

# fullsail *Making Headway*

Reporting on the New Brunswick Securities Commission's *Fullsail* capital markets initiative

## ARE YOU INVESTMENT READY?

"Are you investment ready?" This is an important question for all companies in New Brunswick, whether you are a new start-up or a finely-tuned profitable company that has been in business for many years. If growth, expansion or preparing for an Initial Public Offering (IPO) is part of your future then some level of investment will likely be required. The type and size of the investments may vary greatly, but the underlying requirements are the same for all.

Being investment ready requires an understanding of the size and type of investment you require, an understanding of what investors will look for in you and, equally important, what **you** want/need from an investor. Investors, large or small, will be interested in "your story": where you have been, where you are, and more importantly, how you plan to grow. They will want to know if you will provide them the opportunity to sit on the company's board of directors and how often you will provide updates and feedback.

Preparing yourself to meet investors (once you have found an investor to pitch) is an important step. You must develop a story (or pitch) that captures their attention within the first 90 seconds (timing will obviously vary) and you must be clear as to what problem you are going to solve. Your pitch must adapt depending on the audience; so do your research and learn as much as you can about the investor. Before you enter the room, practice, practice, practice. You can even record your pitch and critique yourself. The feedback you receive from investors will be a great source of learning for you; so be sure to listen to what they have to say; you can even ask for their advice. Be prepared to receive more "no"s than "yes"es, and remember, you may only need one "yes".

The importance of books and records cannot be overstated when trying to raise funds. Having complete and accurate financial statements, an up-to-date minute book and corporate records are critical as they will be carefully reviewed by seasoned investors. Having a company structure that allows for new investors or having your ideas/products protected by

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## PROFILE: Yan Simard, Zaptap



Prior to launching Zaptap, Yan worked as an IT senior manager for CGI, Bell Canada, Gameloft, Virtual Solutions, Industrial Alliance, NBCC and Irving Oil. He's an MBA graduate from Université Laval (2000). Yan lives in Fredericton with his 4 children.

We interviewed Yan Simard, founder and CEO of Zaptap, an exciting innovative New Brunswick-based company in its start-up phase. Read on to learn from Yan's experience with raising capital in the province and his passion for changing the retail world for consumers.

### Tell us about [Zaptap](#)

Zaptap is looking to help retail stores create an Augmented Customer Experience by providing a way for shoppers to access detailed product information by simply waving their smartphones in front of an item.

### How did you come to create Zaptap? Where did you get this idea?

There definitely was a spark moment, but the idea has been some time in the making. My background is in e-learning and I had a personal and professional interest in this field. I have a passion for getting the right information to people at the time they need it in the way they need it. I noticed that there was a need to get the knowledge related to a product to the retail consumer at time of purchase.

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## Profile: Yan Simard

### What made you take the leap and become an entrepreneur?

I realized the idea was a good one. I did my own research and said to myself "I'm on to something here!" I wanted to make a difference in the retail shopping experience. I believe that Zaptap will change the retail world.

### If there is one thing you could say to an aspiring entrepreneur what would it be?

Get out and talk to potential clients, family and friends as soon as possible. Often people will hold back because they are afraid their idea will get stolen. The benefits of getting feedback early far outweigh the chance that your idea will get stolen. This gives you an opportunity to refine the idea much quicker and find the right solution quicker. It will be better adapted to the market sooner.

### What funding options are you considering to take your business to the next level?

There aren't many options for new businesses. Either you go with Angel Investment, Venture Capital or Government programs. You can get more mileage with the government money, but if you want to grow, then you need angel or venture capital.

### What has been your experience in raising capital here in NB? How could it be improved?

My experience has been very good so far. It is tough for all businesses to get venture money, but in NB you can talk to world class angel investors quickly, within a couple of weeks. They will also refer you to others who may be interested. I was part of a start-up in Montreal and comparatively, it was much more difficult to talk to angels of that calibre there.

There are always areas for improvement, but it's much better now than when I arrived in New Brunswick. I was only here for 3 months when I started to look for investors. I wasn't well connected. But it didn't take me long to find the right people. In fact, NBIF helped me get through to our first investor. Since we've launched the company we now have some great resources for entrepreneurs including the NBIF and Launch 36.

### Do you have a group of advisors/friends you count on for advice?

We are lucky to have investors who form an informal board of advisors. They are world class and we are able to use their experience.

### When raising money was are some of the key things you learned. What would you do differently?

Investors invest in the person more so than the idea or concept. An entrepreneur must be honest, genuine and open. If they are asked a question by an investor, and they don't know the answer, it's ok to say "I don't know, but we

are working on it." Also, entrepreneurs must be open to criticism. If an investor sees that their input will be taken into account then they are more likely to invest with you. The 80/20 rule applies here. Investors will invest based 80% on the person and their character and 20% on the product or idea.

### What is the best advice you have ever received?

Many years ago when I was doing my master's thesis at Université Laval, my thesis director said "If you are working on a new project or idea and it's not painful or difficult, then you are not going to make a difference. If it is too easy then you aren't changing anything." I guess I've always kept that piece of counter-intuitive advice in the back of my mind with everything I do.

### Where do you see yourself in 10 years?

Zaptap will be a global business that will be making a difference on how people interact with products around the globe. I plan on being in a key leadership position within the company, unless the business is acquired, in which case, I'd like to help new entrepreneurs in the start-up phase and pay it forward.

### Want More?

Free copies of this newsletter are available for you or your office. Contact us to get the latest edition of **Making Headway** or download previous editions.  
[www.nbsc-cvmnb.ca/makingheadway](http://www.nbsc-cvmnb.ca/makingheadway)

### Are you investment ready? continued from page 1...

patents can make or break a deal. Investors will want to see your customer lists, sales contracts, and employment agreements for key employees. All of these will have an impact on their interest in investing and the valuation they place on your business.

Raising money can be time consuming, especially if you are considering an IPO. There are no easy answers, but being prepared, understanding your audience and believing in your idea/company will be the keys in finding a great investor for your company.

The NBSC has resources on its website for those looking to raise capital: [www.nbsc-cvmnb.ca/capital](http://www.nbsc-cvmnb.ca/capital).

We'd love to hear your stories. Send Jeff an email with your questions, suggestions or experience that we could highlight in our next issue of *Making Headway*:  
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Jeff Harriman is the Capital Markets Specialist at the New Brunswick Securities Commission.

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## Capital Raising Exemptions Videos

We've created a series of three videos to provide a general introduction to capital raising exemptions that you can use to raise equity capital for your business in New Brunswick. The first video provides an overview of the capital raising exemptions that are available and the second explains several exemptions in detail. The third video, just recently released, offers a detailed description of the Offering Memorandum Exemption.

The OM exemption video answers the following questions:

- What can an OM be used for?
- Who can I sell securities to?
- Who can sell my securities?
- How many shareholders can I have?
- Will I need to have audited financial statements?
- Can I advertise to find investors using this exemption?
- What are the rights of the purchasers?
- Can I use the OM with the New Brunswick Small Business Investor Tax Credit program?
- Are there restrictions on the resale of these securities?



You can view these short videos on our website: [www.nbsc-cvmb.ca/CMvideos](http://www.nbsc-cvmb.ca/CMvideos) or on our YouTube page: [www.youtube.com/NBSC2008](http://www.youtube.com/NBSC2008).

## CELEBRATE OUR SUCCESSES!



### Breviro Caviar Inc.

Caviar from the Shortnose Sturgeon is one of the rarest and most sought after delicacies in the world. As a winner of the New Brunswick Innovation Foundation's R3 Innovation Challenge, Breviro plans to research and develop an aquaculture system and related culture techniques that speed up both the growth and sexual maturation of the fish, which normally would take up to six years.

## 2011 Capital Markets Study

We will be publishing our third annual capital markets report in the coming months. This report identifies trends in capital raising in the province, publishes key performance metrics while also highlighting significant events that occurred during the year, such as the acquisition of Radian6 and Q1 Labs.

### HIGHLIGHTS FOR 2011

- Both venture capital and angel funding increased by approximately \$5.71 million over last year.
- The largest contributors of equity capital were investors from New Brunswick with \$9.61 million. Following New Brunswick investors, Ontario invested \$9.30 million, Quebec, \$2.73 million and only \$250,000 from the United States.
- Three of New Brunswick's public companies issued a prospectus to raise \$117 million through Canada's public markets.
- Caisses populaires' business loans increased to \$675.5 million compared to \$581.2 million in 2010. New Brunswick credit unions have business loans outstanding of \$65.09 million (\$52.74 million in 2010).
- Venture capital investments grew to \$21.15 million with the majority of funds finding their way to Information Technology companies.
- New Brunswick continues to attract considerably more venture capital than other provinces of a similar size including Manitoba, Saskatchewan, Newfoundland and Labrador, and Prince Edward Island. Nova Scotia raised over \$45 million in 2011 which was double that of New Brunswick.
- Angel investors invested \$440,000 in the capital markets representing a 120% increase over the prior year.
- Grants are an important component of company growth: federal and provincial agencies granted a total of \$211.02 million to various organizations; provincial agencies contributed 74.68% of that total.



### Soricimed Biopharma

Soricimed has developed a drug that kills cancer cells by depriving them of calcium. As a winner of the New Brunswick Innovation Foundation's R3 Innovation Challenge, Soricimed Biopharma will research the use of their drug to develop a drug delivery system that could significantly aid in the treatment of cancer.





## SMALL BUSINESS INVESTOR TAX CREDIT

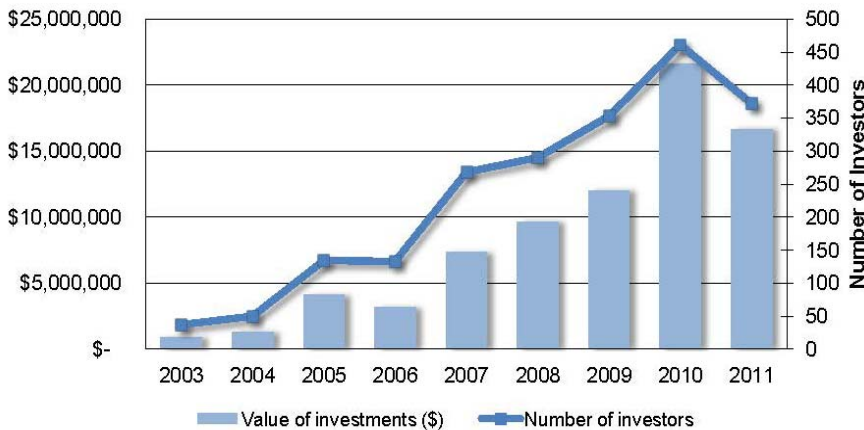
Last year was another strong year for the Department of Finance's SBITC program. The Department of Finance recorded the second highest number of applications and investments since the program began in August 2003. Investments over the past eight years have topped \$76.6 million dollars.

There were 64 approved applications generating a total of \$16.6 million in investments by 372 individual investors in 2011. Though the number of applications and total investment was less than 2010, this continues to be a popular program for New Brunswick-based companies to raise equity and New Brunswickers to invest locally and at the same time receive a tax credit.

More great capital markets metrics available in our recently released Annual Report: [www.nbsc-cvmnb.ca/AnnualReport](http://www.nbsc-cvmnb.ca/AnnualReport)

New Brunswick Small Business Investor Tax Credit (SBITC)

Source: New Brunswick Department of Finance



## Upcoming Entrepreneur Events

**Learning the Ropes**  
"Are you investment ready?"

Woodstock

October 2nd

[www.nbsc-cvmnb.ca/LearningtheRopes](http://www.nbsc-cvmnb.ca/LearningtheRopes)

**Progress Top 101 Companies**

Trade and Convention Centre, Saint John

September 10

[www.progressmedia.ca/top101event](http://www.progressmedia.ca/top101event)



We are preparing for our next *Fullsail* capital markets event and we need your input.

HOW WOULD YOU USE CAPITAL MARKETS DATA?

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## We want to hear from you

[information@nbsc-cvmnb.ca](mailto:information@nbsc-cvmnb.ca)

Tell us what you'd like to read in the next edition of **Making Headway**. You can submit your story or send us an email telling us about something great that is happening in New Brunswick's capital markets.

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We protect investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets. We develop and enforce securities regulation, and offer impartial educational information and resources to New Brunswick residents about the investing process.

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