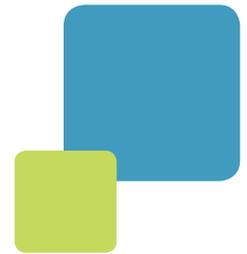
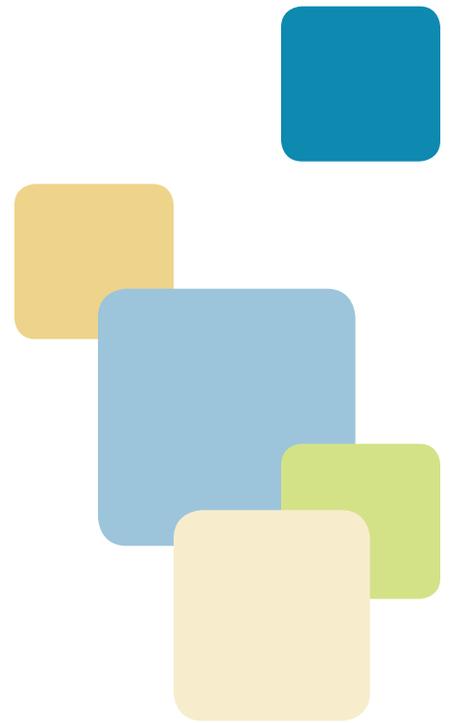




# Venturing into a New Economy

DEVELOPING NEW BRUNSWICK'S CAPITAL MARKETS





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Fullsail Summit 2008  
Venturing into a New Economy -  
Developing New Brunswick's capital  
markets

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## Letter from the Chair and Chief Executive Officer

This past year has seen a number of positive changes in New Brunswick's capital markets, and there now is a growing momentum in our province toward a new business culture of integrity, daring and success. This shift is an important step and will help us move closer to prosperity and self-sufficiency.

The New Brunswick Securities Commission and our partners have helped build that momentum through our work on the Fullsail initiative over the past year. Fullsail Summit 2007, held in January last year brought together key stakeholders from the public, private and academic sectors to find ways to foster capital markets and entrepreneurship, and promote investment in New Brunswick. I'm happy to report that this initiative is succeeding.

Although the initiative requires a sustained, long-term effort, 40% of the recommendations adopted during Fullsail Summit 2007 have already been realized. A Council on Entrepreneurism and an annual business plan competition have been launched. Awareness campaigns are educating professionals and the public about capital markets, and entrepreneurs about capital-raising options. The media now regularly highlights news of entrepreneurship in the province. Investment readiness and marketing tools are available to help entrepreneurs, and an angel network is ready to help investors. These achievements, and many others, demonstrate the power of collaboration and our collective ability to effect positive change in our province.

Now it's time to build on Fullsail's success by focusing our efforts to support high-growth entrepreneurs and facilitate venture capital in New Brunswick. Our 2008 report, *Venturing into a New Economy – Developing New Brunswick's capital markets*, will help guide Fullsail Summit 2008, just as last year's report, *Funding our Future – Fostering capital markets in New Brunswick* helped last year. This year's report outlines the progress that we've made and details new recommendations that will allow us to move forward.

Some of these recommendations may be considered untraditional and thought-provoking. However, the recommendations are designed to stimulate innovation, help growth companies achieve profitability, and foster a vibrant capital market.

The Commission, our Members and staff remain committed to change and to coordinating this effort to better our province. However, our success depends largely on the support and participation of a wide range of stakeholders and supporters. If you have not already done so, you can become part of the Fullsail initiative. Join us in this effort.

I want to thank all our Fullsail participants, especially those who have given their time and energy to act on the recommendations of last year's summit and guide our vision of Fullsail Summit 2008. Without your help, Fullsail would still be nothing more than a concept. I have every confidence that by continuing to work together, we will realize our common goals of self-sufficiency and prosperity for New Brunswick.



Donne W. Smith  
Chair and Chief Executive Officer  
New Brunswick Securities Commission



Now it's time to build on Fullsail's success by focusing our efforts to support high-growth entrepreneurs and facilitate venture capital in New Brunswick.

## Executive Summary

One of the New Brunswick Securities Commission's mandates is the promotion of the province's capital markets. At the beginning of 2007, the Commission took this mandate from paper to practice with the launch of the Fullsail initiative and the publishing of a report called *Funding our Future – Fostering capital markets in New Brunswick*. The recommendations in that report served as the basis for the first Fullsail Summit, which was held in Moncton at the end of January 2007.

The launch of Fullsail was the culmination of 15 months of work, research and dialogue. Fullsail Summit 2007 brought together almost 150 delegates from the public and private sectors and academia to prioritize 33 recommendations taken from the Commission's report. By the end of the summit the delegates had committed to acting on 25 of those recommendations within a year.

From the outset, the Commission recognized that building an infrastructure and changing a culture takes time. Although the work done during 2007 is already benefiting our stakeholders and New Brunswick's economy, this is not a short-term effort. While Fullsail Summit 2007 set the foundation on which to build an equity culture in this province, it is now time to chart the next leg of our journey toward that goal.

Fullsail 2007:  
33 recommendations

Fullsail 2008:  
27 recommendations

[www.fullsails Summit.com](http://www.fullsails Summit.com)

The Commission has been continuing our dialogue with various stakeholder groups involved in the entrepreneurial and equity finance process. Representatives from the Commission attended and hosted meetings about entrepreneurship and access to capital, and gathered feedback through conferences, focus groups and the Fullsail Summit website ([www.fullsails Summit.com](http://www.fullsails Summit.com)).

As part of our research into equity financing, we posted an open question on two international, internet-based professional networks, asking for recommendations about ways to increase the supply of venture capital and create greater demand for that capital. A total of 27 new recommendations for Fullsail Summit 2008 emerged from the Commission's research, as documented in this report.

The recommendations outlined here could be carried out individually, but the Commission realizes that an integrated strategy or holistic approach is preferable to the silo-based approach. No one solution will deliver improved equity markets; only through collaboration among a range of stakeholders can the benefits to the people of New Brunswick be realized.

These recommendations will become the focus for Fullsail Summit 2008 to help foster our province's entrepreneurial culture and develop capital markets. The Commission believes that significant progress can be made to enact each of these recommendations within the coming year. A range of stakeholders will share responsibility for this effort, ensuring that no one group will carry the burden or become the sole beneficiary.

The recommendations serve four high-level imperatives, to:

- Network
- Create
- Educate
- Finance

In addition to these four imperatives, the need to communicate is an overriding theme that connects all the recommendations.

The Fullsail initiative is focused on the entrepreneur, and each of the four imperatives address essential services that entrepreneurs require if they are to grow businesses and gain access to equity capital. Today's entrepreneurs share consumers' desire for just-in-time services and information. In today's internet-based 'pull economy', entrepreneurs know what they want, get it when they want it, and reject unsolicited or 'valueless' information and messaging. Investors also need help finding and forming relationships with entrepreneurs.

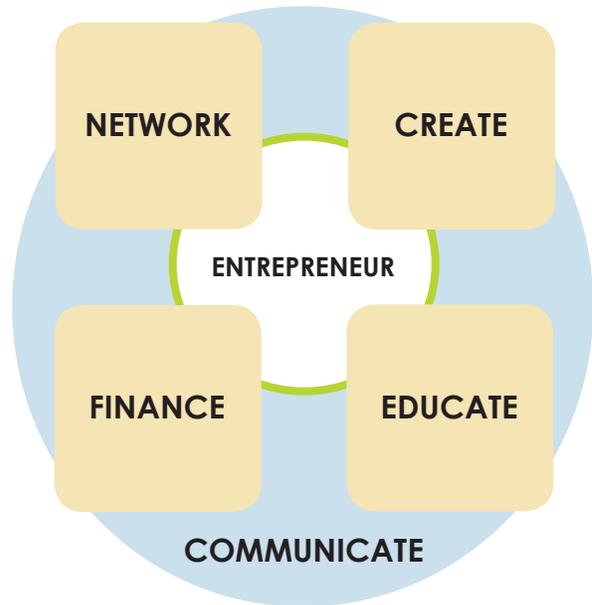
This report is focused primarily on two imperatives – the need to create and the need to finance.

At the heart of the need to create lies the high-growth entrepreneur – that is, the entrepreneur destined to build a company that has the potential for a global reach.

Some entrepreneurs have been able to achieve this through 'boot strapping' (growth through loans and revenue generation), but most require some form of equity capital.

Fullsail Summit 2008 also addresses the need to finance through its focus on venture capital. This is the natural and traditional successor to angel financing. Early stage venture capital is needed to help carry entrepreneurs and their growth companies through the final stretch over the 'valley of death,' the void in financing that makes or breaks many growth companies.

The recommendations outlined in this report are bold and innovative, and the potential benefits significantly outweigh the potential costs. The Fullsail initiative creates positive spin-offs that stimulate innovation, help growth companies achieve profitability, and foster vibrant capital markets. We are confident that Fullsail Summit 2008 will help enhance New Brunswick's self-sufficiency and our equity culture.



## Progress of the Fullsail 2007 initiatives

### Status of the Fullsail Summit 2007 recommendations

At the Fullsail Summit held in Moncton in 2007, the *Funding our Future* report outlined a number of recommendations. The Commission focused on 33 of those recommendations that it believed could be achieved within one year.

Twenty five of the recommendations were adopted during the course of the summit. Of those, 10 have been completed, 14 are currently in progress, and work on one is yet to commence. It is also worth noting that an additional four recommendations that were not committed to at Fullsail Summit 2007 were also completed, and another 14 of those uncommitted recommendations are also in progress.

### Committed recommendations

Commitments were made as part of Fullsail Summit 2007 to begin work on 25 of the recommendations. Already, of those 25 recommendations, ten (40%) have been realized. Work on the others continues.

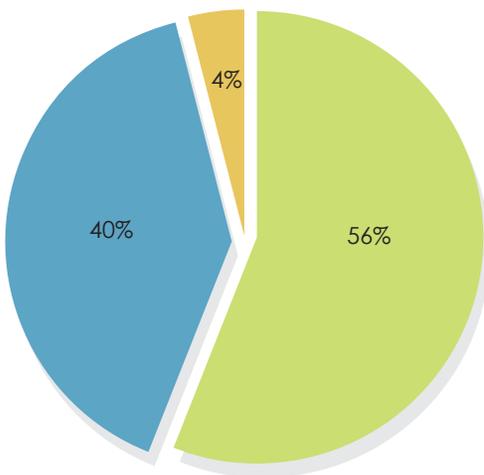


Chart of progress to date

Status	Number of recommendations	%
Complete	10	40%
In progress	14	56%
Yet to commence	1	4%
Total committed recommendations	25	100%

### Completed recommendations:

- Create a *Council on Entrepreneurism*.
- Provide better access to investment readiness tools, including marketing tools.
- Launch education and awareness campaigns about all types of capital markets.
- Create a long-term media alliance to encourage positive messages about the merits of entrepreneurship and investing in New Brunswick.
- Create a New Brunswick angel network.
- Create a web portal for New Brunswick angels.
- Create an annual business plan competition.
- Promote education and awareness about capital raising options for entrepreneurs and advising professions.
- Prepare consulting, accounting and legal firms to work with entrepreneurs and equity capital. (This recommendation was merged with the recommendation above.)

- Create opportunity for select and ready New Brunswick companies to be profiled to Canadian Venture Capital Association attendees at their Halifax conference in May 2007.

*Recommendations in progress:*

- Provide positive messages about the merits of entrepreneurship and investment within New Brunswick.
- Actively promote New Brunswick entrepreneurship and investment.
- Initiate efforts to bring New Brunswickers home.
- Actively seek the involvement of the provincial departments dealing with K-12 education and post-secondary education.
- Provide post-secondary students with work experience and consultancy opportunities at early stage businesses.
- Develop a mentoring network, including a train-the-mentor component and a component that matches entrepreneurs with mentors.
- Teach students that entrepreneurship is a desirable career objective.
- Establish a provincial network of information resources for entrepreneurs.
- Connect business owners who wish to retire to networks of entrepreneurs interested in acquiring businesses. (This recommendation has been merged with the recommendation above.)
- Provide a tax credit for community venture capital and early stage investment.
- Promote executive recruitment using financial incentives.
- Promote employee share purchase and option plans.
- Promote the creation of angel networks that serve specific regions or demographic groups.
- Conduct a capital pool company offering for a select New Brunswick company as evidence of New Brunswick's success.

*Recommendations yet to commence:*

- Repay student loans.

***Other recommendations***

A number of the recommendations considered during Fullsail Summit 2007 were not immediately adopted by supporters. However, work began on many of these additional recommendations even without specific commitments. To date, four of these additional recommendations have been realized, and work on another 14 continues.

*Additional completed recommendations:*

- Develop a web portal aimed at high school and post-secondary students to showcase career paths and academic requirements.
- Establish university and community college 'entrepreneurs in residence'.
- Increase the dividend tax credit for New Brunswick private corporations.
- Create a greater awareness of regional listed companies.

*Additional recommendations in progress:*

- Develop a culture of collaboration among universities and colleges to encourage entrepreneurship.
- Create an alliance between employers and labour to foster a positive entrepreneurial environment.
- Educate the public, private, and academic sectors about the benefits of capital markets, entrepreneurs and 'intrapreneurs'.
- Create awareness within traditional financial institutions about the benefits of facilitating access to equity financing for entrepreneurs.

- Encourage entrepreneurial and intrapreneurial growth within academia.
- Establish a New Brunswick sidecar financing fund.
- Reduce immigration restrictions.
- Promote greater regional partnering.
- Attract more venture capital firms to Atlantic Canada.
- Encourage the Government of New Brunswick to buy New Brunswick products.
- Encourage venture capital investment in New Brunswick from "Route 128".
- Actively solicit regional and national conferences in New Brunswick for high-growth sectors.
- Establish a fund to provide early stage capital investment.
- Develop, brand and market a technology zone.

## Post-Fullsail Summit 2007 experience

Owners of the Fullsail Summit 2007 recommendations have spent the past year working to enact them, along with their leads and supporters. In preparation for Fullsail Summit 2008, the Commission sought out comments and lessons learned from those owners in order to ensure that the summit is as productive as possible.

Some key points of the experience were:

- It was a challenge to contact some individuals that had indicated commitment after the conference was over, and to foster their participation. A number of identified supporters drifted away from their initiatives, leaving a core group to implement many of the recommendations.
- Quarterly meetings were held with owners and helped to maintain momentum. Regular status reports were distributed to owners and updates were posted on the NBSC Fullsail Summit website every six months to keep participants informed of progress.
- Initially, there was very little progress reported. However, as momentum built, significant progress was made by the active project leaders.
- After Fullsail Summit 2007, a number of recommendations were further refined by owners and supporters in order to make them implementable.

In preparation for Fullsail Summit 2008, the Commission sought comments and lessons learned from the previous year to ensure that the summit is as productive as possible.

While progress was made, there are still lessons to be learned:

- There is a need to have clearer expectations regarding input from supporters and ideas about how to implement the recommendations.
- A more manageable number of recommendations should be pursued.
- Supporters need to be more involved. It would help a great deal if the Commission could implement a vetting process to include only active "do-ers and firestarters" – leaders who will get things done.

## Measuring progress

Significant progress has been made in the effort to enact the Fullsail Summit 2007 recommendations. The overall objective of the Fullsail initiative is to increase entrepreneurship, economic wealth and self-sufficiency in New Brunswick. To track progress towards that objective, the Commission regularly analyzes four key groups of metrics. The chosen metrics provide an overall indicator of the province's capital market growth by measuring individual segments of the equity capital markets: angel investment, venture capital, and the public equity markets. The metrics outlined in this section were selected by the Commission and our stakeholders on the basis of:

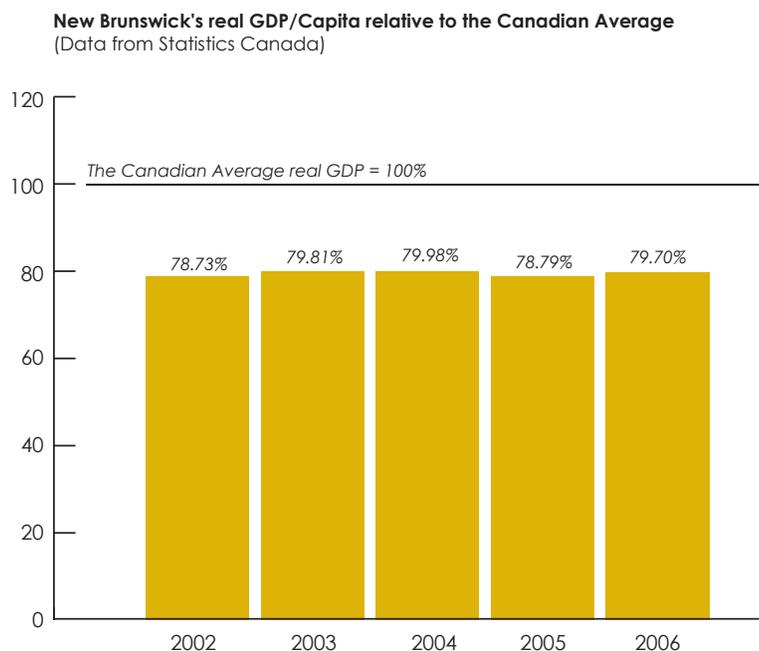
- Ease of obtaining data
- Wider public understanding
- Insight into the private and public equity markets
- Ability to measure the impact of the Fullsail initiative
- Insight into the wider economic picture in New Brunswick

The selected metrics are high level, provide both lag and lead indicators, and reflect those objectives identified as key to achieving Fullsail goals. Other metrics related to economic development can also be used to measure growth, and the Commission is currently developing those additional metrics to enhance the monitoring of economic progress.

Preparing, comparing and analyzing the metrics helps the Commission and other interested stakeholders make decisions that impact future capital market development.

### 1. Overall indicator of capital market growth – Real Gross Domestic Product (GDP) per capita

*Real GDP per capita* is a lag indicator that can be used to measure the wealth creation resulting from entrepreneurial activities and changes in the capital markets. Associated with this metric is the goal to increase New Brunswick's GDP per capita to equal the Canadian average.

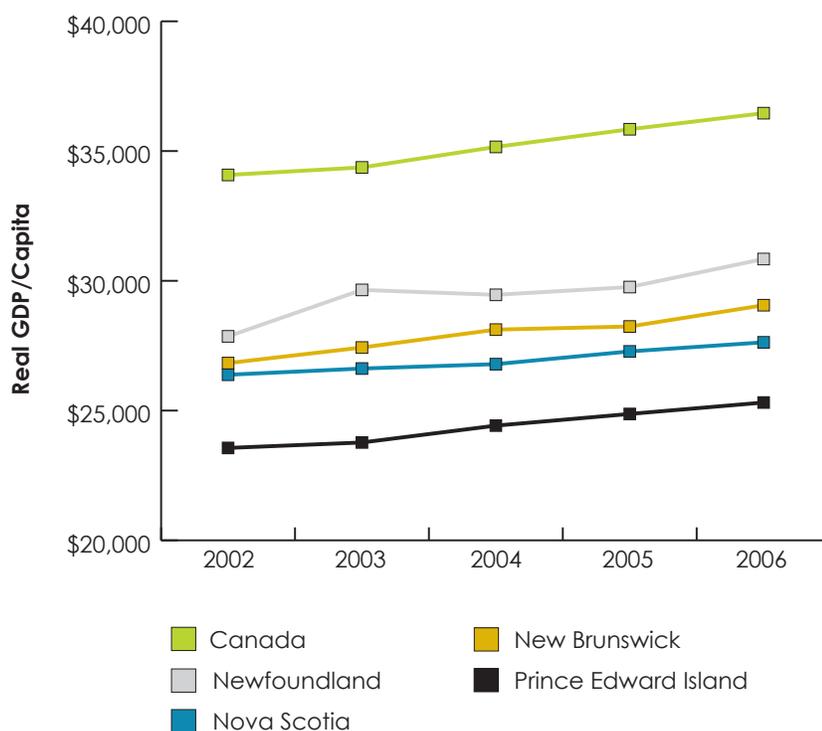


A lead indicator reveals probable future performance or outcomes.

A lag indicator reports past performance or outcomes.

The *real GDP per capita* metric strips out the effects of inflation and population, making it easy to compare and benchmark economic performance regardless of a region's population. It is also believed by some (notably *The Economist* magazine) that this high-level metric is a better measure of wealth in modern Western societies, with their declining or stagnant population base. *Real GDP per capita* measures personal wealth as opposed to "state" wealth (the wealth of the province or country). This is important, since personal wealth can remain constant or even increase while state wealth declines.

**Comparison of the Atlantic Canadian provinces and the Canadian average using real GDP per capita**  
(Data from Statistics Canada)



Research by the *Ontario Task Force on Competitiveness, Productivity and Economic Progress* has found that for each \$1,000 change in *real GDP per capita*, the per capita income changes by \$1,300. The Commission expects to see *real GDP per capita* increase, with some lag, as entrepreneurial activity increases in our province. The increase in personal wealth represented by *real GDP per capita* will also lead to greater potential angel activity and early stage investment in companies.

## 2. Early stage private equity investment

Measures of the availability of early stage private equity investment include angel investment activity and the use of tax credits that promote private equity investment.

### *Angel investment and use of the Small Business Investor Tax Credit (SBITC)*

The Commission continues to foster angel investment and the formation of angel networks. The metrics outlined below serve as lead indicators of future venture capital

activity, since angels traditionally exit their investment through venture capitalist takeovers. These metrics also provide an indication of success with regard to the creation of awareness about angel equity investment from both the demand and supply side.

The SBITC is a provincial tax credit that provides a 30% provincial tax credit on investment amounts under \$80,000. (The \$80,000 limit was increased in the last provincial budget from \$50,000.) This tax credit is provided to private equity investors who invest in qualified New Brunswick based companies with assets under \$40 million.

*i) Angel network investment*

It is difficult to account for all angel activity in New Brunswick, since there is no legal requirement to report such investments. The Commission realizes that tracking the membership numbers of established angel networks will provide insight into only a portion of overall angel activity. However, the *number of angels in established angel networks* metric does provide some indication of activity in the province.

The *number of angel deals completed* metric can highlight potential economic and innovative growth in the province. This metric can also be used to track changes in demand for angel type investments, the numbers of high-growth entrepreneurs, and the development of an equity culture.

These metrics will never become rigorous until there is a requirement that angel transactions be reported. However, the accuracy of these metrics can be improved by:

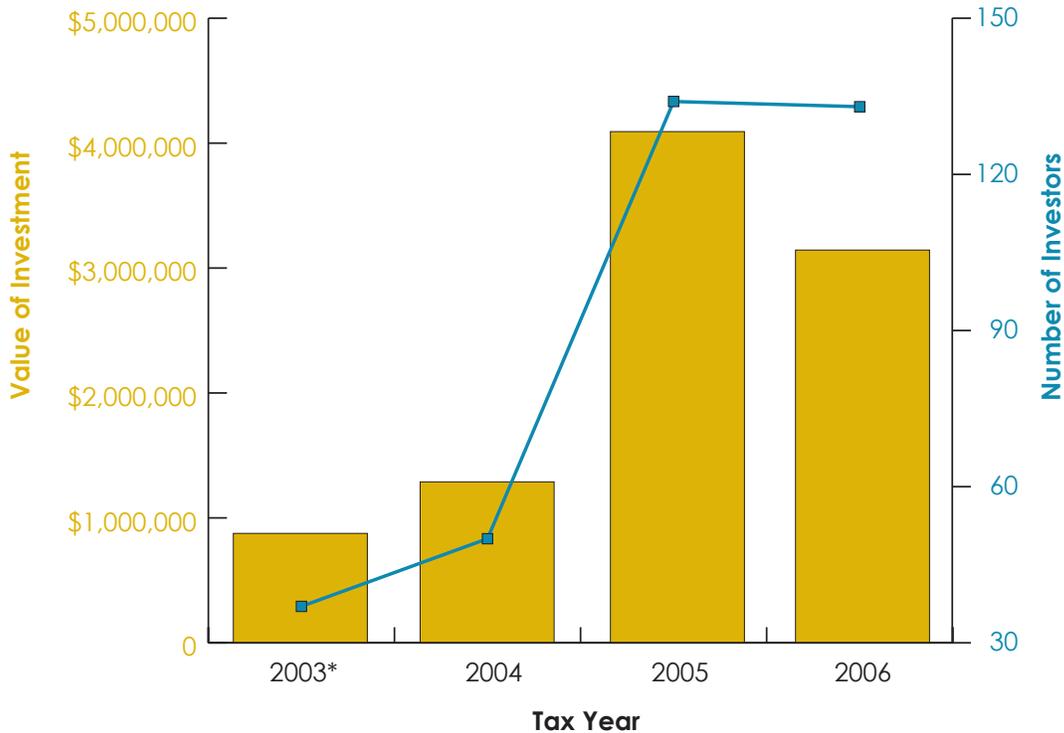
- Increasing the number of angels in organized angel networks
- Having as many entrepreneurial firms as possible become eligible for the SBITC, since SBITC-related investments are recorded by the province.

Data from First Angel Network				
Year	Angel networks	NB angels in angel networks	Deals completed	Investment
2007	1	25	2	\$ 1,100,000
2006	1	20	0	0
2005	0	0	0	0

*ii) Small Business Investor Tax Credit (SBITC)*

The *number of individual investments using the SBITC* metric will record the change in equity culture on both the supply side (investors) and demand side (entrepreneurs). This metric will also provide some lead indication of potential follow-on equity investment.

**New Brunswick Small Business Investor Tax Credit**  
 (Data from the New Brunswick Department of Finance)



\*Program inception 1 August 2003.

Changes in the use of the SBITC program will have direct economic benefits and will affect the province's capital markets and equity culture. The *SBITC value of investment* metric will provide information about both potential small and medium enterprise (SME) job creation and future deal flow for more advanced equity investing (venture capital or public equity, or both).

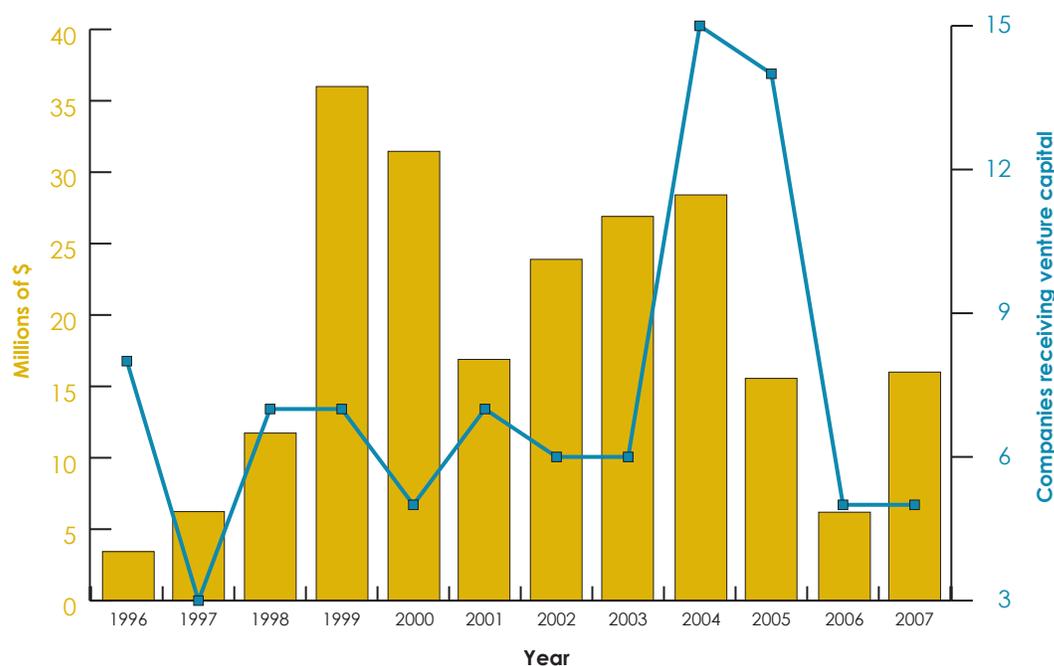
The *SBITC value of investment* metric will also demonstrate the effectiveness of recent and potential future changes in the SBITC program and the marketing of the program to potential users. In 2003, the SBITC program's first year, six applications for tax credit status were made to the Department of Finance. This resulted in \$876,000 of investment from 37 individual investments (shown on the right axis). Since then, the Department of Finance has experienced an increase in the number of applications and of investors and monies invested. In 2006, there were 24 applications involving 133 investors for an investment value of \$3,144,219.

**3. Venture capital investment**

Venture capital investment is the natural successor to angel financing, and early stage venture capital is needed to help carry entrepreneurs and their growth companies through the lull in financing that makes or breaks many growth companies.

The *number of companies receiving venture capital* metric measures, in part, the effectiveness of angel investments when preparing companies for venture capital, and the ability of more mature growth companies to secure second and third round financing. This metric also provides an indication of how successfully the province and its entrepreneurs have attracted venture capital from outside Atlantic Canada.

**Total venture capital investment in New Brunswick**  
(Data from Thomson Financial)



Venture capital investment indicates success for early stage high-growth companies, allowing them to reach mid-stage and secure the equity needed to commercialize their research and development (R&D) and pursue market readiness and entry. The reporting of venture capital investment is not a legal requirement. However, public sources of information can be used to identify most venture capital investments made in Canada.

#### 4. Public equity – New Brunswick publicly traded companies

The *New Brunswick publicly traded companies* metric tracks the growth of the public equity markets in New Brunswick. This metric provides an indication of the growth and attractiveness of the equity culture in New Brunswick.

##### Companies publicly traded in New Brunswick

(Data from System for Electronic Document Analysis and Retrieval)

March 31 2004  
9

March 31 2005  
9

March 31 2006  
9

March 31 2007  
8

October 31 2007  
9

## New recommendations

Over the past year, the Commission received feedback from a number of stakeholder groups. This feedback came in the form of recommendations and comments made on the outcomes of Fullsail Summit 2007 and the report *Funding our Future – Fostering capital markets in New Brunswick*.

The Commission also used the internet to conduct research. The Commission's Capital Markets Specialist made use of two specialized social networks: VC Experts, a niche social network for private equity and venture capital education and reference material (<http://vcexperts.com>), and LinkedIn, a global business-oriented professional networking site with users who are mainly experts in specialized fields (<http://LinkedIn.com>). The two networks were chosen for their focus on venture capital and their reputation for open discussion and the sharing of opinions. The Capital Markets Specialist posed the following question:

*What recommendations can you suggest that will lead to increasing the supply of venture capital (money) and the demand for venture capital (entrepreneurs) in a jurisdiction?*

Commission staff also attended sector-specific conferences across Canada, and further developed a network of "ideas" people.

The Commission's research and consultations produced the following observations and opinions:

- We need to seize the opportunities from trends, rather than trying to reverse them.
- The global economy is entrenched.
- We live in a period of exponential change.
- Social networking is established, growing and viable.
- The knowledge economy has arrived, and the industrial economy is becoming less important.
- The power, influence and culture of the baby boomers are diminishing.
- US and Canadian dollar parity and high energy prices are here to stay.
- New Brunswick is a small province, so large-jurisdiction solutions are not appropriate.

Based on these realizations, the Commission sought out ideas that would seize upon opportunities rather than simply trying to address the problems that many perceive. Our Atlantic Canadian neighbours and Canada's most populated and wealthiest provinces – and indeed most of the world's wealthiest nations – are faced with the same realities and are struggling to address them. Many of these regions and countries are applying 20<sup>th</sup> century solutions to address 21<sup>st</sup> century challenges.

Finland serves as a good example of this. A small country in size and population, Finland is dominated by a single company. In response to a declining forestry sector, Finland initially tried to promote the development of early stage growth companies without consideration for their later stage needs, and is now struggling to stimulate venture capital investment.

The Commission hopes to inspire 21<sup>st</sup> century solutions to meet our goals (for example, by accepting trends such as open source development and social networking, by fostering the development of small and medium enterprises (SMEs), and by promoting collaboration, information sharing, and partnerships both inside and outside our

region). The recommendations outlined in this report address the needs of companies in the early stage and later stage of growth. These recommendations also focus on greater investment participation (in terms of both money and time) on the part of all New Brunswickers.

The trend to entrepreneurship is now well established in the United Kingdom, Ireland and the United States. The Commission is happy to report that this trend is now taking hold in New Brunswick as well, as demonstrated by the New Brunswick Community College's 2006 report on self-employment levels among graduates. The percentage of community college graduates who classified themselves as self-employed has doubled from 2% in 2005 to 4% in 2006. Although it seems like a small percentage, in light of New Brunswick's current high employment rate, an increase could suggest a break from the Atlantic Canadian tradition of starting businesses out of necessity, to one based on career aspirations.

The Fullsail Summit 2008 recommendations support this trend of entrepreneurship and address the need to foster our province's capital markets. While that fostering of the capital markets falls primarily on entrepreneurs, those entrepreneurs cannot work in a vacuum. Entrepreneurs need capital – social, intellectual, human and financial – and they need to be aware of the requirements associated with that capital.

The Commission believes that success in fostering the capital markets relies on entrepreneurship as the centre of a hub, with the spokes being the need to network, create, educate and finance – four imperatives addressed by the recommendations for Fullsail Summit 2008. Surrounding and connecting the spokes is the need to communicate.

Some of the recommendations included in this report can be completed through a single action; others will require ongoing effort to achieve and maintain. These recommendations affect a number of stakeholders and will require the unified action of numerous organizations to fully implement.

An overview of the 27 recommendations to be presented at Fullsail Summit 2008 is provided in the remainder of this report.

## Network

Over 15 years ago, Harvard University business professor Stephen Covey advocated the power and enhanced creativity of teams in his book *Seven Habits of Highly Effective People*. Highly successful Silicon Valley upstarts Bill Hewlett and Dave Packard had been pushing this idea since the 1940s with their creation of open-plan research facilities known affectionately as 'skunk works'. Hewlett and Packard realized that collaborative team-work and the open sharing of ideas would lead to greater creativity and substantially shorten project timelines. They focused primarily on internal teams and on collaborations between their company and its vendors and clients.

Open source development is a model for sharing information and fostering innovation. Originally rooted in the open source software movement, it is based on the principle that the products of design and innovation (for example, software code) are openly available and can be re-used, rewritten or re-worked. The open source concept is now found in a number of areas of innovation and design.

Today, with the advent of the internet and the globalization of innovation, collaboration offers new and exciting possibilities.

Every day more individuals, companies and political jurisdictions realize the benefits of working together, and the borders and boundaries between teams are becoming ever more blurred. In fact, collaboration has become the buzzword of the opening years of the 21<sup>st</sup> century, in the form of such things as *Wikipedia* and BMW's high-end *7 Series* cars.

The Commission believes that cooperation and collaboration are no longer optional. Collaboration and networking – either through personal or internet-mediated networks, networks between public and private sectors, or networks within specific sectors or communities of interest – must be encouraged and supported.

The following recommendations target specific networks that the Commission has identified as important to our goal of fostering the province's capital markets.

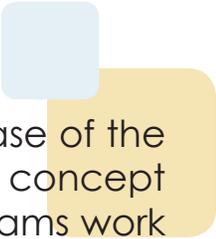
***Promote greater regional partnerships.***

By working together, we can realize synergies and economies of scale that can lead to greater innovation and entrepreneur growth, which inevitably will lead to equity market growth. Opportunities for collaboration include:

- Tax accommodations that allow any Atlantic Canadian to receive an investment tax credit for investing in an Atlantic Canadian SME
- University and college business-entrepreneur research programs in New Brunswick and throughout Atlantic Canada
- Relationships between angels and venture capitalists here and in other regions such as Boston and Toronto
- Educational programs that encourage cross-provincial collaboration from grades K-12.

***Create a social networking site for New Brunswickers and build 'two-way bridges' to centres of innovation.***

Scotland provides a good example of successful social networking. Generally speaking, even when Scots move elsewhere in the world, they remain fiercely loyal to their homeland. Leveraging this loyalty and the accessibility of the internet, Scotland has developed a social network for Scots around the world. This network allows Scots to seek employment, share business opportunities and exchange ideas from all points of the globe. This idea has been duplicated elsewhere. In fact, online matching services for entrepreneurs, investors and consultants are currently being established all over the United States. The Commission encourages New Brunswick to do the same. There are New Brunswickers working in key positions, companies and academic institutions around the world. By consciously enabling social networking among New Brunswickers, no



In the case of the *7 Series*, BMW's concept and R&D teams work extensively with BMW's global suppliers. BMW not only shares R&D but, through its website, hosts a "virtual innovation agency" where SMEs and customers can submit ideas to be incorporated into future designs. The use of inter-enterprise systems and customer co-creation is novel for a company that has traditionally done most of its design at its headquarters in Munich, and in the past dealt with vendors purely on a silo basis.

matter where they reside, we can use the full breadth of our resources to build a stronger and more innovative province.

Collaboration is about more than simply sharing ideas. Collaboration also means working together toward a mutually agreed-upon goal. New Brunswick processes, individuals, SMEs and academic institutions have unique skill sets and offerings that, if combined, could result in new companies, knowledge transfers, and economic wealth creation. The Commission recommends that bridges be built between New Brunswick and global centres of innovation to encourage knowledge exchange, wealth sharing, and co-operation on product development.

This recommendation has been made before (in the 1990s, and more recently at Fullsail Summit 2007). However, with the growth and acceptance of social networks such as *Facebook*, *Ning.com*, and *LinkedIn* over the past 12 months, the public is now more ready to accept and expect such an initiative.

### ***Promote 'sweat equity'.***

Traditional angel investment involves an individual contributing both financial and human capital to an early stage company. While some individuals have a place in their investment portfolio for angel-type investments, others do not. However, these other individuals may be able to offer skills that could be very important to the potential success of a junior company. For example, an experienced financial manager might work as a chief financial officer for a company and, in lieu of salary, receive an equity position in that company.

It is recommended that individuals be encouraged to invest human capital in junior companies in return for equity positions. Known as 'sweat equity', this practice is popular in the United Kingdom and is now being advanced in Finland. The downside for the entrepreneur is the lack of a cash injection, but the potential for a substantial saving on cash outflows can offset that loss.

### ***Encourage the development of business incubators and entrepreneur-centric activities.***

Work by the Government of Ontario's *Task Force on Competitiveness, Productivity & Economic Progress* has demonstrated the link between clusters, innovation and the growth of the infrastructures needed for the survival of early stage companies. Clusters can come about organically, but they can also be encouraged by municipal and provincial governments.

A cluster does not have to be a building. It may be an existing area such as Liberty Village in Toronto, a once neglected neighbourhood near the city's downtown core. Due in part to Toronto's *Business Improvement Area* program, Liberty Village is now home to more than 500 SMEs, employing 6,000 of the city's leading creative thinkers and companies. A cluster can also be a concept, such as *propelsj* – an Information and Communication Technology (ICT) industry association working toward fostering ICT growth initially in the Saint John area but has since expanded to all of New Brunswick.

We need to encourage and facilitate the creation of clusters, as opposed to actually making them. This means having the Government of New Brunswick allocate financial resources to help organizations implement mentorship programs, facilitate succession planning, and encourage the development of incubators. Participating organizations

could include the local Chambers of Commerce, municipalities, and recognized angel networks. In Australia, the moneys allocated are small (less than CAD \$25,000), and are typically used to pay for local marketing, branding and initial set-up costs.

*Provide a dedicated and trained liaison within each Enterprise Network office to act as a conduit to angel investors.*

Stereotypically, angel investors prefer to remain anonymous. As a result, some entrepreneurs find it difficult to locate angels, and many are unaware of angel investing as an option. To overcome this challenge, the Kingston Economic Development Corporation (Kedco), a development agency established in Kingston Ontario with joint funding from the Ontario and civic governments, has established a liaison to screen and advise potential entrepreneurs seeking early stage investment.

This practice should also be established in New Brunswick through the province's Enterprise Network, in concert with established angel networks and possibly the National Angel Organization (NAO).

## Create

In order to foster New Brunswick's capital markets and facilitate positive economic spinoffs and wealth creation, suitable investment opportunities must be realized. New Brunswick has a significant knowledge economy, and companies operating within that economy are very desirable to investors. Through government, academic and private sector research spending, New Brunswick invested \$220 million in R&D last year<sup>1</sup>. However, research and innovation in New Brunswick remains limited, in terms of commercialization, by a lack of alternative financial resources to facilitate new company start-ups and early stage growth.

The recommendations in the *Create* category focus on the commercialization of university research and on using the skills and knowledge of our academic community to create viable commercial applications. To do this successfully, we need to find an easier way to take research from the post-secondary environment to the profit sector. Financial incentives and resources are also needed to enable this commercialization.

These recommendations also focus on venture capital. Fullsail Summit 2007 focused on entrepreneurs and the encouragement of angel capital formation and investment. With Fullsail Summit 2008, we move forward along the equity capital continuum to venture capital. Venture capital investment is traditionally provided by investors who take over the angels' early stage growth investment. Venture capital investments typically start at around \$2 million, but the trend over the past few years has been creeping up to higher amounts. Unfortunately, New Brunswick is a small market where \$5 million deals are extremely rare. As a result, it is becoming more and more difficult to attract venture capital to the province.

The recommendations outlined below are designed to address those issues associated with the attraction of venture capital.

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<sup>1</sup>Estimates of Canadian Research and Development Expenditure (GERD), Canada, 1995 to 2006, and by province 1995 to 2004. Statistics Canada, Science, Innovation and Electronic Information Division.

*Establish one technology transfer office overseen by a Faculty of Business that pursues the freedom of intellectual property (IP) for New Brunswick's universities and community colleges, and maintains a free IP library.*

The ultimate aim of scientific research is to improve the human condition. Technology transfer offices (TTO) were established throughout the North American university network to facilitate the transfer of research from the lab to the marketplace. Since their establishment, TTOs have become the gatekeepers of IP and are seen as a potential revenue source for universities. In terms of both student population and faculty numbers, New Brunswick's universities are in total smaller than some of Canada's largest institutions, and yet each maintains its own TTO. In fact, UNB has two (in Fredericton and Saint John).

To facilitate greater university and intellectual networking, the Commission recommends the establishment of one provincial TTO. This will allow cost savings and a potentially greater exchange of ideas, thus quickening the commercialization process. It is also recommended that this high-profile facility seek regular input from industry, both locally and nationally, thus allowing the staff to help focus research activities.

Technology officers should be mandated to commercialize ideas, rather than maximizing revenue (which they currently do through licensing agreements and the sale of IP).

Finally, the Commission recommends that the TTO be motivated using annual bonuses based on the actual numbers of commercialized innovations, and that the TTO receive a 2% share in the deals it successfully completes.

It is recommended that this office be placed under the management of a *Faculty of Business*. The commercialization of R&D depends on the ability of the university to take its research out of the lab and put it in the hands of profit-oriented companies that will then further develop and market it. Alternatively, if not fully ready for commercialization, a start-up using this research will require either angel investment or venture capital. The principal decision to absorb the risk of developing a new idea is a business decision. Having the Faculty of Business manage the TTO allows the use of business skills within the Faculty to organize such things as marketing research, early stage funding, business plan writing, mentorship, and human resources. This process will also provide business students with exposure to the entrepreneurial mindset and expose the faculty to the latest developments in funding, marketing and global business.

With the growth of collaboration and open-source approaches to innovation, the protection of IP is quickly becoming obsolete. In fact, IP licensing is now seen as a hindrance to innovation. The University of Waterloo has advocated free IP ownership for its faculty and students since the university's creation in the 1950s. The cluster around Kitchener-Waterloo (which includes *Research In Motion*, or *RIM*) is not accidental. Freedom of IP is also the policy at the University of Western Ontario, Queen's University and McGill University. The argument for the licensing of IP is weak. Only one in 1,000 agreements will generate \$1 million for a university. Anecdotal evidence shows that universities that allow high ownership levels or freedom of IP generate more in corporate and individual donations than those with tight IP constraints.

Universities, colleges and corporate New Brunswick have been conducting research for decades. Some of this research was deemed to be of economic value to the organization, but the rest now sits unused or forgotten on shelves. A library of unused IP should be

established, as was done in Wisconsin. The "catch" for a user of that IP would be the requirement that they establish their business in New Brunswick. IP from the province's library would be free, and its use would hopefully be encouraged by its supplier. This would allow greater innovation and stimulate further investment in proven ideas.

It is recommended that unused research and IP generated in New Brunswick be made available to New Brunswick-based entrepreneurs who wish to commercialize it. To motivate companies to make their IP available, it is recommended that companies be eligible to receive a tax credit valued at 25% of the cost of generating the IP once that IP is successfully commercialized by an entrepreneur.

#### ***Establish a university and college faculty business exchange.***

It is recommended that professors and college lecturers be encouraged to work within the private sector on one-year sabbaticals. The faculty member would be hired with the intent to solve a specific problem or assist in new research. This will increase innovation and profits within corporate New Brunswick and expose post-secondary faculty to new processes and current private-sector trends. It is also hoped that this exposure will stimulate the commercialization of R&D from universities, as faculty are made more aware of industry needs and opportunities.

#### ***Implement an innovation or productivity tax credit that allows for faster depreciation rates, and increase the provincial portion of the federal government's Scientific Research and Experimental Development (SRED) tax credit.***

The rules regarding the depreciation rates on the purchase of capital equipment are considered by some to be antiquated and limiting. New innovative technologies often displace equipment before that equipment is fully depreciated. Alternatively, the benefits of securing costly equipment used to increase productivity and thus greatly increase profits are not fully enjoyed by a company because newly generated cash flow is taxed away. Faster depreciation rates will motivate companies to seek additional financing in order to make capital investments.

Currently, the Province of New Brunswick matches the federal government's 35% SRED tax credit on amounts up to 15% of applicable research costs. This is roughly in line with most other provinces, with the exception of Quebec. It is recommended that New Brunswick adopt a provincial R&D tax credit at least as great as that provided in Quebec, which tops out at 40% (depending on the expenditure item). Such a tax credit would entice existing companies to increase research, provide early stage companies with much-needed cash flow, and lead to a significant increase in the province's knowledge base. It is no coincidence that Quebec consistently receives venture capital investment in excess to its share of Canadian GDP. The Government of Quebec's supportive attitude to research gives that province a great competitive advantage.

#### ***Allow flow-through shares for New Brunswick's innovative companies.***

To stimulate investment in the oil fields of Alberta, the government of that province allows companies to issue flow-through shares. Flow-through shares allow for any losses incurred by the issuer to be passed onto the shareholder, thus reducing the shareholder's personal income and income taxes payable. This financial instrument provides an incentive for investors to invest in early stage, high-risk companies. It is

recommended that this type of equity instrument be made available to early stage, heavily research-dependent companies operating in New Brunswick. Companies would be motivated to seek public equity and develop a strong research focus.

### ***Introduce a New Brunswick technology fellowship program.***

One of the main concerns the Commission has heard over the past two years has related to the loss of intellectual capital from this province. To address this and help stimulate investment and innovation, the Commission recommends that the Government of New Brunswick, with the possible collaboration of other organizations, institute a Technology Fellowship Program. This program would cover, for one year, the salary of a recently graduated New Brunswick doctoral student employed by an SME. The entrepreneur would gain access to invaluable knowledge, ramping up their innovation process while increasing the attractiveness of early stage investment.

### ***Encourage the Government of New Brunswick to become an early adopter or fast follower of New Brunswick technologies and products.***

New Brunswick has an inconsistent track record when it comes to attracting venture capital. To stimulate further venture capital investment, it is recommended that the provincial government, through its Department of Supply and Services, become an early adopter or fast follower of home-grown innovation. By increasing the demand for New Brunswick products and becoming part of the customer base, the government can encourage entrepreneurs to continue to grow their companies. This growth, backed up by proven demand and paying customers, helps de-risk a venture capital firm's investment and thus creates an incentive to invest.

## **Educate**

New Brunswick's society is now in the midst of a transition from the industrial economy of the 20<sup>th</sup> century to the knowledge economy of the 21<sup>st</sup>. This is a global trend, and as such is one that we as a province have little power to reverse. We must therefore embrace it.

The recommendations in the *Educate* category address two areas the Commission believes would promote the development of the province's entrepreneurial culture and increase productivity.

Surveys have shown that a vast majority of youth (in particular, the current Net Gen – those born since 1985) are more likely than previous generations to see themselves as future entrepreneurs. This outlook must be reinforced.

Canada appears to be falling behind other countries in the *Organization of Economic Co-operation and Development (OECD)* in terms of productivity. As case in point, Canada's level of productivity relative to the United States peaked at 91.4% in 1984, and has since fallen to 73.7% (2004), a level last experienced in the 1950s. One of the areas identified for improvement is education – not only the standard of education, but also the level of education attained. As discussed in Industry Canada's paper *Mobilizing Science and Technology*, American companies (the world benchmark for productivity) employ more university graduates as a proportion of their workforce than many of their equivalent Canadian counterparts. The Commission believes that by increasing the number of

undergraduates, and in particular the number of graduates, the productivity of Canadian companies can be brought back on par with other OECD countries.

### *Initiate a middle-school, long-distance entrepreneurial project.*

Entrepreneur programs already exist in the high school environment, either through course work or organizations such as Junior Achievers. The Commission believes that we must begin to engage the entrepreneur mindset and skill set at an earlier stage. The Commission proposes the introduction of a six-week, multi-disciplined business and entrepreneur course that would integrate math, English and French, art, social studies, and computer studies. To boost the idea of collaboration and fully make use of technology (such as the internet and webcam videoconferencing), we suggest that teams of four be located in two "sister" schools. To build interest, a province-wide business plan competition could be held at the end of the project period (much like today's science fairs), with the winning teams receiving a \$2,000 Registered Education Savings Plan (RESP) each. This would also help instill a culture of investment. The runner up could get \$1,000.

### *Reverse education tax credit for companies.*

To remain competitive, companies must continually seek ways to increase productivity. One proven way to increase productivity and innovation is to raise the average level of education among employees.

To help employers provide access to further education for their employees, the Commission proposes a sliding-scale education tax credit that is inversely related to an employee's current level of education. With this tax credit, the less education an employee has obtained, the greater the education tax credit given to the employer to provide that employee with additional education.

## **Finance**

The dreams of entrepreneurs and their teams are often stifled not by the market place, but by the lack of financial resources needed to take those dreams to market. New Brunswick has a history of innovation, but limited access to capital is a serious problem here. It is true that to fill the void of early stage development capital, government programs and agencies – and the private sector, in the form of angel investing – are becoming increasingly popular. Each one of these equity finance providers or instruments have defined goals, missions and risk allowances. However, they do not address all the innovation that our province is capable of producing.

The recommendations that follow focus on two primary areas: the development of an equity culture, and the funding of early and later stage growth companies. The Commission believes that to foster a province-wide equity culture and a desire to invest in New Brunswick, New Brunswickers need to see leadership from the government itself. For this reason, the Commission recommends the equity sale or Initial Public Offering (IPO) of a crown corporation. This has been done throughout the world by national governments, and within Canada by the Province of Alberta.

The Commission also focused on venture capital at all levels, from motivating venture capital managers, to better facilitating New Brunswick investment opportunities for our

citizens, to providing additional funds from which growing corporate New Brunswick can draw. Venture capital, although now global in nature, tends to be focused in a few very large markets. To address this, the Commission has put forward recommendations that attempt to motivate companies from outside our province to invest in New Brunswick. The Commission has also proposed ways that companies within New Brunswick can enter this realm of equity partnerships.

***Provide venture capital firms with financial investment incentives to help lower the cost of due diligence and deal writing.***

Venture capital firms incur high accounting and legal costs when conducting due diligence exercises on potential investments. Even once completed and approved, further legal costs are incurred to complete transactions. To de-risk this investment of time and money, it is recommended that the provincial government – possibly with the aid of a federal government body – fully or partially reimburse the cost of the due-diligence process.

***Provide a back-end tax credit to early-stage investors.***

The Government of New Brunswick has made some amendments to the Small Business Investor Tax Credit (SBITC) since Fullsail Summit 2007. The SBITC is crucial, in that it rewards early-stage investors at the 'front end' of their investment. However, to reward investors for sticking with their investments and to create an incentive to monitor, guide and mentor, a back-end incentive should also be given. In the United Kingdom, capital gains made from early stage investments are tax free.

Capital gains tax is a federal matter, and thus not under the control of the Province. However, it is recommended that the Province assign money from the federal equalization payments to cover the cost of the capital gains tax incurred by early stage investors. This not only creates an additional incentive to invest, but also provides comfort to the 'have' provinces and the federal government that their financial resources are being invested rather than simply consumed.

***Establish post-secondary angel funds.***

To stimulate the commercialization of academic R&D and encourage entrepreneurial initiatives from faculty and students, it is recommended that the province's post-secondary institutions establish angel investment funds. Similar to those in the United States, these funds would invest in faculty and graduates who establish businesses within the institution's jurisdiction. This would help retain the province's graduates and foster cluster development.

***Promote the idea of succession planning.***

The Canadian Federation of Independent Businesses, Atlantic Provinces Chamber of Commerce, Business New Brunswick, the Canadian Conference Board and some of Canada's national banks are deeply concerned about the lack of succession planning in Canada's SMEs. The baby-boomer generation is on the cusp of retirement, and it is believed that up to a third of SMEs have no succession plan in place. The Commission believes that this would be an excellent opportunity to introduce equity financing

arrangements that would allow investors or current staff to assume control of a retiring employer's business. This allows for the monetization of assets, which benefits the owners and their families, and increases the incentive for employees to continue pursuing the success of the SME.

***Encourage pension and investment fund managers serving clients in New Brunswick to actively participate in venture and public equity investment in New Brunswick companies.***

Both publicly traded and privately held venture capital ready companies are finding it difficult to secure investment from outside the province. One reason often cited is the lack of investment from fund managers serving clients in New Brunswick. Working within their mandate of allowable alternative investments and maintaining their fiduciary duties to their investors, these managers could be encouraged to invest in New Brunswick's venture capital ready and publicly traded companies. Additionally, these managers could be encouraged to aggressively use their leverage with Bay Street firms to help secure access to those firms' private equity divisions.

***Encourage New Brunswick businesses to provide corporate venture capital.***

A growing trend in business is corporate venture philanthropy. This idea first emerged in Silicon Valley, and the best example is probably Cisco Systems Inc. Cisco allocates a portion of its annual profits for investments in early and growth stage companies. Initially, Cisco sought out entrepreneurs whose ideas would help make Cisco's operations more efficient. More recently, Cisco has broadened its investments into medical research, particularly cancer research, with the view that advancements in cancer research could end up helping Cisco's own employees. In addition to financial resources, Cisco also offers guidance and facilitates networking for entrepreneurs.

The Commission recommends that corporate New Brunswick follow Cisco's lead. Entrepreneurs, the investing companies and the economy all stand to benefit from investments in New Brunswick's future.

***Allow for changes in the maximum contribution and tax credit applicable to Labour-sponsored Venture Capital Corporations (LSVCC).***

Since 2000, New Brunswick has experienced wide fluctuations in venture capital investment. Additional funds are needed to help increase annual investments and smooth out the rate of investment. To help secure additional funds from the brokerage and retail investment community, it is recommended that the "ticket size" for investments in an LSVCC be raised from the 1980s established level of \$5,000 to \$10,000. The Commission has received anecdotal evidence which suggests that brokers in major Canadian brokerage firms are reluctant to "write tickets" at the \$5,000 level, since the low commission payment is negated by the investment firm's administrative expenses. In addition to increasing possible sales, an increased ticket size would inherently increase the potential total venture capital investment.

In line with the available ticket size increase, it is recommended that the available tax credit be increased from the current 15% to 20%. According to a regional venture

capital firm, each \$1 gained through a provincial tax credit can serve as a catalyst that ultimately leverages up to \$20 of capital investment into target companies.

The New Brunswick government recently made some changes to certain administrative procedures related to LSVCCs. These changes have brought New Brunswick in line with other Atlantic Canadian jurisdictions. Two administrative changes were adopted: allowing investors to make purchases directly in a self-directed Registered Retirement Savings Plan (RRSP) account, and allowing the rollover of an LSVCC within a RRSP account at the end of the designated holding period. While these changes are encouraging and helpful, the Commission believes that additional adjustments will allow the expansion of LSVCC initiatives in our province.

***The Government of New Brunswick should conduct an Initial Public Offering (IPO).***

To help the Government of New Brunswick achieve its goal of self-sufficiency, it is recommended that the Province conduct a public equity offering of a provincial crown corporation. Such an offering would focus public attention on equity, help develop an equity culture, and provide funds for the provincial government to direct towards its self-sufficiency targets. For example, part of the funds could be directed towards a New Brunswick development bank, as advocated by the New Brunswick Business Council. Such an offering would also draw positive attention from key national organizations, and help foster the development of local skill sets required for equity issuance.

***Establish a sidecar or co-investment fund.***

In reaction to the collapse of the internet bubble, jurisdictions around the world launched forms of co-investment or matching-fund investment programs (also called sidecar financing). Their successes have caused an ever-increasing number of jurisdictions to launch similar programs. Washington State is currently in the planning stages of a privately operated fund. Here in Canada, the Ontario government, through the Ministry of Research and Innovation, launched the *Ontario Venture Capital Fund* in November 2007. The fund's first round of financing totalled \$165 million – \$90 million from the Ontario government and the remaining \$75 million from the private sector.

Co-investment funds de-risk investments for angels and thus stimulate angel investment, network creation, and the formation of early stage companies. It is recommended that a sidecar or co-investment fund be established to facilitate investment in New Brunswick companies.

***Waive provincial income tax for senior level managers who move to New Brunswick to become part of an SME management team or for portfolio managers of venture capital firms.***

Over the past two years the Commission has continued to receive feedback about the difficulty that early stage and growth-stage companies have in obtaining and retaining senior, experienced management. The Commission therefore recommends that to motivate potential senior management candidates to relocate to New Brunswick, the provincial government forgo the collection of provincial income tax for the first year of residency, with a gradual increase to the full rate over the ensuing four tax years.

Atlantic Canada has found it difficult to attract venture capital firms and managers. To fulfill the Commission's mandate to foster the province's capital markets, the infrastructure the markets need to operate must also be developed. It is no secret that the venture capital machine is fueled by money – money for investments, and money for salaries. Of particular personal interest to the venture capital manager is the industry's bonus system – the reward for investing and guiding a company to a profitable exit for the venture capital firm's investors. It is recommended that to entice venture capital managers and their firms to establish offices in New Brunswick, performance-related bonuses should be free from provincial income tax.

This may motivate firms to relocate part of their operations to the province and bring expertise closer to the province's entrepreneurs. There are also potential venture capital cluster benefits in the areas of accounting, legal services, and conferences.

## Communicate

The Commission is aware of many wonderful and innovative people, ideas, programs and companies in New Brunswick. Unfortunately, public awareness is low, and there is a perception that innovation and success is the exception in our province. While the local media have highlighted some of New Brunswick's assets and success stories, the message usually fails to gain attention outside this region.

This is true not only in New Brunswick but throughout Atlantic Canada. In fact, at two conferences held in Halifax in 2007 (*NovaKnowledge – Assembly of Leaders*, and *Research Money – Opportunities for Atlantic Canada in Canada's Science and Technology Strategy*), a key recommendation addressed the need for Atlantic Canada to get its message out about successful business stories.

The fact is that any great product or idea is doomed to failure if no one knows about it. Thus, the need to communicate our ideas and successes is the overriding theme that connects all the recommendations discussed in this report. The Commission has worked to increase awareness of business in New Brunswick, and in particular, awareness of capital market development initiatives under Fullsail.

The recommendations that follow address four key areas that will be most effective in fostering entrepreneurship and our capital markets, and the economic benefits that go with them.

### *Actively brand and market the SBITC.*

In March 2007, the Government of New Brunswick introduced positive changes to the SBITC. These changes included an increase in the maximum investment level eligible for the tax credit from \$50,000 to \$80,000. The Department of Finance also allowed provisions for preferred shares to be made available, in addition to the common shares already available prior to the changes.

While the Commission recognizes the value of these changes, it should be noted that the Self-Sufficiency Task Force and their call for the SBITC eligible limit to be increased to \$300,000 echoed the Commission's own recommendation regarding the SBITC. The Commission strongly recommends that the SBITC be changed to include community venture capital funds (similar to Nova Scotia's *Community Economic Development*

*Investment Funds*, and more recently, Manitoba's *Community Enterprise Investment Tax Credit*).

The Commission also encourages a broadening of the SBITC to include the initial monies invested by founders of New Brunswick firms listing on the TSX Venture Exchange by way of a capital pool company.

To realize the benefits of these changes, the Commission recommends that the SBITC be actively branded and marketed to students, entrepreneurs, accountants, lawyers and personnel at economic development agencies. Increased awareness about this valuable investment incentive will lead to greater use and demand, stimulating angel investment and promoting wealth creation. The ultimate goal is to make the SBITC an integral part of the high-growth entrepreneur's financial tool kit.

***Brand and market a New Brunswick innovation zone, and promote it beyond the province and at Canadian universities to attract the talent that venture capital ready firms need.***

Following the success of American initiatives such as SPARK (Ann Arbor, Michigan) and the Research Triangle (Raleigh, Durham and Chapel Hill, North Carolina), the Commission recommends the adoption and active support and marketing of a branded innovation zone in New Brunswick. Taking North Carolina's lead, New Brunswick could launch its own tri-city innovation zone (for example, an area encompassing Fredericton, Moncton, and Saint John). This collaborative effort would realize economies of scale and bring focus and opportunities for clustering to these three cities. This would also minimize any duplication of effort and position New Brunswick more effectively in the globally competitive environment. The creation and marketing of the zone would also stimulate angel and venture capital investment, since the market for sector-specific entrepreneurs would be less fragmented.

A cluster of high-growth companies needs a workforce. New Brunswick currently suffers from a shortage of R&D talent, limiting the growth of some of our existing SMEs. To overcome this labour shortage, the Commission recommends that the Province, in partnership with R&D-driven companies, recruit at university job fairs held in Canada's larger provinces.

***Create heightened awareness among managers at financial institutions about entrepreneur financing options.***

New Brunswick remains under-served in terms of the equity financing driven by traditional financial institutions. Commercial loans officers appear to have limited knowledge of angel investment and offer little guidance to the entrepreneur or the potential angel investor. It is recommended that a province-wide awareness campaign be mounted to educate traditional financiers about the benefits for both the financiers and their clients of fostering equity investments in SMEs.

*Facilitate the making of New Brunswick as the premiere choice in Canada for the registration of publicly traded companies.*

Ireland and Luxembourg have made a focused effort to become centres or clusters for listing and establishing the registered corporate offices of publicly traded companies, bonds and mutual funds. This indirect approach to fostering capital markets could bring considerable expertise to New Brunswick in the form of high-salaried professionals such as securities lawyers and accountants. A clustering of this expertise and wealth generation could bring significant spin-off benefits, including additional employment, business opportunities, and increased wealth. This expertise and wealth could then be used to better equip and prepare the province's early and growth stage entrepreneurs.

## **After Fullsail Summit 2008**

This report and its recommendations serve as the focus for Fullsail Summit 2008. Like the Fullsail Summit in 2007, this year's summit is an action-oriented conference during which each of the recommendations will be discussed and evaluated in an open forum. Once mutual agreement is reached and the preliminary development of an implementation strategy has begun, self-identified project leads will begin working to enact the recommendations.

To assist in the implementation process, the Commission will maintain regular communication with each of the project leads to address any issues or challenges, and to track progress. In addition, the Commission will use these discussions to identify ways in which it can help expedite the implementation of the recommendations. The discussions will also serve as an early forum for the development of future recommendations.

As in 2007, the Commission will continue to provide semi-annual and annual reports. These progress reports will provide information about adopted recommendations and allow the public to monitor Fullsail's progress. The Commission will also provide more detailed, quantitative reports of metrics that document the development of our capital markets.

Naturally, the reports will also document the continued successes of Fullsail Summit 2007 and the status of those recommendations for which work is still ongoing.

At the outset of the Fullsail initiative, the Commission and our Members realized that this undertaking would require a long-term commitment. By providing timely reports and regular information updates through the Fullsail Summit website, and continuing our efforts to help educate investors and expand the knowledge of professionals, the Commission continues to demonstrate our desire to foster the province's capital markets and our commitment to the people of New Brunswick.

## Acknowledgements

The Commission relied on the help of a number of individuals and organizations in our work on the Fullsail initiative over the past year. These individuals and organizations gave their time freely and selflessly to help realize the recommendations adopted during Fullsail Summit 2007 and to guide the upcoming Fullsail Summit 2008.

The Commission would like to acknowledge the support of those volunteers that led the charge by becoming owners of the Fullsail Summit 2007 working groups. Those owners include Ross Finlay of the First Angel Network, Johannes Larsen of the National Research Council IRAP program, Richard LeBlanc of the New Brunswick Enterprise Network, Deborah McQuade of Business New Brunswick, and Gerry Pond of Mariner Partners representing the University of New Brunswick.

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Without the help of all these individuals and organizations, our Fullsail initiative would still be nothing more than an idea. This exceptional team has made great strides to help foster New Brunswick's capital markets.

On behalf of the people of New Brunswick, the Commission thanks you and looks forward to continued collaboration and friendship.