investors invested \$54.12 million. New Brunswick investors were the second largest contributor with \$12.71 million, compared with investors from other provinces:

- Quebec with \$6.51 million;
- Nova Scotia with \$3.6 million; and
- Alberta with \$3.04 million.

Firms in the energy industry raised approximately \$149.17 million, while firms in the real estate sector raised \$22.89 million from Canadian investors. Mining industry firms raised \$4.22 million in total from Canadian investors (table 7.2).

Table 7.2: A comparison of Canadian and American prospectus exempt securities distributions (2010)

Investor Location	Industry								
	Energy (\$Mil)	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real Estate (\$Mil)	Other (\$Mil)	Total (\$Mil)
Canada	46.09	2.57	1.11	1.72	4.22	1.17	22.89	2.41	82.18
U.S.	103.08	0.15	-	-	-	-	-	0.30	103.53
Total	149.17	2.72	1.11	1.72	4.22	1.17	22.89	2.71	185.71

Angel investments in the New Brunswick capital markets

Individual angel investors provide a significant source of early and later stage funding to companies. This funding is not always required to be reported to the NBSC. Ongoing research will determine if an appropriate method to collect this data is required. The First Angel Network (FAN) is the only formal angel network in New Brunswick and for this reason has been used as an indicator for assessing this type of investment.

Angel investments in New Brunswick through FAN declined slightly with \$200,000 invested in one company in 2010, compared to \$240,000 invested in 2009. In 2008, \$300,000 was invested in two companies (table 8.0).

Table 8.0: Angel investments (2008-2010)

2010		2009		2008	
# of companies receiving investment	Total investment (\$Mil)	# of companies receiving investment	Total investment (\$Mil)	# of companies receiving investment	Total investment (\$Mil)
1	0.20	1	0.24	2	0.30

Grants in the New Brunswick capital markets

The total amount of grants provided by federal and provincial government agencies decreased from \$291.08 million in 2009 to \$203.56 million in 2010, primarily due to the decline in overall provincial grant funding from \$212.65 million to \$111.78 million. Grants provided by federal agencies increased from \$78.43 million to \$91.78 million (table 9.0 and figure 9). For the purposes of this report we have considered direct funding sources only. Funds contributed by indirect means, such as the Small Business Investor Tax Credit (SBITC) have not been included. The [NBSC 2011-2011 annual report](#) has information on the SBITC from 2003-2010. The [2010 Study](#) has information on other indirect contributors.

Table 9.0: Grants in New Brunswick (2008-2010)

Funding Organization	2010 (\$Mil)	2009 (\$Mil)	2008 (\$Mil)
Federal Agencies	91.78	78.43	53.23
Provincial Agencies	111.78	212.65	215.80
Total	203.56	291.08	269.03

Figure 9: Grants in New Brunswick (2008-2010)

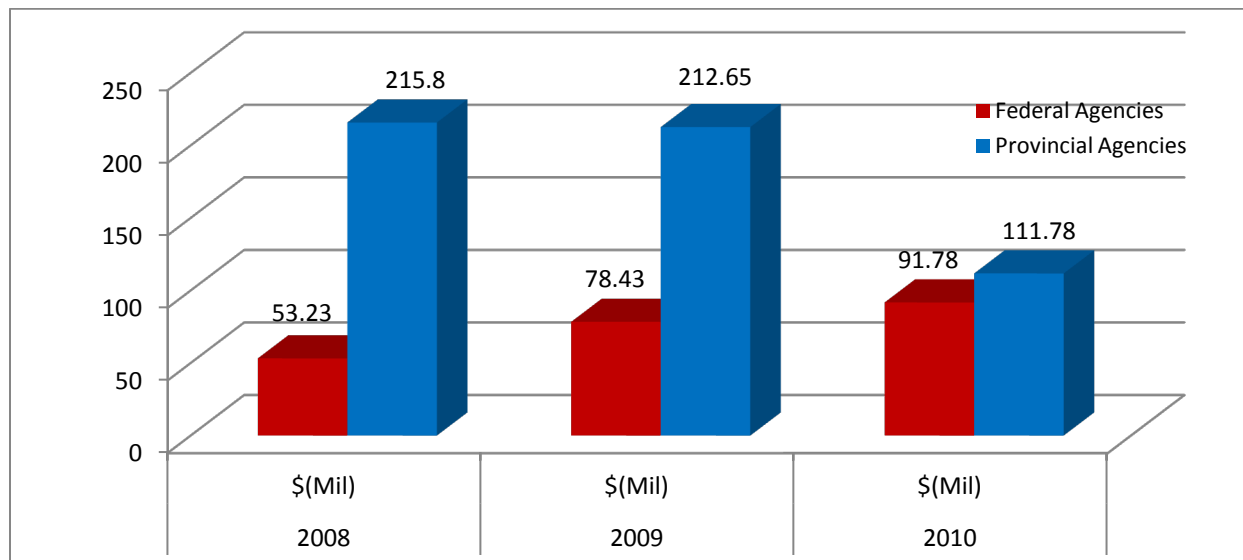


Table 9.1: Grants in New Brunswick by sector (2010)

Funding Organization	Agri / Forest / Fish / Mining (\$Mil)	Manufacturing (\$Mil)	ICT (\$Mil)	Services (\$Mil)	*Other (\$Mil)	Total (\$Mil)
Provincial agencies	54.80	31.10	5.10	3.80	16.98	111.78
Federal agencies	4.20	12.08	0.05	21.36	54.09	91.78
Total	59.00	43.18	5.15	25.16	69.49	203.56

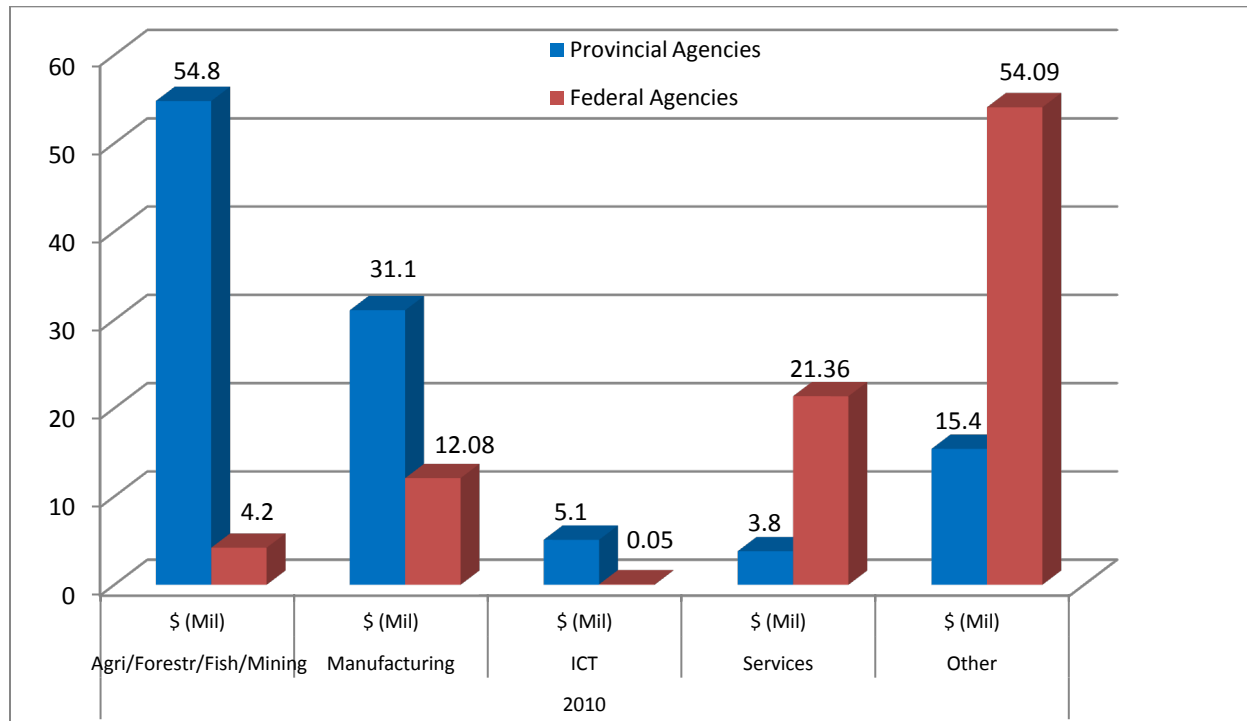
* The 'other' category includes a number of federal agencies that did not indicate the sector for which they provided funding.

In 2010:

- a total of \$59 million went into the agriculture, forestry, fishing and mining industries, of which the majority, \$54.80 million, was provided by provincial agencies;
- firms in the manufacturing industry received \$43.18 million, of which \$31.10 million was provided by provincial agencies;

- the 'other' industry received approximately \$69.49 million in total, of which \$54.09 million was granted by federal agencies (see table note); and
- the services sector received \$25.16 million, of which \$21.36 was provided by federal agencies (table 9.1 and figure 10).

Figure 10: Grants in New Brunswick by sector (2010)



Debt financing in the New Brunswick capital markets

The business loans from caisses populaires in New Brunswick increased about 6.7 % from \$581.20 million in 2009 to \$544.58 million in 2010.

Domestic chartered banks are the largest funding source with \$12.9 billion in business loans outstanding in the Atlantic Provinces in 2010. There were \$3.3 billion in business loans outstanding from finance companies, and \$2.8 billion in loans outstanding from other sources (table 10.0).

Table 10.0: Debt financing of business client (2009-2010)

Funding Organization	2010 Outstanding (\$Mil)	2009 Outstanding (\$Mil)	Change since 2009 (%)
Caisses populaires (New Brunswick)	581.20	544.58	6.72
Domestic banks (Atlantic Provinces)	12,851.70	12,705.50	1.15
Other banks (Atlantic Provinces)	1,159.90	1,010.20	14.81
Finance companies (Atlantic Provinces)	3,298.20	3,111.80	6.00
Portfolio managers, financial funds and insurance companies (Atlantic Provinces)	2,763.50	2,487.20	11.11

Note: The information on business loans for caisses populaires is for New Brunswick only. The information on business loans for banks or other financial institutions is for the Atlantic Provinces, as published by Statistics Canada. Information for New Brunswick credit unions was not available at the time of publication.

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Table Summary

Table 2.0 : Total VC investments (\$ amount) in New Brunswick by industry sector (2008-2010)

Year	Total VC Investments by Industry Sector					
	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Energy (\$Mil)	Other (\$Mil)	Total (\$Mil)
2008	10.30	22.23	0.55	-	3.53	36.61
2009	0.66	10.22	0.54	-	22.20	33.62
2010	15.18	-	-	0.50	n/a	15.68

Table 2.1: Total VC investments (number of companies and direct investments) in New Brunswick by industry (2008-2010)

Year	Number of Companies and Direct Investments by Industry											
	ICT		Life Sciences		Manufacturing		Energy		Other		Total	
	# companies	# direct invest.	# companies	# direct invest.	# companies	# direct invest.	# companies	# direct invest.	# companies	# direct invest.	# companies	# direct invest.
2008	5	9	2	7	1	2	-	-	2	3	10	21
2009	2	2	2	5	2	3	-	-	1	1	7	11
2010	5	9	-	-	-	-	1	2	1	1	7	12

Table 3.0: VC investments by types of VC funds (2010)

Type of VC Fund	Industry							
	ICT		Energy		Other		Total	
	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.
Seed stage	-	-	0.50	1	-	-	0.50	1
Early stage	1.52	1	-	-	-	-	1.52	1
Later stage	9.98	1	-	-	-	-	9.98	1
Balanced stage	3.68	5	na	1	na	1	3.68	7
Total	15.18	7	0.50	2	-	1	15.68	10

*na – unable to obtain the required information

Table 3.1: VC investments by types of VC funds (2009)

Type of VC Fund	Industry									
	ICT		Life Sciences		Manufacturing		Other		Total	
	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.
Seed stage	0.50	1	0.25	1	0.15	1	-	-	0.90	3
Early stage	-	-	0.30	1	-	-	-	-	0.30	1
Later stage	-	-	-	-	-	-	-	-	-	-
Balanced stage	0.16	1	9.67	2	0.39	2	22.20	1	32.42	6
Total	0.66	2	10.22	4	0.54	3	22.20	1	33.62	10

Table 3.2: VC investments by types of VC funds (2008)

Type of VC Fund	Industry									
	ICT		Life Sciences		Manufacturing		Other		Total	
	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.	(\$Mil)	# direct invest.
Seed stage	0.30	2	-	-	0.50	1	0.10	1	0.90	4
Early stage	4.52	3	5.87	1	-	-	-	-	10.39	4
Later stage	-	-	-	-	-	-	-	-	-	-
Balanced stage	5.48	4	16.36	2	0.05	1	3.43	2	25.32	9
Total	10.30	9	22.23	3	0.55	2	3.53	3	36.61	17

Table 4.0: VC investments by types of funders (2010)

Funder Type	Industry			
	ICT (\$Mil)	Energy (\$Mil)	Other (\$Mil)	Total (\$Mil)
Government	-	0.50	-	0.50
Private independent	10.83	*na	na	10.83
Retail	3.09	-	-	3.09
Other	1.26	-	-	1.26
Total	15.18	0.5	na	15.68

*na – unable to obtain the required information

Table 4.1: VC investments by types of funders (2009)

Funder Type	Industry			
	ICT (\$Mil)	Life Sciences (\$Mil)	Other (\$Mil)	Total (\$Mil)
Government	0.50	0.55	0.15	1.20
Private independent	0.16	9.47	22.59	32.22
Retail	-	0.20	-	0.20
Total	0.66	10.22	22.74	33.62

Table 4.2: VC investments by types of funders (2008)

Funder Type	Industry				
	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Other (\$Mil)	Total (\$Mil)
Government	0.30	-	0.50	0.10	0.90
Private independent	6.83	10.66	0.05	3.43	20.96
Retail	3.17	3.75	-	-	6.92
Corporate	-	3.91	-	-	3.91
Institutional	-	3.91	-	-	3.91
Total	10.30	22.23	0.55	3.53	36.61

Table 5.0: VC investments by funding source locations (2010)

Funding Location	Industry								
	ICT		Energy		Other		Total		
	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	
Canada									
British Columbia	1.52	1	-	-	-	-	1.52	1	
New Brunswick	-	-	0.50	1	-	-	0.50	1	
Quebec	1.57	1	-	-	-	-	1.57	1	
Unknown	1.26	1	-	-	-	-	1.26	1	
United States									
New York	9.98	1	-	-	-	-	9.98	1	
Unknown	0.85	4	na	1	na	1	0.85	6	
Total	15.18	8	0.50	2	-	1	15.68	11	

Table 5.1: VC investments by funding source locations (2009)

Funding Location	Industry									
	ICT		Life Sciences		Manufacturing		Other		Total	
	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments
Canada										
New Brunswick	0.50	1	0.25	1	0.15	1	-	-	0.90	3
Ontario	-	-	0.30	1	-	-	-	-	0.30	1
Quebec	-	-	0.20	1	-	-	-	-	0.20	1
United States										
Unknown	0.16	1	9.47	2	0.39	2	22.20	1	32.23	6
Total	0.66	2	10.22	5	0.54	3	22.20	1	33.62	11

Table 5.2: VC investments by funding source locations (2008)

Funding Location	Industry									
	ICT		Life Sciences		Manufacturing		Other		Total	
	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments	(\$Mil)	# direct investments
Canada										
British Columbia	1.97	2	1.96	1	-	-	-	-	3.93	3
New Brunswick	0.30	2	-	-	0.50	1	0.10	1	0.90	4
Ontario	2.54	1	-	-	-	-	-	-	2.54	1
Quebec	1.20	1	5.70	1	-	-	-	-	6.91	2
United States										
California	-	-	1.96	1	-	-	-	-	1.96	1
Unknown	4.28	3	8.70	2	0.05	1	3.43	2	16.46	8
Asia										
Japan	-	-	1.96	1	-	-	-	-	1.96	1
Europe										
Denmark	-	-	1.96	1	-	-	-	-	1.96	1
Total	10.30	9	22.23	7	0.55	2	3.53	3	36.61	21

Table 6.0: VC investments comparison by province (2010)

Province	ICT (\$Mil)	Life Sciences (\$Mil)	Energy (\$Mil)	Agri / Forest / Fish (\$Mil)	Other (\$Mil)	Total (\$Mil)
New Brunswick	15.19	-	0.50	-	-	15.69
Manitoba	-	3.81	5.75	2.50	-	12.06
Newfoundland and Labrador	na	na	na	na	na	na
Nova Scotia	4.84	1.55	-	-	2.00	8.39
Saskatchewan	-	2.02	-	-	2.00	4.02

Table 6.1: VC investments comparison by province (2009)

Province	ICT (\$Mil)	Life Sciences (\$Mil)	Energy (\$Mil)	Manufacturing (\$Mil)	Agri / Forest / Fish (\$Mil)	Other (\$Mil)	Total (\$Mil)
New Brunswick	0.66	10.22	-	0.54	-	22.20	33.62
Manitoba	-	2.81	4.00	-	-	2.80	9.61
Newfoundland and Labrador	5.50	-	5.50	1.10	-	-	12.10
Nova Scotia	5.00	11.44	-	6.00	-	2.00	24.44
Saskatchewan	-	0.28	5.66	-	4.23	1.50	11.68

Table 6.2: VC investments comparison by province (2008)

Province	ICT (\$Mil)	Life Sciences (\$Mil)	Energy (\$Mil)	Manufacturing (\$Mil)	Agri / Forest / Fish (\$Mil)	Other (\$Mil)	Total (\$Mil)
New Brunswick	10.30	22.23	-	0.55	-	3.53	36.61
Manitoba	-	3.13	-	-	-	-	3.13
Newfoundland and Labrador	-	-	-	1.60	-	-	1.60
Nova Scotia	3.73	10.54	-	-	1.70	0.32	16.29
Saskatchewan	2.10	2.50	12.50	-	3.57	6.50	27.17

Table 7.0: Prospectus exempt securities distributions (2009-2010)

2009 Total		2010 Total		Change since 2009	
(\$Mil)	# of Issuers	(\$Mil)	# of Issuers	(\$Mil)	# of Issuers
125.95	17	185.71	20	47%	18%

Table 7.1: Prospectus exempt securities distributions by investor location (2010)

Investor Location	Industry								
	Energy (\$Mil)	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real Estate (\$Mil)	Other (\$Mil)	Total (\$Mil)
Canada									
New Brunswick	0.52	2.44	1.08	0.34	0.13	1.17	4.81	2.22	12.71
Nova Scotia	2.40	0.06	-	-	-	-	1.10	0.04	3.60
Ontario	43.16	0.10	0.03	1.34	3.77	-	5.57	0.15	54.12
Alberta	-	0.01	-	0.04	0.22	-	2.77	-	3.04
B.C.	-	0.01	-	-	0.04	-	0.25	-	0.30
PEI	-	-	-	-	-	-	1.81	-	1.81
Newfoundland	-	-	-	-	0.06	-	-	-	0.06
Quebec	-	-	-	-	-	-	6.51	-	6.51
Saskatchewan	-	-	-	-	-	-	0.03	-	0.03
Canada Total	46.08	2.62	1.11	1.72	4.22	1.17	22.89	2.41	82.18
United States									
New Hampshire	0.01	-	-	-	-	-	-	0.15	0.16
Wisconsin	5.15	-	-	-	-	-	-	-	5.15
Connecticut	15.46	-	-	-	-	-	-	-	15.46
Georgia	30.92	-	-	-	-	-	-	-	30.92
New York	10.31	-	-	-	-	-	-	0.15	10.46
Nebraska	2.58	-	-	-	-	-	-	-	2.58
Texas	36.07	-	-	-	-	-	-	-	36.07
Illinois	2.58	0.15	-	-	-	-	-	-	2.73
United States Total	103.08	0.15	-	-	-	-	-	0.30	103.53
Grand Total	149.17	2.76	1.11	1.72	4.22	1.17	22.89	2.71	185.71

Table 7.2: Prospectus exempt securities distributions by investor locations (Summary (2010))

Investor Location	Industry								
	Energy (\$Mil)	ICT (\$Mil)	Life Sciences (\$Mil)	Manufacturing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real Estate (\$Mil)	Other (\$Mil)	Total (\$Mil)
Canada	46.09	2.57	1.11	1.72	4.22	1.17	22.89	2.41	82.18
United States	103.08	0.15	-	-	-	-	-	0.30	103.53
Total	149.17	2.72	1.11	1.72	4.22	1.17	22.89	2.71	185.71

Table 8.0: Angel investments (2008-2010)

2010		2009		2008	
# companies receiving investment	Total investment (\$Mil)	# companies receiving investment	Total investment (\$Mil)	# companies receiving investment	Total investment (\$Mil)
1	0.20	1	0.24	2	0.30

Table 9.0: Grants in New Brunswick (2008-2010)

Funding Organization	2010 (\$Mil)	2009 (\$Mil)	2008 (\$Mil)
Federal agencies	91.78	78.43	53.23
Provincial agencies	111.78	212.65	215.80
Total	203.56	291.08	269.03

Table 9.1: Grants in New Brunswick by sector (2010)

Funding Organization	Agri / Forest / Fish / Mining (\$Mil)	Manufacturing (\$Mil)	ICT (\$Mil)	Services (\$Mil)	Other (\$Mil)	Total (\$Mil)
Provincial agencies	54.80	31.10	5.10	3.80	16.98	111.78
Federal agencies	4.20	12.08	0.05	21.36	54.09	91.78
Total	59.0	43.18	5.15	25.16	71.07	203.56

Table 10.0: Debt financing of business clients (2009-2010)

Funding Organization	2010 Outstanding (\$Mil)	2009 Outstanding (\$Mil)	Change since 2009 (%)
Caisses populaires (New Brunswick)	581.20	544.58	6.72
Domestic banks (Atlantic Provinces)	12,851.70	12,705.50	1.15
Other banks (Atlantic Provinces)	1,159.90	1,010.20	14.81
Finance companies (Atlantic Provinces)	3,298.20	3,111.80	6.00
Portfolio managers, financial funds and insurance companies (Atlantic Provinces)	2,763.50	2,487.20	11.11

Appendix A – Glossary

- **Agri/Forest/Fish (agriculture, forestry and fishing industry)** - Industry sectors of crop production, animal production, forestry and logging, fishing and other related activities.
- **Angel investment** - A monetary or mentoring investment from an individual in a small and/or start-up business.
- **Balanced stage** - Funds whose investment focus has a multi-stage (balanced) focus in venture capital. These funds' investment activities include seed stage, early stage and/or later stage investing, with no particular concentration on either.
- **Capital markets** - These markets bring together the providers and users of capital, the financial products - like stocks (equity capital) and bonds (debt capital) - that make the transfer of capital possible, and the people and organizations that support the process.
- **Corporate** - A fund formed by a corporation that makes private equity investments.
- **Debt financing** - Loans derived from institutions such as banks, credit unions, finance companies, portfolio managers, financial funds and insurance companies.
- **Early stage** - Funds that make a majority of their investments in companies that have product development, initial marketing, manufacturing and sales activities already in the testing or production stages. The investments are used by the company to begin production and sales. In some cases, the product may have just been made commercially available and the companies may not yet be generating profits. The companies may be in the process of organizing or they may already be in business for three years or less. Usually such firms will have made market studies, assembled the key management, developed a business plan, and are ready, or have already, started conducting business.
- **Equity investment** - A funding source which refers to the acquisition of equity (ownership) participation in a private (unlisted) company, or buying and holding of shares of stock on a stock market by individuals or firms.

- **Exempt distribution** - When an issuer sells securities under a prospectus exemption.
- **Funding location** - The geographical location of where the venture capital investment being invested into New Brunswick is coming from.
- **Funder type** - The structure of the fund entity.
- **Grants** - A type of fund usually granted by federal and provincial agencies for a specific purpose.
- **Government** - A private equity fund formed by a government agency that raises money from outside investors.
- **ICT** - The Information and communications technology sector.
- **Institutional** - Funds managed inside certain large organizations such as endowments, foundations or pension funds, investment banks, other banking/financial institutions.
- **Investor location** - The geographical location of the investor who provided the investment.
- **Later stage** - Funds that make a majority of their investments into portfolio companies that have an already established product or service that has already generated revenue, but may not be making a profit. These companies may need capital to grow or expand. The investments are used to increase marketing, production capacity, further product development, etc.
- **Life sciences** - The biotechnology, medical and health care sector.
- **Manufacturing** - The fabrication, processing or preparation of products from raw materials and commodities sector.
- **Other (under the 'industry' category)** - Includes construction, wholesale trade, transportation and warehousing, tourism, utilities, arts, entertainment and recreation sectors.
- **Other (under the 'type of funder' category)** - Investors with an interest in specific private equity deals, but without a permanent market presence, such as angel investors, non-private equity investors.

- **Outstanding debt** - The principal amount of money borrowed but not yet paid back.
- **Private independent** - Funds that make private equity investments and raise a portion or all of its capital from outside investors.
- **Retail** - Funds established with benefit of government tax credits to individuals, such as Labour Sponsored Venture Capital Corporations (LSVCCs).
- **Seed stage** - Funds that make a majority of investments in newly-formed companies, thereby helping a company's founder conduct research leading to development and design of a product or service. This stage involves a relatively small amount of capital and is typically a pre-marketing stage.
- **Services** - An industry sector referring to the following services:
 - professional;
 - scientific and technical;
 - administrative and support;
 - waste management and remediation;
 - accommodation;
 - food; and
 - other services not including educational and public administration services.
- **Type of VC fund** - The derived or stated investment focus of the fund.
- **Type of funder** - The structure of the fund entity.
- **Venture capital investment** - A special form of private equity investment characterized by investment in young, high-growth-potential companies.

Appendix B- Sources List

- **Table 2.0 - Table 6.2, Figure 1, Figure 8**

Source: Thomson Reuters

- **Table 7.0 - Table 7.2**

Source: Regulatory filings made to New Brunswick Securities Commission

- **Table 8.0**

Source: New Brunswick Securities Commission Annual Report

- **Table 9.0, Table 9.1, Figure 9, Figure 10**

Federal Agencies

Sources:

1. Atlantic Canada Opportunities Agency (ACOA), project information site
2. National Research Council-IRAP (NRC-IRAP), proactive disclosure information site
3. Natural Sciences and Engineering Research Council of Canada (NSERC), proactive disclosure information site
4. University of New Brunswick (UNB), Research Annual Report
5. Sustainable Development Technology Canada (SDTC), portfolio information site

Provincial Agencies

Sources:

1. Business New Brunswick Annual Report
2. New Brunswick Innovation Foundation (NBIF) Annual Report
3. Regional Development Corporation (RDC) Annual Report

- **Table 10.0**

Caisses Populaires (New Brunswick)

Source:

Fédération des caisses populaires acadiennes

Banks and other financial organizations (Atlantic Provinces)

Source:

Survey of Suppliers of Business Financing 2008, 2009 and 2010, SME Financing Data Initiative, Statistics Canada