

# Capital Markets Report 2012

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Prepared by the New Brunswick Securities Commission

September 2012

NEW BRUNSWICK  
SECURITIES COMMISSION

COMMISSION DES  
VALEURS MOBILIÈRES  
DU NOUVEAU-BRUNSWICK





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## Acknowledgements

The New Brunswick Securities Commission wishes to acknowledge the significant contribution to this report by Dinesh Iyer, UNB Saint John MBA candidate, and Dr. Dharendra Shukla, Chair and Associate Professor at the Dr. J. Herbert Smith Centre for Technology, Management and Entrepreneurship at the University of New Brunswick.

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## EXECUTIVE SUMMARY

The New Brunswick Securities Commission (NBSC) is publishing its third annual capital markets report. This report highlights trends in capital raising in the province. The objectives of the report are two-fold: to increase stakeholder awareness about our capital markets and to provide a tool to analyze capital markets trends.

The 2012 capital markets report publishes key performance metrics and highlights significant events that occurred during the year.

Our previous capital markets reports set benchmarks for the capital markets and covered detailed analysis and trends of various key performance metrics such as venture capital investments, exempt market distributions, angel investments, grants and debt financing. This report continues the research and reports additional information to better understand New Brunswick's capital markets.

### Venture Capital and Angel Financing Rebound in 2011



Following the financial crisis of 2008, direct financing through various organizations decreased significantly throughout North America. New Brunswick was not immune: however the province is experiencing a rebound and in 2011 both venture capital and angel funding to businesses increased by approximately \$5.71 million over the prior year.

Our review of the *Securities Act* regulatory filings associated with exempt market distributions indicates a decrease in foreign investments, while we saw more investments from Canadian firms. The largest contributors of equity capital to local businesses were investors from New Brunswick with \$9.61 million, followed by Ontario with \$9.30 million and Quebec with \$2.73 million. Equity from United States was approximately \$250,000.

The exempt market has proven to be cyclical as we saw a major decline in the money raised from exempt market distributions in the current year from \$185.71 million to \$24.75 million this year. This can be attributed to an investment in an energy project in 2010 that generated \$146.23 million or approximately 80% of the year's raise.

### New Brunswick Investors are the Largest Contributor to Equity Capital via Exempt Market Distributions in the Province (\$ Million)

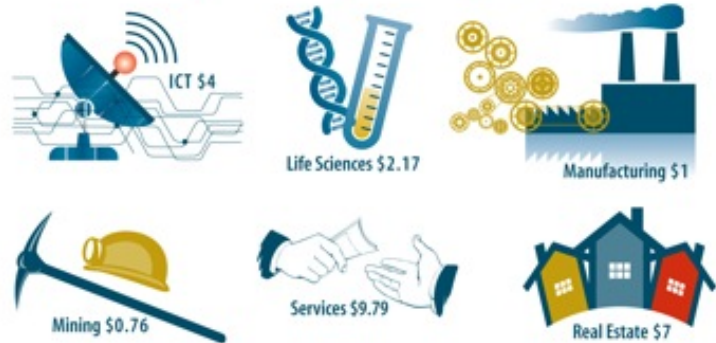
New Brunswick	9.61
Nova Scotia	2.20
Ontario	9.30
Alberta	0.01
British Columbia	0.04
Prince Edward Island	0.60
Quebec	2.73
United States	0.25
International	0.01





Q1 Labs and Radian6 - both based out of Fredericton, made great strides in putting New Brunswick on the world map in 2011. These companies generated hundreds of millions of dollars in shareholder value when they were acquired by technology giants IBM and Salesforce.com respectively. These two deals have the potential to change the capital market landscape in New Brunswick for years to come and impact the lives of New Brunswickers as a significant portion of the capital was retained within the province.

#### Exempt Market by Industry (\$Mil)



Discussions with our stakeholders suggest that a new wave of angels has been created as a result of these acquisitions, many of whom have a keen interest in investing in private local companies. And we have seen the creation of a new social entrepreneurial centre at the University of New Brunswick. Through our work with entrepreneurs we have also been informed of an increased level of confidence in both entrepreneurs and angel investors throughout the province.

Angel investors invested \$440,000 in New Brunswick's capital markets representing a 120% increase over the prior year.

Three of New Brunswick's public companies issued prospectuses this year to raise \$117 million through Canada's public markets to expand their businesses, or to acquire other companies. This is the first time in recent history a New Brunswick company has chosen to raise additional funds using this option.

**Caisse Populaires and New Brunswick Credit Unions support New Brunswick businesses with \$728.24 million in loans**



In 2011 the caisses populaires continued to support New Brunswick businesses as they increased their loans to \$675.50 million as compared to \$581.20 million in 2010. We are also able to report that results received from the Credit Union Atlantic show New Brunswick credit unions have business loans outstanding of \$65.09 million in 2011 compared to \$52.74 million in 2010.



Venture capital investments continue to represent a significant portion of the funds invested in the province. In 2011, venture capital investments grew to \$21.15 million and were spread across various types of industries such as Information & Communications Technology (ICT), life sciences, energy, and others. Information provided by Thomson Reuters showed that New Brunswick continues to attract more venture capital than other comparable provinces including Manitoba, Saskatchewan, Newfoundland and Labrador, and Prince Edward Island. Only Nova Scotia raised more venture capital in 2011.

**New Brunswick continues to attract more venture capital than many other similar sized provinces**

	PROVINCE TOTAL	(\$ MIL)
	Saskatchewan	15.00
	Nova Scotia	45.32
	Newfoundland and Labrador	1.49
	Manitoba	19.45
	New Brunswick	21.15

In the current year, federal and provincial agencies granted \$211.02 million to various organizations. Provincial agencies contributed 74.68% of the total grants.



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## INTRODUCTION

The New Brunswick Securities Commission (NBSC) is a Crown corporation established by the Province to regulate the securities industry and to foster our capital markets. The mandate of the organization 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 2005 the NBSC established its *Fullsail* capital markets development initiative. Our *Fullsail* activities include programs to educate capital markets participants, stakeholder engagements, and consultations as well as research into our capital markets. Previous capital markets reports provide a set of benchmarks to monitor trends and identify areas for development. To enhance the 2012 report, additional key metrics and other sources of data were used to provide an analysis on the various funding sources available to New Brunswick businesses.

## NEW BRUNSWICK CAPITAL MARKETS

When compared to other provinces, New Brunswick's capital markets remain, in some ways, underdeveloped. However, we are seeing significant changes in attitudes, opportunities and vision:

- The province has developed a strong entrepreneurial spirit that is changing the market dynamics with many of our start-ups maturing, reflected by the number of direct investments in New Brunswick companies by venture capitalists increased from 11 to 16.
- New Brunswick capital markets are greatly influenced by various large and medium-sized private companies as can be seen in our analysis of the exempt market distribution regulatory filings required under the *Securities Act*, as one project in 2010 accounted for 80% of the amount raised.
- Three of our publically-traded companies were able to raise \$117 million in 2011.
- When compared to similar sized provinces, New Brunswick received more venture capital funds than Manitoba, Newfoundland and Labrador, Prince Edward Island and Saskatchewan. The majority of venture capital funds received in New Brunswick was from entities located outside the province.



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## PURPOSE AND SCOPE OF REPORT

The purpose of the 2012 capital markets report is to provide an analysis of the trends, sources, sizes and types of the capital inflows to help stakeholders with their strategic decisions.

Building upon the research contained in our 2010 and 2011 reports, this report provides a thorough description of the current capital funding landscape and the overarching trends of the capital markets in the province.

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

The report identifies the industries (where available) that are attracting money from inside and outside the province. Tracking this information over time will identify industries that are contributing to the province's economic growth.

This report includes information about:

- the acquisitions of Radian6 and Q1 labs;
- monies raised by three of New Brunswick's publically-traded companies;
- capital raised from exempt market distributions;
- loans provided by the Atlantic Canada Opportunities Agency (ACOA), New Brunswick credit unions and caisses populaires;
- the types of organizations that provided the funding;
- the specific industries attracting investment;
- the stage of development at which these companies received funding; and
- the geographic regions businesses obtained funding from (where applicable).

Provincial capital markets are supported by the following funding sources:

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



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## METHODOLOGY

The research methods used for this report include reviewing custom reports, internal files, published documents and interviews with stakeholders.

Information was also obtained from the following sources:

- venture capital investment data from Thomson Reuters and the New Brunswick Innovation Foundation;
- regulatory filings made with the NBSC;
- angel investment information collected through interviews with angel investment groups;
- grant information from various annual reports and publications from provincial and federal agencies;
- debt financing from credit unions, ACOA and Fédération des caisses populaires acadiennes; and
- stakeholder interviews.

Please note a change relating to the classification of a portion of the funds ACOA provided to New Brunswick companies. Approximately \$21 million was included in debt funding while in the prior years all amounts were attributed to granting.

## 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 sectors for 2010 and 2011. The NBSC intends to update this dashboard on an annual basis to provide our stakeholders with a consolidated source of capital markets activity levels.

In 2011 New Brunswick experienced a decrease of 3.27% in total funding that flowed into companies via equity and grants. There were significant fluctuations in the individual line items such as a decrease in reported exempt market distributions of approximately 87% (\$160.96 million), while our public companies raised \$117 million more than the prior year. However, venture capital investments continue to represent a significant portion of the funds in the province. In 2011, venture capital investments grew to \$21.15 million (34.89% increase) and were spread across various types of industries such as ICT, life sciences, energy and others.

Angel investors invested \$440,000 in the capital markets representing a 120% increase over the prior year. We continue to see angels' willingness to invest money in New Brunswick companies that have significant growth potential.





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The decrease in exempt market distributions can be attributed to the fact that the prior year included a direct investment in an energy project that generated \$146.23 million or approximately 80% of the year's raise. This transaction highlights New Brunswick's continued dependence on large scale projects.

The total grants show an increasing trend in 2011. Federal and provincial agencies granted \$211.02 million to various organizations.

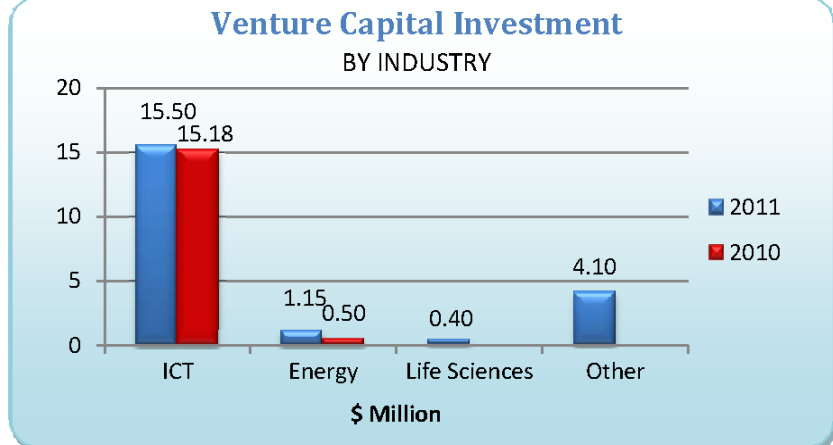
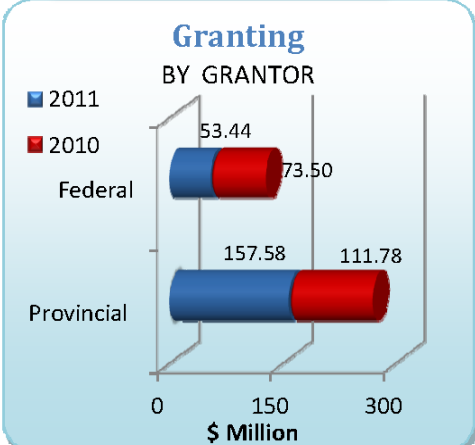
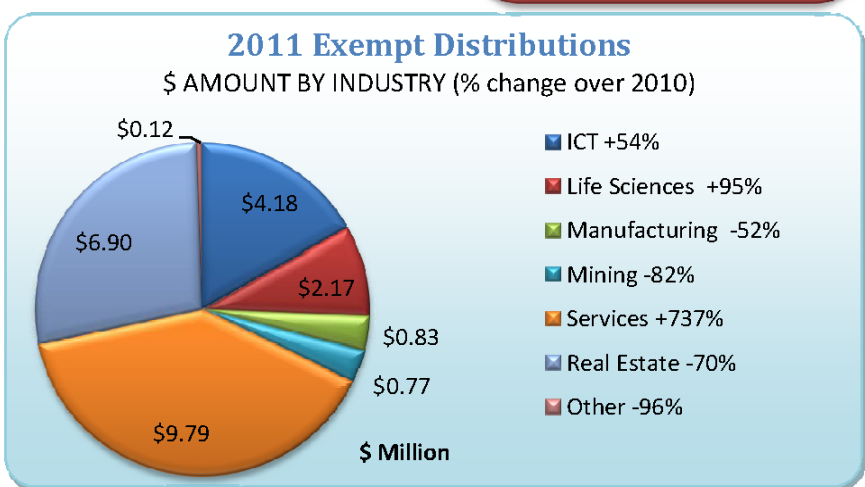
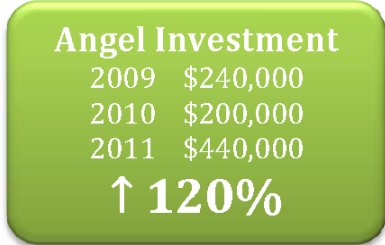
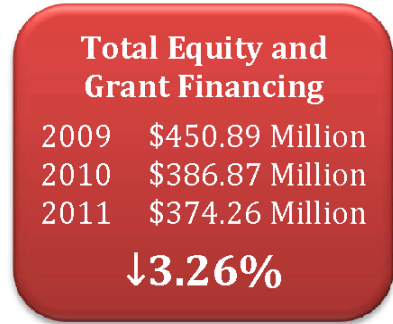
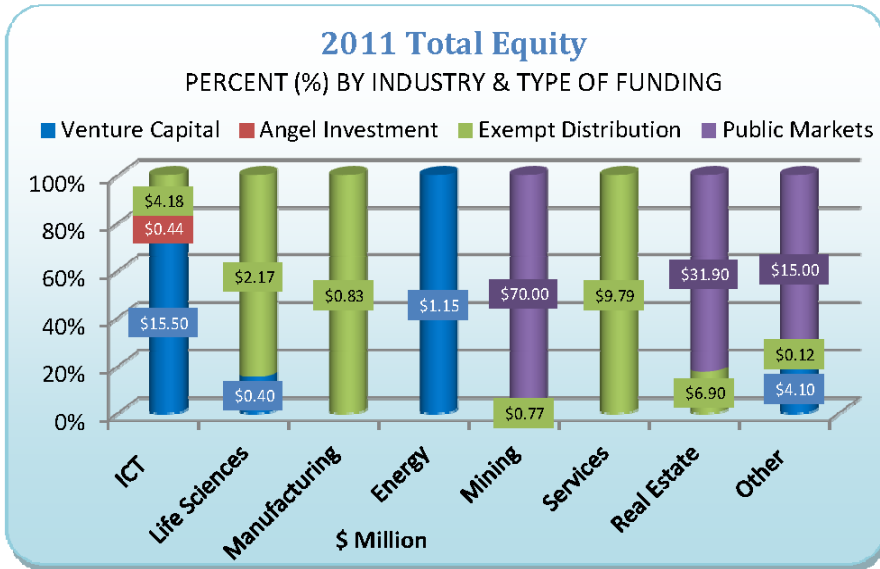
There were several sectors that received equity funding including ICT, mining, services, and real estate. The ICT sector was able to raise funds from various venture capital funds, angel networks and money from the exempt markets, while mining, services and real estate used the public markets.

Caisses populaires continued to support New Brunswick businesses as they increased their loans to \$675.5 million as compared to \$581.2 million in 2010. Credit Union Atlantic reported that New Brunswick credit unions have business loans outstanding of \$65.09 million in 2011 as compared to \$52.74 million in 2010. In prior years data was received from Statistics Canada regarding the amount of loans outstanding in banks, finance companies, etc. This information was not available for 2011 in time to be included in this report.



## Dashboard- New Brunswick capital markets performance (2011)

The detailed dashboard in table format is available in Appendix B on page 27.



\* The significant differential in the money raised from exempt market distributions can be attributed to a single \$146.23 million investment in an enerev project in 2010.



## CHARTS AND ANALYSIS

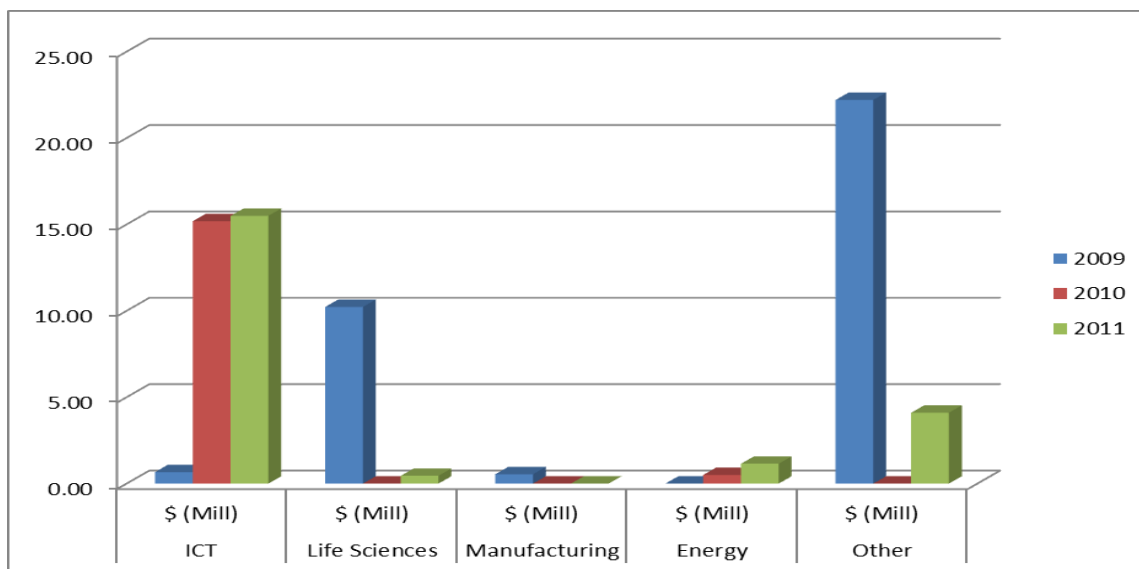
### Venture Capital investments in the New Brunswick capital markets

Venture capital investments have increased over the prior year with investors infusing approximately \$21.15 million in 12 different companies. This represents a significant increase of 34.89% over 2010. The companies operate in various industry sectors such as ICT, manufacturing and energy.

Figure 1.0 provides details of the venture capital investment trends by industry sectors from 2009-2011. Similar to last year, ICT attracted the largest investments worth \$15.5 million. Though the investments increased marginally since 2010, ICT still received the largest portion of venture capital investments in 2011 which is consistent with 2010.

Energy, life sciences and other sectors saw some activities in 2011, an improvement over last year. Investments in the energy sector recorded more than a 100% increase.

**Figure 1.0: Amount of venture capital investments by industry sector**

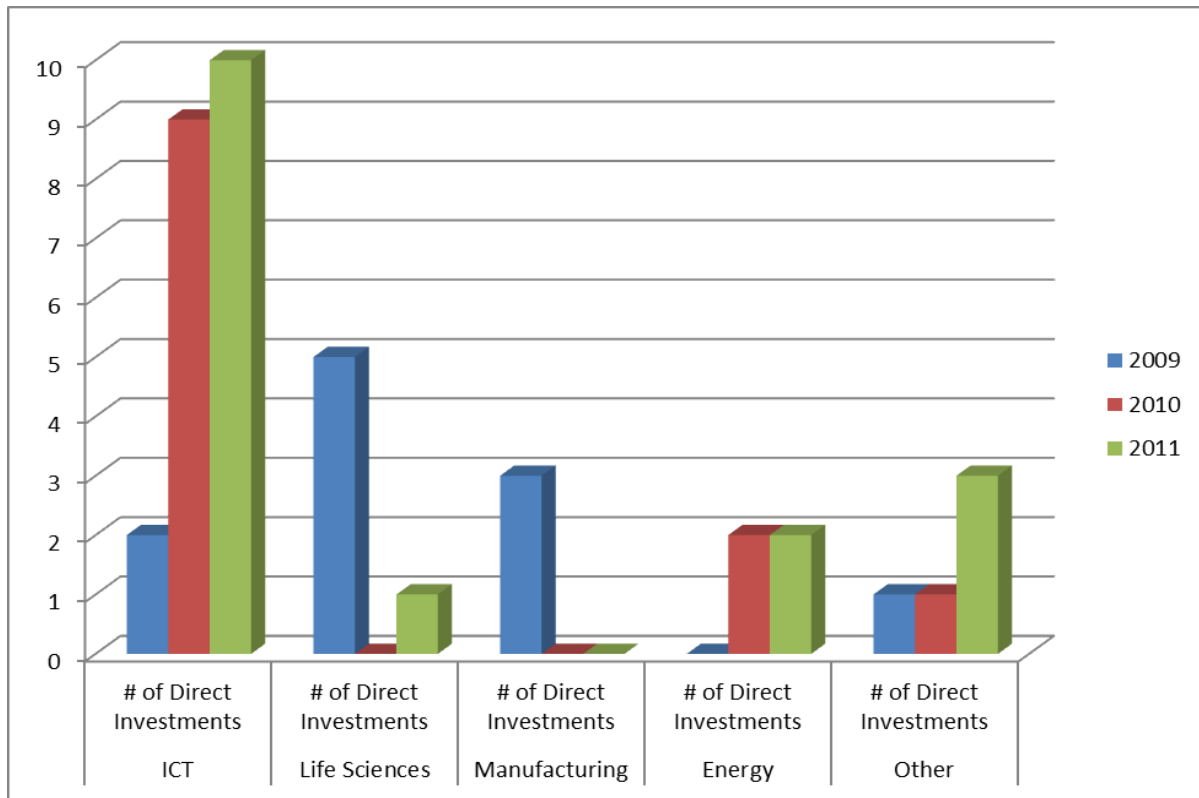


Venture capital investments for 2011 increased as did the number of direct investments from 11 to 16. The number of investments in the ICT sector increased from nine to ten. The energy sector remained the same at two. However, the number of investments increased in the life sciences and other sectors\*.

\* Other includes direct investments where the industry was not specified.



**Figure 1.1: Number of direct capital investments by industry sectors**

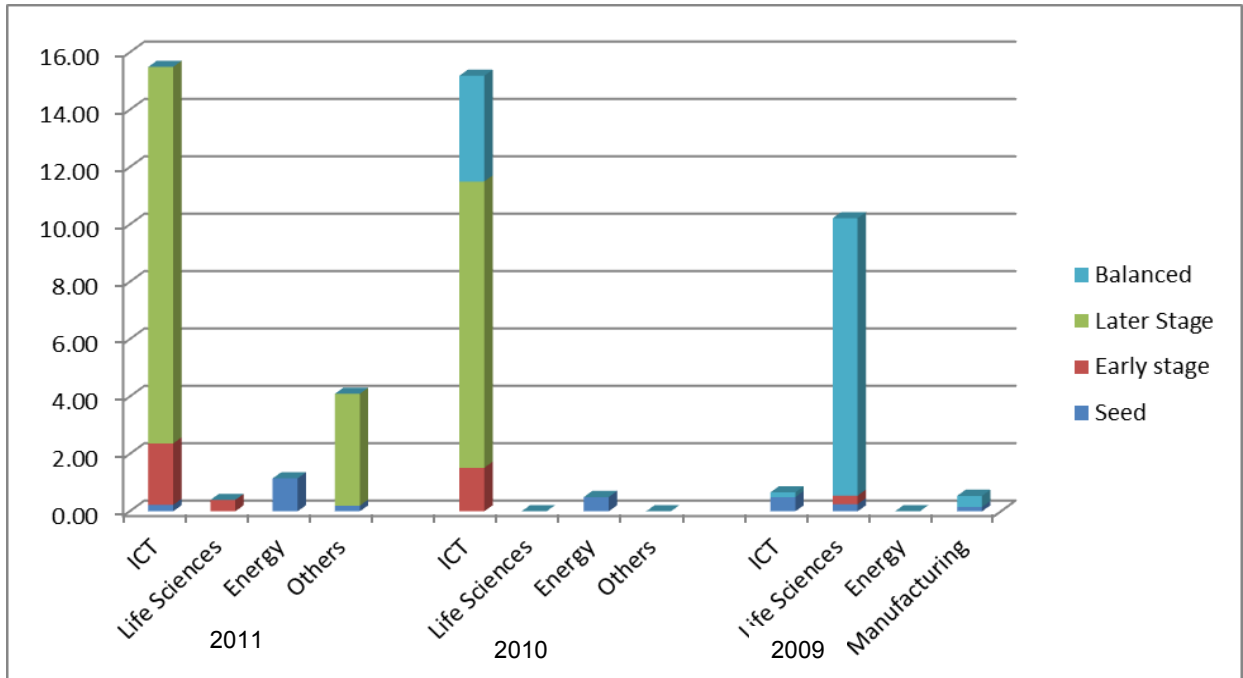


A new development for 2011 was the increase in the dollar amount of investments in later stage companies from \$9.98 million to \$17.03 million.

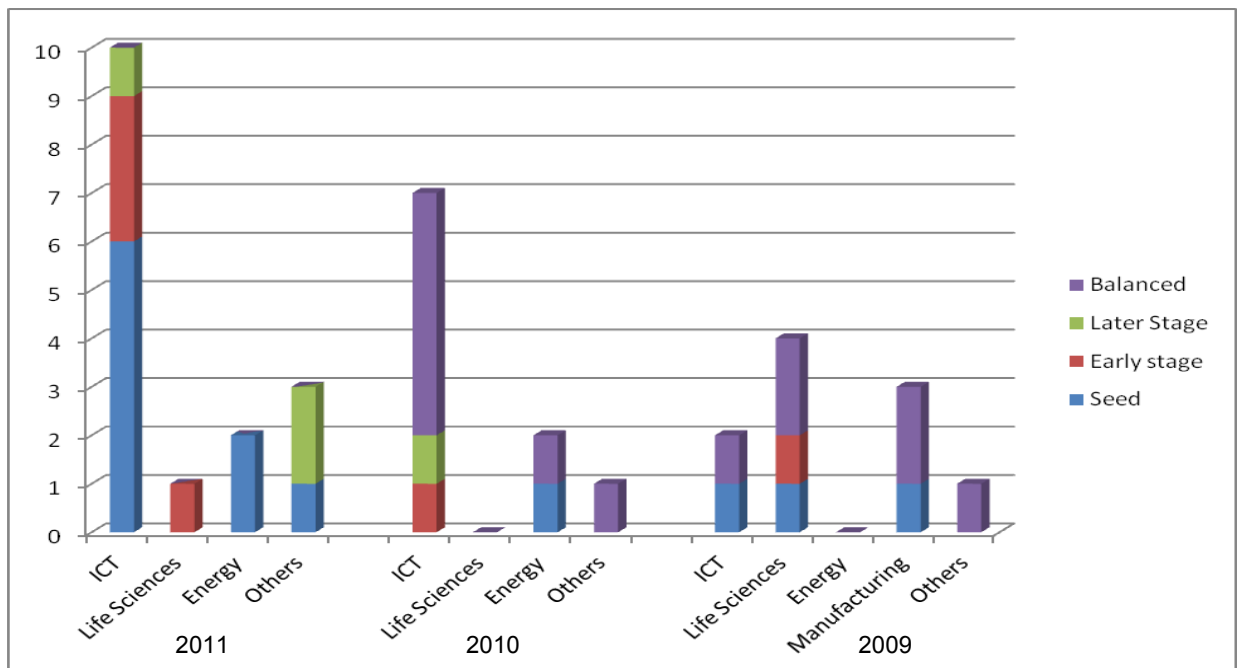
There was more than 100% increase in investments in seed stage and 67% increase in early stage companies. In the seed stage, venture capital investments increased from \$500,000 in 2010 to \$1.58 million in 2011. Investments in early stage deals increased in terms of value from \$1.52 million in 2010 to \$2.54 million in 2011.



**Figure 2.0: Amount of venture capital investments (\$ Mil) by development stages and industry sectors**



**Figure 2.1: Number of direct venture capital investments by development stages and industry sectors**





## Types of funders

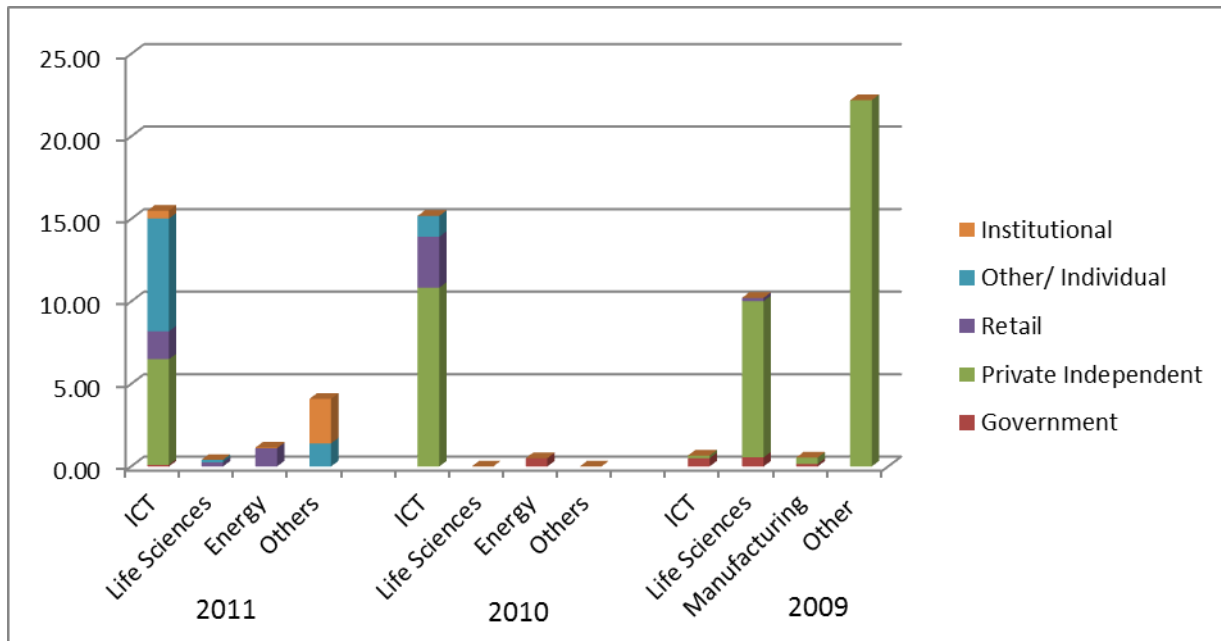
In 2011, venture capital investments for New Brunswick capital markets were done by five major types of funders (see glossary of terms for definitions):

- government funds;
- private independent funds;
- retail funds;
- 'other' funds or individual funds; and
- Institutional funds.

Other/individual funds increased drastically from \$1.26 million to \$8.38 million. Institutional funds contributed \$3.23 million in various companies, a considerable difference from 2010 in which there was none. However, government funds, private independent funds and retail funds saw a decline in investments.

Both government and private independent investors focused their funds in ICT companies, whereas retail and other/individual investors diversified their investments in other sectors such as energy.

**Figure 3.0: Venture capital investments (\$Mil) by types of funders**





### Venture capital investments comparison by province

Figure 4.0 shows the trends for provinces whose capital markets are similar in size and nature to New Brunswick's from 2009 to 2011. New Brunswick received the largest amount of venture capital investments in 2009 and 2010, and the second largest amount in 2011 with \$20.42 million. Manitoba is the only province where the investments have been growing each year from 2009-2011.

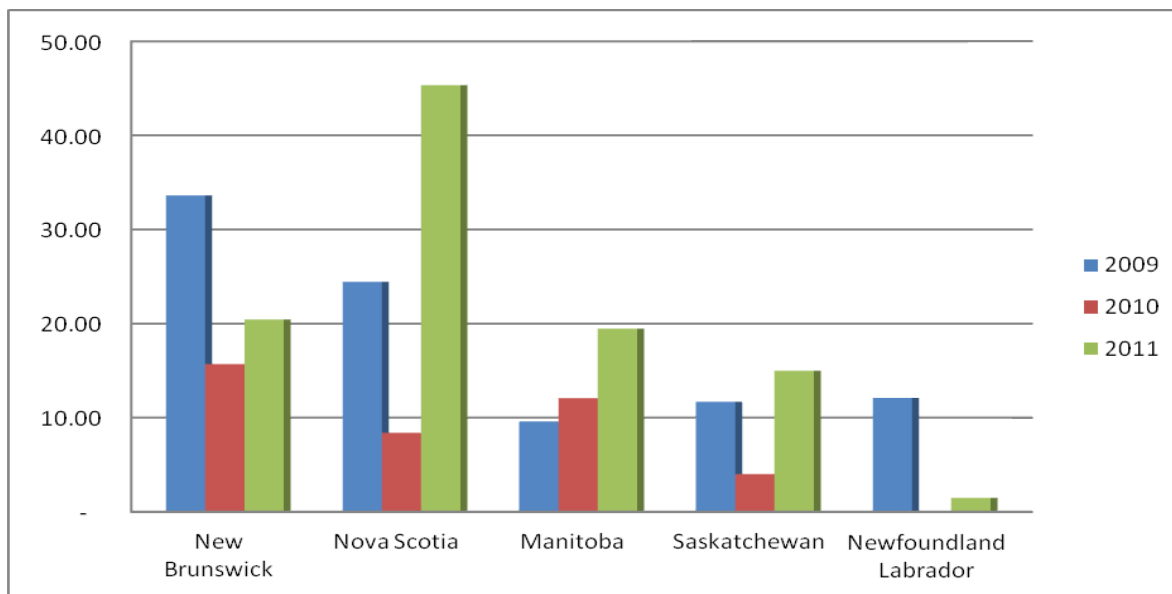
Nova Scotia experienced the highest increase in investments from \$8.39 million in 2010 to \$45.32 million. However, all the provinces registered an increase in their Venture Capital investments compared to last year.

Venture capital investments from 2010- 2011:

- New Brunswick increased from \$15.68 million to \$21.15 million;
- Nova Scotia increased from \$ 8.39 million to \$45.32 million; and
- Saskatchewan increased from \$4.02 million to \$15 million.

While New Brunswick, Nova Scotia and Newfoundland and Labrador attracted more ICT investments than other sectors, Saskatchewan attracted more life sciences investments and Manitoba attracted investments in both the life sciences and manufacturing sectors.

**Figure 4.0: Venture capital investments (\$Mil) comparison by province**





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## **Exempt market distributions in the New Brunswick capital markets**

There was a drastic decline in exempt market distributions reported to the NBSC from \$185.71 million raised by 20 firms in 2010 to \$24.75 million raised by 19 firms in 2011 (table 5.0). This was mainly due to a large energy project that accounted for 80% of the money raised in 2010.

To broaden our understanding of exempt markets we completed additional research into the types of instruments issued by these companies. These instruments include common shares, preferred shares, notes, units, convertible debentures and units/bonds. Definitions can be found in the glossary.

Though our analysis provides important details on New Brunswick's exempt market, we do not have a complete picture of this entire market as we were not able to obtain information regarding mergers and acquisitions and, as noted in prior reports, the NBSC does not require filings for all monies raised by private companies.

A total of \$24.75 million was raised for the year 2011. Unlike last year where Ontario investors were the largest contributors to the market, this year New Brunswickers took that position.

### **Other notable activities from other investors**

Approximately \$15.13 million was invested from Nova Scotia, Ontario, Alberta, Prince Edward Island, British Columbia, Newfoundland and Labrador, Quebec, United States and others\*.

There was a significant decline in the American investments this year as much of this funding related to the energy project. American investors contributed \$246,900 in the New Brunswick exempt market in the current year. The largest issuers in the New Brunswick market services sector, unlike the ICT, raised more funds in the exempt market with \$9.79 million in 2011 compared to \$1.17 million in 2010.

- New Brunswick investors invested \$ 9.61 million;
- Ontario investors invested \$9.30 million;
- Quebec investors invested \$2.73 million; and
- Nova Scotia investors invested \$2.2 million.

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\* Others include countries such as South Africa and Bermuda.





In 2010, the province did not attract any foreign funds apart from the United States. This year there were funds from South Africa, Bermuda and the United States. Although the sizes of the funds were small, these investments have shown New Brunswick companies can attract investments from around the globe.

**Table 5.0: Exempt market distributions by investor location (2011)**

Investor Location	Industry							
	ICT (\$Mil)	Life sciences (\$Mil)	Manufacturing (\$Mil)	Mining (\$Mil)	Services (\$Mil)	Real estate (\$Mil)	Others (\$Mil)	Total (\$Mil)
<b>Canada</b>								
New Brunswick	2.00	2.00	-	-	2.00	3.00	-	9.61
Nova Scotia	1.84	0.05	0.12	-	-	0.19	-	2.20
Ontario	0.03	0.44	0.33	0.53	7.75	0.24	-	9.30
Alberta	0.01	-	-	-	-	-	-	0.01
British Columbia	0.04	-	-	-	-	-	-	0.04
Prince Edward Island	-	-	-	-	-	0.60	-	0.60
Newfoundland and Labrador	-	-	-	-	-	-	-	-
Quebec	-	0.01	0.05	0.15	-	2.53	-	2.73
Saskatchewan	-	-	-	-	-	-	-	-
<b>Canada Total</b>	<b>4.04</b>	<b>2</b>	<b>0.83</b>	<b>1</b>	<b>9.79</b>	<b>7</b>	<b>-</b>	<b>24.49</b>
<b>United States</b>								
California	-	0.03	-	-	-	-	-	0.03
Virginia	0.05	-	-	-	-	-	-	0.05
Florida	0.07	-	-	-	-	-	-	0.07
New York	0.02	0.08	-	-	-	-	-	0.09
<b>United States Total</b>	<b>0.14</b>	<b>0.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.25</b>
<b>Others</b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.01</b>
<b>Grand Total</b>	<b>4</b>	<b>2.17</b>	<b>1.00</b>	<b>0.76</b>	<b>9.79</b>	<b>7</b>	<b>-</b>	<b>24.75</b>

Accredited investors were the largest contributors to the capital markets. They invested \$20.72 million in New Brunswick companies which represents 83.71% of the total types of investors.



Types of investors in the exempt market:

- accredited investors invested \$20.72 million;
- family, friends and business associates invested \$3.47 million;
- private issuers invested \$250,000;
- employees, executive officers and consultants invested \$200,000; and
- companies using the offering memorandum raised \$130,000.

Type of securities issued to raise funds in the exempt market:

Types of securities issued	Value (\$Mil)
Common shares	13.5
Units/bonds	6
Notes	2.04
Units	1.67
Convertible debentures	1.35
Preferred shares	0.19

### Angel investments in the New Brunswick capital markets

Angel investors are individual investors who invest in various types of companies, usually working with early and later stage companies.

Angel investments in New Brunswick recorded a 120% increase. Angel investors invested \$440,000 in one company in 2011.

**Table 6.0: Angel investments (2011)**

2011		2010		2009	
# of companies receiving investment	(\$ Mil)	# of companies receiving investment	(\$ Mil)	# of companies receiving investment	(\$ Mil)
1	0.44	1	0.2	1	0.24



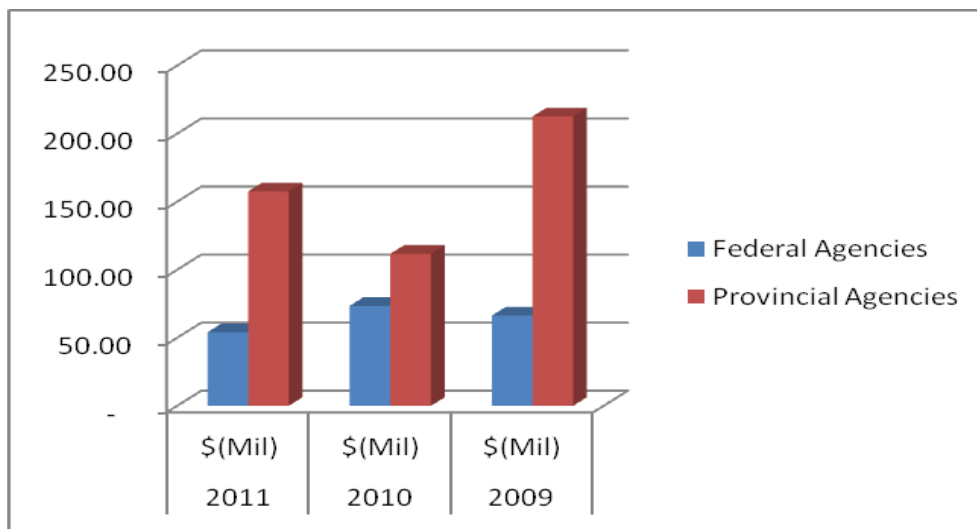
## Grants in the New Brunswick capital markets

The total amount of grants provided by federal and provincial government agencies increased from \$185.28 million in 2010 to \$211.72 million in 2011.

This year, we were able to break down the total amount of ACOA participation for the province by grants and loans. In the previous reports, we listed ACOA solely as grants. Figure 7.0 for 2010 and 2009 has been amended to reflect these updated results. There was a net increase in provincial agencies grants from \$111.78 in 2010 to \$157.58, partially impacted by the additional funds we included in 2010. Similar to last year's report, we have considered direct funding sources only. The Small Business Investor Tax Credit (SBITC) program, which plays an important role in indirect funds, has not been included.

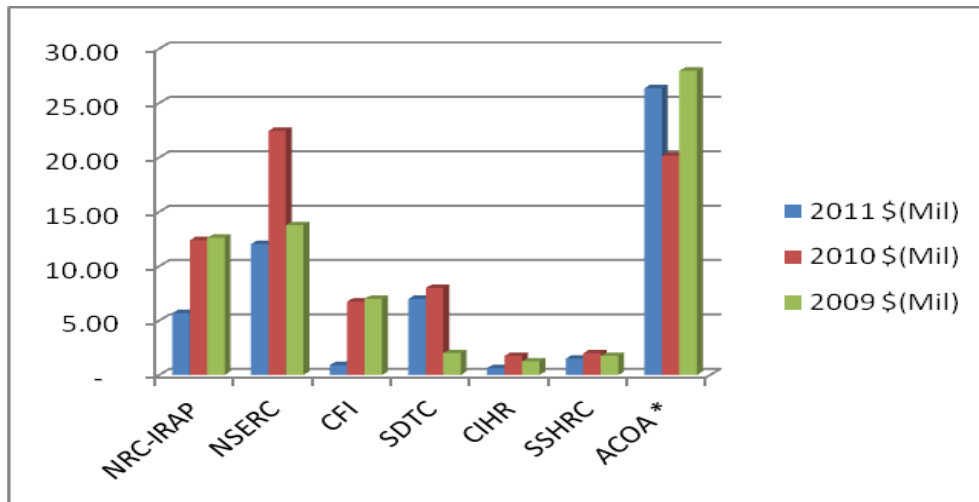
ACOA is the largest contributor to the federal grants, contributing almost 50% of the total federal funding for this year. For additional analysis of ACOA funding, see Appendix C.

**Figure 7.0: Grants in New Brunswick**



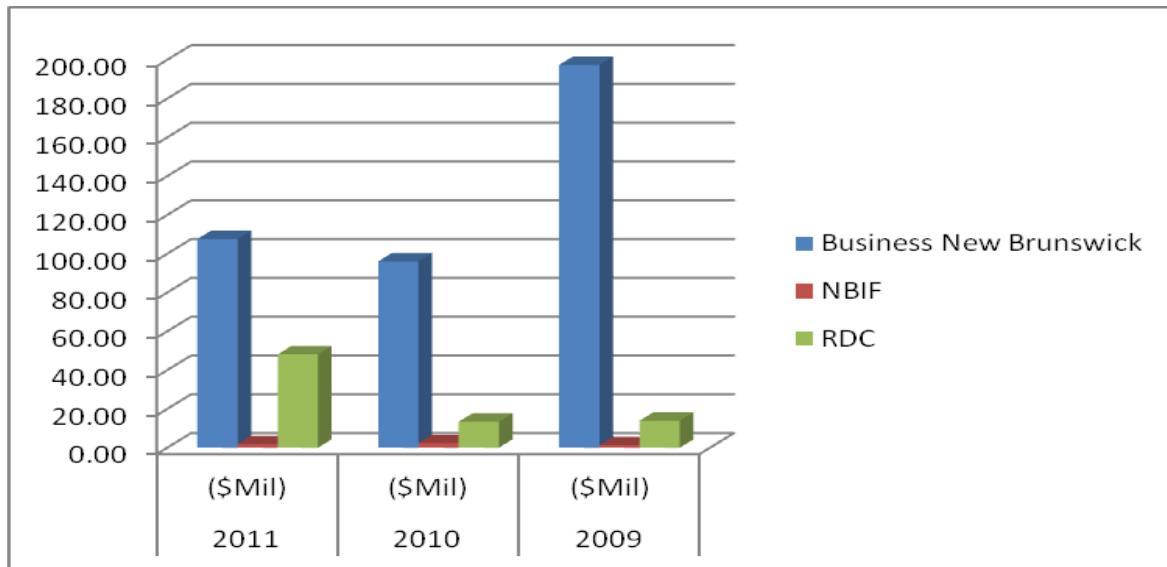


**Figure 7.1: Federal grants in New Brunswick**



Business New Brunswick is the single largest contributor of provisional grants in the province. The grants size increased from \$96.1 million to \$107.6 million in 2011. Regional Development Corporation (RDC) funding increased from \$13.4 million in 2010 to \$48.16 million in 2011 due to \$27.28 million in additional funds from the Community Economic Development Fund and the Northern New Brunswick Economic Development and Innovation Fund.

**Table 7.2: Provincial grants in New Brunswick**



\* For detailed contributions, please refer to Appendix C.



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## **Debt financing in the New Brunswick capital markets**

The business loans from caisses populaires increased approximately 16% from \$581.20 million in 2010 to \$675.5 million in 2011. Overall, 96 businesses or projects received more than a million dollars in loan funding.

For the New Brunswick credit unions, there was \$65.09 million in business loans outstanding in 2011 as compared to \$52.74 million in 2010. The business loans outstanding for ACOA were \$21.34 million.

For detailed information, see Appendix C.

### **Two home-grown companies make history**

Q1 Labs and Radian6 - both based out of Fredericton - made great strides in putting New Brunswick on the world map in 2011. These companies created hundreds of millions of dollars in shareholder value when they were acquired by technology giants IBM and Salesforce.com respectively. These two deals have the potential to change the capital markets landscape in New Brunswick for years to come. These acquisitions may impact the lives of New Brunswickers, as a significant portion of the capital was retained within the province. Discussions with our stakeholders revealed that a new wave of angels has been created as a result of these acquisitions, many of which have a keen interest in investing in private local companies. And we have seen the creation of a new social entrepreneurial centre at the University of New Brunswick.

Radian6, a social media monitoring company founded in 2006, was bought by Salesforce.com, a San Francisco-based cloud computing company, for \$326 million. This acquisition was declared 2011 Deal Of The Year Award by the Canadian Venture Capital Association.

Q1 Labs, a provider of security intelligence software, was founded in 2001 by employees of the University of New Brunswick. The company was bought by IBM in 2011 for an undisclosed amount. These two deals may become a major impetus to spur the capital markets in the province.

The Pond-Deshpande Centre for Innovation and Entrepreneurship was set up at University of New Brunswick (UNB) to foster innovation and entrepreneurship by facilitating collaboration among entrepreneurs, young companies and UNB students, faculty and alumni. The centre also serves as a hub for new entrepreneurs to transform their ideas into companies, products or services. Although not a direct result of these acquisitions, one of the original investors of these two companies provided the financial resources to help fund the centre.



## **Investments in New Brunswick publicly-traded companies**

Three New Brunswick public companies issued a prospectus this year to raise \$117 million through Canada's public markets in order to expand their business, either through debt reduction or through the acquisition of another company. For the first time in recent history, a New Brunswick company has chosen to raise additional funds using this option.

The three companies were Major Drilling Group International Inc, Plazacorp Retail Properties LTD and Invescor Restaurant Group Inc.

Plazacorp distributed 6,600,000 common shares at a price of \$4.20 per common share in 2011, raising approximately \$27.7 million with a notice of intent to exercise in full the over-allotment option to purchase an additional 990,000 common shares. This gave the company an opportunity to raise an additional \$4.2 million with the intention that the amount raised will be used to repay debt and project developments over the next 12 to 18 months.

Invescor Restaurant Group was successful in raising \$15 million from the public capital markets by offering 34,090,910 common shares.

Major Drilling distributed 5,900,000 subscription receipts representing the right to receive one common share. Each subscription receipt was worth \$11.90. The company raised approximately \$70 million to acquire Bradley Group, a major competitor that was based in Rouyn-Noranda (Quebec).



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## Appendix A – Glossary

- **Accredited investors** - A person or organization, generally wealthy and experienced, who meets established criteria. For specific criteria see National Instrument 45-106 *Prospectus and Registration Exemptions*.
- **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.
- **Bonds** - A bond is a debt instrument. The investor lends money to a borrower (such as a corporation or the government) for a certain period of time. In exchange, the borrower agrees to pay the investor a fixed rate of interest at certain times and to repay the value of the money borrowed (face value) at its maturity date.
- **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.
- **Common stock** - Securities representing equity ownership in a corporation, providing voting rights, and entitling the holder to a share of the company's success through dividends and/or capital appreciation.
- **Convertible debentures** - A type of loan issued by a company that can be converted into stock by the holder and, under certain circumstances, the issuer of the loan.
- **Corporate** - A fund formed by a corporation that makes private equity investments.



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- **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 to start, 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 market distributions** - When an issuer sells securities using one of the prospectus exemptions established under securities law.
  - **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.





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- **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.
  - **Notes** - A financial security that generally has a longer term than a bill, but a shorter term than a bond.
  - **Offering memorandum** - A legal document stating the objectives, risks and terms of investment involved with a private placement. This includes items such as the financial statements, management biographies, detailed description of the business, etc.
  - **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.
  - **Preferred shares** – A class of ownership in a corporation that has a higher claim on the assets and earnings than common shares. Preferred shares generally have a dividend that must be paid out before dividends to common shareholders and they usually don't have voting rights.
  - **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).



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- **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 venture capital fund** - The derived or stated investment focus of the fund.
  
  - **Type of funder** - The structure of the fund entity.
  
  - **Units** - A combination of securities or types of securities put together and bought and sold as one.
  
  - **Venture capital investment** - A special form of private equity investment characterized by investment in young, high-growth-potential companies.



## Appendix B – Dashboard - New Brunswick capital markets performance (2011)

Funding Source	Industry									2011 Total (\$ Mil)	2010 Total (\$ Mil)	Change since 2010 (%)
	ICT (\$ Mil)	Life sciences (\$ Mil)	Manufacturing (\$ Mil)	Energy (\$ Mil)	Agriculture / Forestry / Fishing (\$ Mil)	Mining (\$ Mil)	Services (\$ Mil)	Real Estate (\$ Mil)	Others (\$ Mil)			
<b>Equity investment</b>												
<b>By type of funder (VC)</b>												
Government	0.10	-	-	-	-	-	-	-	-	0.10	0.50	-80.00%
Retail	1.69	0.25	-	1.10	-	-	-	-	-	3.04	3.09	-1.62%
Private independent	6.40	-	-	-	-	-	-	-	-	6.40	10.83	-40.90%
Other or individual	6.83	0.15	-	-	-	-	-	-	1.40	8.38	1.26	565.08%
Institutional	0.48	-	-	0.05	-	-	-	-	2.70	3.23		
<b>Total VC investment</b>	<b>15.50</b>	<b>0.40</b>	<b>-</b>	<b>1.15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.10</b>	<b>21.15</b>	<b>15.68</b>	<b>34.89%</b>
Angel investment	0.44	-	-	-	-	-	-	-	-	0.44	0.20	120.00%
Exempt distribution	4.18	2.17	0.83	-	-	0.77	9.79	6.90	0.12	24.75	185.71	-86.67%
Public markets	-	-	-	-	-	70.00	-	31.90	15.00	116.90	-	
<b>Total equity investment</b>	<b>20.12</b>	<b>2.57</b>	<b>0.83</b>	<b>1.15</b>	<b>-</b>	<b>70.77</b>	<b>9.79</b>	<b>38.80</b>	<b>19.22</b>	<b>163.24</b>	<b>201.59</b>	<b>-19.02%</b>
<b>Granting</b>												
Provincial agencies	-	-	-	-	-	-	-	-	-	157.58	111.78	40.97%
Federal agencies	-	-	-	-	-	-	-	-	-	53.44	73.50	-27.29%
<b>Total granting</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211.02</b>	<b>185.28</b>	<b>13.89%</b>
<b>Grand total</b>	<b>20.12</b>	<b>2.57</b>	<b>0.83</b>	<b>1.15</b>	<b>0.00</b>	<b>70.77</b>	<b>9.79</b>	<b>38.80</b>	<b>19.22</b>	<b>374.26</b>	<b>386.87</b>	<b>-3.27%</b>
<b>Debt financing*</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>761.89</b>	<b>20,636.22</b>	<b>-96.31%</b>

\* Debt financing information could not be obtained for business loans from banks, finance companies, portfolio managers, financial funds and insurance companies for 2011. Included within this figure is information relating to outstanding loans to New Brunswick businesses made by caisses populaires, ACOA and credit unions.



## Appendix C - Tables

**Table 1.0: Amount of venture capital investments by industry sectors**

Year	\$ Amount					
	ICT (\$ Mil)	Life sciences (\$ Mil)	Manufacturing (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	Total (\$ Mil)
<b>2011*</b>	15.50	0.40	0.00	1.15	4.10	<b>21.15</b>
<b>2010**</b>	15.18	-	-	0.50	-	<b>15.68</b>
<b>2009</b>	0.66	10.22	0.54	-	22.20	<b>33.62</b>

\*Data from Thompson Reuters "Thompson one software".

\*\* Data from Thompson Reuters "VCReporter".

Thompson changed their data software program in the current year.

**Table 1.1: Number of direct venture capital investments by industry sectors**

Year	Industry					Total
	ICT	Life sciences	Manufacturing	Energy	Others	
<b>2011</b>	10	1	0	2	3	<b>16</b>
<b>2010</b>	9	0	0	2	0	<b>11</b>
<b>2009</b>	2	5	3	0	1	<b>11</b>



**Table 2.0: Amount of venture capital investments by development stages and industry sectors**

Stage of Development	2011				2010				2009				
	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Manufacturing (\$ Mil)	Others (\$ Mil)
Seed	0.23	-	1.15	0.20	0.00	-	0.50	-	0.50	0.25	-	0.15	-
Early stage	2.14	0.40	-	-	1.52	-	-	-	-	0.30	-	-	-
Later stage	13.13	-	-	3.90	9.98	-	-	-	-	-	-	-	-
Expansion	-	-	-	-	-	-	-	-	-	-	-	-	-
Balanced	-	-	-	-	3.68	-	-	-	0.16	9.67	-	0.39	22.20
<b>Total</b>	<b>15.50</b>	<b>0.40</b>	<b>1.15</b>	<b>4.10</b>	<b>15.18</b>	<b>-</b>	<b>0.50</b>	<b>-</b>	<b>0.66</b>	<b>10.22</b>	<b>-</b>	<b>0.54</b>	<b>22.20</b>

**Table 2.1: Number of direct venture capital investments by development stages and industry sectors**

Stage of Development	2011				2010				2009				
	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	ICT (\$ Mil)	Life sciences (\$ Mil)	Energy (\$ Mil)	Manufacturing (\$ Mil)	Others (\$ Mil)
Seed	6	0	2	1	0	0	1	0	1	1	0	1	0
Early stage	3	1	0	0	1	0	0	0	0	1	0	0	0
Later stage	1	0	0	2	1	0	0	0	0	0	0	0	0
Balanced	0	0	0	0	5	0	1	0	1	2	0	2	1
<b>Total</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>9</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>1</b>



**Table 3.0: Amount of venture capital investments by types of funders (2011)**

Investor type	ICT (\$ Mil)	Life Sciences (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	Total (\$ Mil)
Government	0.10	-	-	-	0.10
Private independent	6.40	-	-	-	6.40
Retail	1.69	0.25	1.10	-	3.04
Other/individual	6.83	0.15	-	1.40	8.38
Institutional	0.48	-	0.05	2.70	3.23
<b>Total</b>	<b>15.50</b>	<b>0.40</b>	<b>1.15</b>	<b>4.10</b>	<b>21.15</b>

**Table 4.0: Venture capital investments comparison by province**

Years	New Brunswick (\$ Mil)	Nova Scotia (\$ Mil)	Manitoba (\$ Mil)	Saskatchewan (\$ Mil)	Newfoundland and Labrador (\$ Mil)
2011	21.15	45.32	19.45	15.00	1.49
2010	15.68	8.39	12.06	4.02	-
2009	33.62	24.44	9.61	11.68	12.10

**Table 4.1: Venture capital investments comparison by types of industry and province (2011)**

Province	ICT (\$ Mil)	Life Sciences (\$ Mil)	Manufacturing (\$ Mil)	Energy (\$ Mil)	Others (\$ Mil)	Agriculture (\$ Mil)	Total (\$ Mil)
Saskatchewan	3.89	6.19	1.00	-	3.37	0.55	<b>15.00</b>
Nova Scotia	37.72	5.00	1.50	-	1.10	-	<b>45.32</b>
Newfoundland and Labrador	1.49	-	-	-	-	-	<b>1.49</b>
Manitoba	-	8.60	8.60	0.00	2.25	-	<b>19.45</b>
New Brunswick	<b>15.50</b>	<b>0.40</b>	<b>0.00</b>	<b>1.10</b>	<b>4.10</b>	-	<b>21.15</b>



**Table 5.1: Exempt market distributions**

2011 Total		2010 Total		Change since 2010	
(\$ Mil)	# of issuers	(\$ Mil)	# of issuers	%(\$ Mil)	% # of issuer
24.75	19	185.71	20	-86.7	-5

**Table 5.2: Exempt market distributions by types of investors (2011)**

Types of investors	NB distribution (\$ Mil)	Non-NB distribution (\$ Mil)	Total (\$ Mil)
Accredited investors	6.30	14.42	20.72
Family, friends & business associates	2.95	0.52	3.47
Offering memoranda	0.13	-	0.13
Employees, executive officers and consultants	0.05	0.15	0.20
Private Issuers	0.20	0.05	0.25

**Table 5.3: Exempt market distributions by types of security (2011)**

Types of security	NB distribution (\$Mil)	Non-NB Distribution (\$Mil)	Total (\$Mil)
Common shares	4.13	9.38	13.50
Notes	1.89	0.15	2.04
Units	0.63	1.03	1.67
Preferred shares	0.16	0.03	0.19
Convertible debentures	-	1.35	1.35
Units/bonds	2.80	3.20	6.00



**Table 6.0: Angel investments (2011)**

2011		2010		2009	
# of companies receiving investment	(\$ Mil)	# of companies receiving investment	(\$ Mil)	# of companies receiving investment	(\$ Mil)
1	0.44	1	0.2	1	0.24

**Table 7.0: Grants in New Brunswick**

Funding organization	2011 (\$ Mil)	2010 (\$ Mil)	2009 (\$ Mil)
Federal agencies	54.13	73.50	66.35
Provincial agencies	157.58	111.78	212.65
<b>Total</b>	<b>211.72</b>	<b>185.28</b>	<b>279.00</b>

**Table 7.1: Federal Grants in New Brunswick**

Funding organization	2011 (\$ Mil)	2010 (\$ Mil)	2009 (\$ Mil)
NRC-IRAP	5.70	12.39	12.61
NSERC	12.04	22.44	13.77
CFI	0.90	6.75	7.00
SDTC	7.00	8.00	2.00
CIHR	0.63	1.75	1.25
SSHRC	1.50	2.00	1.75
ACOA *	26.37	20.16	27.97
<b>Total</b>	<b>54.13</b>	<b>73.50</b>	<b>66.35</b>

(ACOA\* - grants and provisional grants)

**Table 7.2: Provincial grants in New Brunswick**

Funding organization	2011 (\$ Mil)	2010 (\$ Mil)	2009 (\$ Mil)
Business New Brunswick	107.60	96.10	197.37
RDC	48.16	13.40	13.95
Others	1.82	2.28	1.34
<b>Total</b>	<b>157.59</b>	<b>111.78</b>	<b>212.65</b>





**Table 8.0: Debt financing of business clients**

<b>Funding organization</b>	<b>2011 Outstanding (\$ Mil)</b>	<b>2010 Outstanding (\$ Mil)</b>	<b>Change since 2010 (%)</b>
<b>Caisses populaires</b>	675.50	581.20	16.23
<b>ACOA</b>	21.34	18.28	16.74
<b>Credit unions</b>	65.09	52.74	23.42



## Appendix D – Types of lenders

### Caisses populaires

Caisses populaires are cooperatives, member-owned financial institutions. In 2011, they lent \$675.5 million, as compared to \$581.2 million in 2010 to various industries. The majority of the loans were given to the construction, real estate, life sciences and agriculture industries. The institutions authorized new loans worth \$186.16 million.

**Table 9.0: Amount of outstanding loans**

Outstanding loans	
Year	(\$ Mil)
2011	675.50
2010	581.20

**Table 9.1: Loans as of January 1<sup>st</sup> 2011 plus newly-issued loans 2011**

Types of loans	(\$ Mil)
New	186.16
Old	489.34
<b>Total</b>	<b>675.50</b>

**Table 9.2: Outstanding loans by industry sectors (2011)**

Industry	(\$ Mil)
Agriculture	101.10
ICT	1.70
Manufacturing	21.50
Others	160.10
Life sciences	129.80
Construction and real estate	195.50
Services	65.80
<b>Total</b>	<b>675.50</b>



## Credit unions

New Brunswick credit unions loaned \$65.09 million compared to \$52.74 million in 2010 to local businesses.

**Table 10.0: Outstanding loans**

Outstanding loans	
Year	(\$ Mil)
2011	65.09
2010	52.74

## Atlantic Canada Opportunities Agency (ACOA)

ACOA granted and loaned a total of \$47.7 million in the current year to 113 provincial companies. The majority of the funds (\$26.29 million) were given to Business Development Programs and \$14.15 million to Atlantic Innovation Fund (AIF) – II. In all, 72 companies in manufacturing and other industries received a total of \$21.64 million as grants and loans. Other industries include organizations involved in community economic development.

**Table 11.0: Grants and loans by project type (2011)**

Project type	(\$ Mil)
AIP II - YEDI - Aspiring Entrepreneurs	0.01
BDP - Community Adjustment Fund (CAF)	0.50
AIP II - YEDI - Community Entrepreneurship	0.60
Industrial Diversification Program (IDP)	6.15
Atlantic Innovation Fund (AIF) - II	14.15
Business Development Program	26.29
<b>Total</b>	<b>47.70</b>



**Table 11.1: Number of companies receiving grants and loans by industry sectors (2011)**

<b>Industries</b>	<b># of companies</b>
<b>Agriculture/fisheries</b>	20
<b>ICT</b>	11
<b>Manufacturing</b>	39
<b>Energy</b>	3
<b>Life Sciences</b>	2
<b>Others</b>	33
<b>Education</b>	5
<b>Total</b>	<b>113</b>

ACOA issues three types of funds - namely contribution, provisionally-repayable contribution and repayable contribution - for their business clients. Contribution is a conditional transfer of payment to an individual or organization. Provisionally-repayable contribution is when an obligation exists for the receiver to repay (partially or fully) when certain milestones or conditions are met. Repayable contribution is a fully-repayable loan regardless of the project outcomes. In the current year, repayable contribution accounted for 44.73% of the total contributions.

**Table 11.2: Types of grants and loans (2011)**

<b>Assistance type</b>	<b>(\$Mil)</b>
<b>Contribution</b>	10.30
<b>Provisionally-repayable contribution</b>	16.07
<b>Repayable contribution (loans)</b>	21.34
<b>Total</b>	<b>47.70</b>

Manufacturing, agriculture/ fisheries and ICT together accounted for 78.56% of the total contribution. Manufacturing received the highest funds of \$18.18 million whereas agriculture/fisheries and ICT received \$10.72 million and \$8.57 million.



**Table 11.3: Amount of grants and loans by industry sectors (2011)**

<b>Industries</b>	<b>(\$Mil)</b>
<b>Agriculture/fisheries</b>	10.72
<b>ICT</b>	8.57
<b>Manufacturing</b>	18.18
<b>Energy</b>	2.02
<b>Life sciences</b>	3.05
<b>Others</b>	3.46
<b>Education</b>	1.70
<b>Total</b>	<b>47.70</b>



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## Appendix E - Sources list

- **Table 1.0 - Table 4.1, Figure 1, Figure 4**

Source: Thomson Reuters

- **Table 5.0 - Table 5.3**

Source: Regulatory filings made to New Brunswick Securities Commission

- **Table 8.0**

Source: New Brunswick Securities Commission Annual Report

- **Table 7.0 - Table 7.2, 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)
3. Regional Development Corporation (RDC) Annual Report

- **Table 9.0- Table 9.2**

### **Caisses populaires (New Brunswick)**

Source: Fédération des caisses populaires acadiennes