

# Making Headway

Reporting on the Financial and Consumer Services Commission's Fullsail Capital Markets Initiative

## Venturing into Capital Markets



FINANCIAL AND  
CONSUMER SERVICES  
COMMISSION

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## FEATURES

### **Bioscience Boom Attracting Investors in New Brunswick**

Enjoy a Q&A with Meaghan Seagrave, Executive Director, BioNB. We spent time discussing the role of BioNB to learn more about this fast moving and fast growing part of New Brunswick's eco system. We even address the question; what is bioscience?

### **Bob Williamson: Entrepreneur, Mentor, and Softy**

After this year's Invest Atlantic conference, held in Moncton, we sat down with the events founder, Bob Williamson, who shares the history of the event and the importance of bringing together mentors, investors and entrepreneurs.

### **Just Us! Coffee and their history with CEDCs**

The newly developed Community Economic Development Corporation program is similar to the Nova Scotia program, so we reached out to the owners of Nova Scotia's Just Us! Coffee Roasters Co-op to learn about how they successfully developed their CEDC.

### **Online Trivia Game**

Learning about money doesn't have to be dull and can be rewarding! To prove it, FCNB will soon launch a new web trivia game called Fortune.

### **Capital Markets Report Summary**

The report provides an analysis of the trends, sources, sizes, and types of various capital markets used by investors and businesses to raise capital to finance operations. This report provides a comprehensive analysis of New Brunswick capital markets activities for the past five-year period ending in 2015.

## SOCIAL MEDIA NEWS

### **BIONB @BIOSCIENCENB**

Good luck today to NB #lifesciences companies @ChinovaB @BiopharmNexus #SomaDetect competing in the BioInnovation Challenge! #BioPort16

### **JUST US! COFFEE @JUSTUSCOFFEE**

Just Us! would like to thank you for helping us pass our goal of selling 2,300 cups of coffee for the Fairtrade Challenge, we sold 2,400!

### **FCNB @FCNB\_**

Are Venture Capital firms investing in New Brunswick companies. Find out here. <http://www.fcnb.ca/CM-Research.html> ... #NB411

### **INVEST ATLANTIC @INVEST\_ATLANTIC**

Final words from Bob Williamson on how amazing #IA2016 was! Thanks for the #love Moncton! @PondDeshpande @VennCentre @FuturpreneurATL

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### **WHAT'S NEW AT FCNB.CA**

FCNB has created three insightful videos explaining how a CEDC works. The first is a general overview. The second is for investors, and the third video is for companies looking to raise money in New Brunswick.

<http://www.fcnb.ca/cedc.html>

# Editor's Note

## Investments in New Brunswick's Capital Markets

**C**apital markets are made up of many moving parts. This edition of Making Headway features FCNB's annual Capital Markets Report, an interview with the founder of Invest Atlantic, a discussion with the owners of Just Us! Coffee Roasters Co-op (successful CEDC in Nova Scotia), and an in-depth interview with a representative of BioNB, a significant contributor to New Brunswick's evolving bioscience industry.

FCNB's annual Capital Markets Report aims to determine which industries are raising capital to fund their ideas and potential future growth. It also aims to compare annual results that can show longer term trends in our markets. This year, additional attention was placed on the past five years with the intent of revealing how markets have developed in the past half-decade. The full report is available on FCNB's website, and this edition provides a summary of these results.

CEDC rules have only been in place for a few months in our province so we needed to look next door at our friends in Nova Scotia to find a company that was developed as a CEDC (CEDIF in Nova Scotia) and has found success over the years. Just Us! Coffee Roasters Co-op, one of Annapolis Valley's largest employers, started 21 years ago as a CEDC and has been able to grow and expand with the help of its shareholders and loyal customer base. Time will tell if New Brunswick will have similar success stories in the years to come.

For many, the term bioscience might not be familiar, although biotechnology is perhaps better known. We joined Meaghan Seagrave in the lab to discuss bioscience; how it is developing in New Brunswick, and what the future looks like. Meaghan shared an ecosystem of insight into the successes and benefits in our province.

We also had the opportunity to discuss Invest Atlantic with the event founder Bob Williamson. Bob shares with us the history of the concept, and the life experiences that gave him the confidence to take on an event of this magnitude.

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JEFF HARRIMAN, SENIOR ANALYST, CAPITAL MARKETS, FCNB



### WE WANT TO HEAR FROM YOU

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

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Connect with us to stay up-to-date on what we're doing to foster New Brunswick's capital markets, as well as for updates on regulatory and enforcement matters, and our education and outreach programs.

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# Bioscience Boom Attracting



Meaghan Seagrave, Executive Director, BioNB

## Q What is BioNB?

BioNB is the voice of the bioscience sector in New Brunswick. We are a small team with backgrounds in business and science that support researchers and entrepreneurs in developing businesses in a highly technical sector. We are a not-for-profit that advocates for the sector and works to raise its profile provincially, nationally and internationally. BioNB works directly with over 40 companies and 14 research institutions and partners with other players in the provincial start-up ecosystem.

## What is bioscience?

Bioscience or biotechnology involves using living things to develop useful products and processes. Entrepreneurs in this sector are creating opportunities to ensure our food security, improve our health and create a cleaner environment. Pharmaceuticals and medical technologies typically come to

mind, but bioscience is more than that. New areas like agricultural technology, biofuels, bioproducts and biorefining are starting to take off globally. Using drones to analyze crop yields, turning waste wood into green diesel and extracting new medicinals from fisheries waste are all examples of ways to do more value-add with our biomass.

## How can bioscience benefit New Brunswick?

Our traditional industries of fishing, farming and forestry, combined with emerging technologies in bioscience to transform these resources into high value products, is what sets New Brunswick apart. Two-thirds of New Brunswick are covered with biomass in the form of forest or farmland. This biomass, coupled with two distinct coastlines offering a large range of marine opportunities, is creating massive possibilities for us to play in the global bio-economy. When we add in the technical knowhow of our 14 research institutions and our growing knowledge sector, we have the building blocks required to build and attract world-class businesses here in New Brunswick.

## What are some successes to date?

We work with over 40 companies involved in bioscience. In the last four years, we have seen the number of bioscience start-ups double. Resson Aerospace, which received \$14 million in investment from Monsanto, and a U.S. venture capital firm this past summer, is

a great example of a company seeing success in the fast growing field of agri-tech. Mycodev Group is growing and selling medical grade chitosan from fermented fungus to major biochemical companies around the globe. LuminUltra Technologies is exporting its microbiological measurement tools and test kits to over 60 countries around the world. All of these firms call New Brunswick home.

## How can bioscience contribute to the economy?

The bioscience community in New Brunswick is growing at a rapid pace. This is helping to keep new graduates in the province and illustrates the marriage of our traditional industries with the technology platforms that are helping to transform them. All this is helping to generate a renewed faith in our traditional industries. With some investment exits, we will see money funnel back into the ecosystem to support more research, start new companies, create jobs and build wealth in the province.

## What role can government play?

The start-up ecosystem we have built here is fantastic, but there is a gap in funding to support the commercialization of new technologies. Accelerator programs tend to focus on IT firms with quick market access, which is great, but bioscience start-ups require different timelines and approaches to help them develop. Government can make innovation and technology adoption in our traditional industries a focus, which would

# Investors in New Brunswick

allow us to marry the strengths of the knowledge sector with our existing R&D assets. Supporting transformational technologies and helping our traditional industries act as early adopters will also allow the province to take advantage of the federal government's Clean Growth Economic strategy and increase the federal spend and support in New Brunswick.

## What opportunities exist for investors?

Investors are starting to wake up to the opportunities in bioscience. In the U.S., investments in life science have outperformed those in IT by five times over the past decade. Silicon Valley firms like Kleiner Perkins have woken up to the opportunities in bio and have been making more and

more investments in the space. Investors want growth industries and with IT slowing down, their money is moving into bio. There's much talk about the phenomenal exits by Radian6 and Q1 Labs, however it's important to note that BioVectra, Ocean Nutrition, and Ascenta Health (all Maritime grown) also had successful exits. We also need to consider the opportunity that bio represents for investment attraction and firms looking to springboard into the U.S. market. With our

**New Brunswick is a hidden gem because we have all the required assets we need in this province.**

significant assets in terms of biomass and R&D capacity, we have an attractive value proposition for European and Asian technology firms looking to be close to both the biomass inputs and the U.S. market.

## What does the future look like?

New Brunswick is a hidden gem because we have all the required assets we need in this province. We just haven't done a good job of leveraging them in a coordinated fashion until now. We also don't see our traditional industries as being able to attract our youth. But if we show them how technology can transform our traditional industries and our biomass assets to create new opportunities, we can keep our youth engaged and building wealth here.



Left to right: Meaghan Seagrave, Claudia Goyer and Gerald Keddy.





# Invest Atlantic's Bob Williamson:

Bob Williamson is the founder of Invest Atlantic, Atlantic Canada's largest networking event, which in October 2016, brought together close to 300 start-ups, entrepreneurs and investors. Invest Atlantic is known as "the" place to help entrepreneurs connect and grow their business. The conference brings some of North America's most renowned investors together with the region's newest and fastest growing companies for two days of focused discussions on everything from raising capital and collaboration, to partnerships and succession planning.

Bob has a great history. His entrepreneurial endeavours started in 1979 with Ocean Resources Magazine in Nova Scotia. Bob was studying at Mount Saint Vincent University in Halifax and was working within the oil and gas industry, most notably with the potential offshore developments in Newfoundland. The group of companies he was working with thought Bob should be the next publisher of Ocean Resources Magazine. For Bob, this first voyage in entrepreneurship had some tumultuous ups and downs. Nevertheless, he helmed the magazine all the way from 1980 to 2001, during which time he was able to spur growth of over 600%. The downturn in the oil and gas industry in 2001, combined with some personal issues, forced Bob to consider his options and he decided to sell the magazine and walk a new path.

The headline mentions Bob as a self-described softy. One of the reasons why is because the decision to sell the magazine was easier than expected. He desired to spend more time with his family, especially his son, who was four at the time.

"My experiences with the magazine and the lessons I learned gave me a unique perspective and I now have real empathy for those entrepreneurs trying to develop their start-ups. You could say, I have been there, done that."

## WHAT LED TO INVEST ATLANTIC?

When Bob took some time off after selling Ocean Resources, he decided to return to his roots working with energy companies. It was his time working with companies that were developing wind farms that gave him the idea to start his first conference, not Invest Atlantic, but an event on renewable energy. Smart Energy became his first event venture which has now been running for 13 years straight!

His interest in helping to develop start-ups began with his first small investments of \$1000 - \$5000 with start-up energy companies. These investments also led to the mentorship of these companies that helped Bob discover a gap in Atlantic Canada that needed to be filled. "Mentorship didn't really exist formally in the early 2000's to 2010," he recalls. "Interestingly, all the companies I have worked with are still around and only one has not survived." Bob's discoveries continued to be relatively straightforward. "Many of our entrepreneurs in Atlantic Canada really needed help. They needed more folks involved in helping them build their companies." Bob's past experiences brought him many places including Boston, Colorado, and San Francisco, where he saw a significant difference in the level of help and mentorship companies could obtain, and he wanted to emulate those efforts.

His first call was to Peter Moreira, founder of Entrevestor, an online portal that unites and informs the investment community in Atlantic Canada, and recently Kitchener-Waterloo. Bob offered Peter a contract to help him put together Invest Atlantic. "The idea was to bring together service providers, new entrepreneurs, and older entrepreneurs and see what happened." Bob was surprised when he spoke to a number of experienced entrepreneurs



# Entrepreneur, Mentor, and Softy

and did not receive positive responses. He quickly realised a new environment needed to be built for entrepreneurs to thrive. “Old thinking was not going to create new innovations.” Though many were not sure his vision was accurate, he decided to build Invest Atlantic anyway. He self-financed the initiative and gave himself five years to recoup his money. “It actually took six years to break even,” he confesses. The investment included exposing local groups to what was going on outside of this region. “We implemented some simple strategies to teach folks how to invest, how to build, and find global markets. We wanted to change the vision of companies whose vision was to grow only in Nova Scotia.”

Invest Atlantic has been occurring annually ever since, and those stakeholders Bob originally pitched are now all partners, investors or participants. He continues to steward this event on his own values, and he works with supporters to provide 150-plus free tickets to students and start-ups each year.

The 2016 event was held in Moncton, New Brunswick for the first time and was another success. Bob left the two-day event completely elated. “The goals and objectives of the event were met as deals were made—people learned, and the passion was obvious!”

## INVEST ATLANTIC RESULTS

Congratulations to the PitchCamp winners:

- **Pitch101 First Place:**  
Joshua Green, Empowered Homes
- **Pitch101 Second Place (tie):**  
Emily MacKinnon, Feed the Need
- **Pitch101 Second Place (tie):**  
Peter Francis, HelpMeOrder
- **Pitch101 Third Place:**  
Jen Leger, Quber Technologies
- **Pitch201 First Place:**  
Tony Daye, Loft1 Media Inc.
- **Pitch201 Second Place:**  
Mark Hobbs, Fundmetric
- **Pitch201 Third Place:**  
Alex Kall, ReadyPass

## FREE RESOURCES

### Is money stress impacting your workforce?

Stress-related absenteeism is costing Canadian employers billions of dollars every year. With 42% of Canadians ranking money as their greatest source of stress, why not promote financial wellness in your workplace? FCNB has resources to help you get started.

Over one-third of Atlantic Canadians are having trouble keeping up with financial obligations and are turning to credit to fill the gap. For every dollar earned we are spending approximately \$1.65. This overspending is impacting our ability to save. Did you know 66% of New Brunswickers who responded to the 2016 CSA Investor Education Study reported having no savings or investments set aside for the future? No wonder we are so stressed out!

#### Smart spending starts with a budget.

Building a budget can prepare your employees for unexpected expenses, meet financial obligations, pay down debts and save for what is most important. Learning to track spending helps make budgeters more aware of their personal spending habits, more likely to carefully consider purchases, and less likely to overspend. Budgeting builds confidence and leads to better financial behaviour.

Help your employees combat money stress by booking a free Budget Workshop for your organization. Workshops are offered in both French and English and can be tailored to the needs of your group. Your employees will receive a free copy of FCNB’s Budget Workbook including a budget template, income journal, spending journal and bill schedule. To book your presentation or order a copy of FCNB’s Budget Workbook, visit [FCNB.ca](http://FCNB.ca) or call 1 866 933-2222.

# Just Us! Coffee and their history with CEDCs



The Just Us! Coffee Roasters Co-op set out in 1995 to become Canada's first Fair Trade coffee roaster. It was a small, but bold experiment to show that the coffee business, and all businesses, could be done differently, through collective investing and putting "People and the Planet before Profits"™ locally and globally.



## Why did you decide to become a CEDC?

We had grown at such a rate that we really needed to expand our production facility to handle the increase in sales. Of course, this was a success story on many levels but with our bank they were not prepared to take any more risk with us to finance an expansion. We began to look around for what we could do. We discovered the CEDIF program and it seemed to be a perfect fit. It was a fairly new program and so we got in on the ground up when the government was really promoting it as a way to keep Nova Scotian's investments at home. We took on this project and it kept us busy for about

four months. There was much to do with writing the offering, setting things up with the credit union, going on the road to promote it and administering the investments with the investors. With about two weeks to go until the close of the offering, it looked like we weren't going to make it. We went to meet our accountant to tell him the news and he just looked at us and said you have no choice but to make it happen. Well, in the end we learned that people do their investing in the last couple of weeks prior to the end of RRSP time and we hit our target and our expansion went forward. It was one of the best things we could have done for so many reasons.

## How are you able to work with a large number of shareholders and how do you communicate with them?

Once the first offering was over we settled into our expansion and we forgot about all these investors who had invested in us. Then came time for the first annual meeting of the Just Us! Fair Trade Investment Co-op (JUFTIC) and most of the investors showed up. We were surprised and excited. What we heard from them, after we toured them around to see the new production plant, was that they wanted to be involved and wanted to share in our success and challenges. From that point on, we established a newsletter that we sent to investors twice-a-year to let them know what was happening. We had a few investors that sat on our board and shared their valuable experience. The most wonderful

thing was that we had hundreds of key supporters around the province who would encourage, challenge and promote us. It was like having a dynamic salesforce spread all over Nova Scotia.

We set up a database that gave us quick answers to the questions that investors would have about their investments. This database also gave us our statements which are important to send out to the investors twice a year. This gives them confidence that things are on the up-and-up.

## Who should an entrepreneur have in their corner when considering this type of venture?

You will need someone that is a good administrator because the investors expect you to be professional about the CEDIF. There are forms to fill out, reports to file and questions to answer.

It is important that you go out and meet with the potential investors, have someone that can tell the story of your business and help the investors to see what they are investing in and why it is important.

We prepared the offering ourselves. Sometimes it was a bit challenging, but it is set up so you can do it yourself and the folks that administer the program in Nova Scotia have been a great help.

## Lessons learned?

Don't leave it too late to start on your offering document. Our experience has been it can take two to three months to develop



your final draft. You need to have it done no later than the end of December so you can take advantage of the RRSP investment time to promote it. Have your offering document approved before you go out and promote it.

Expect your investors to be interested in what the business is up to. Communicate with them and find ways to listen to them and maybe even involve them. They can be one of your biggest assets and resources.

Self-directed RRSP fees can be expensive. We decided at the beginning to cover these fees but in the end this probably wasn't the best decision as it only

makes sense at a certain level of investment and so I would think that out carefully.

### **General advice for those considering becoming a CEDC?**

Take it seriously. You are playing around with others' money and they are putting a lot of trust in you and your business. Think seriously about paying out a small dividend. This is certainly not the main reason investors invest in CEDIFs but it has been important for them to keep their money in long after they have benefitted from the CEDIF tax credit. The money that has been invested has been critical to our growth and has given us a great relationship with the bank which

gave us excellent rates. Because the CEDIF sits as equity, you look very favourable to the banks.

Work with others doing CEDIFs to lobby the government, bring awareness to the program and learn from each other on the administration side. You are ground breakers!

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## **FREE RESOURCES**

### **Coming Soon: "Fortune" online trivia game**

Learning about money doesn't have to be dull and can be rewarding! To prove it, FCNB will soon launch a new web-based trivia game called Fortune.

The game will be free to play and anyone with an internet-connected desktop, smartphone or tablet will be able to access and play it online at any time. New Brunswickers will be able to test their money smarts and compete against their friends and other players across the province.

Players will access the game by visiting *fortune.fcnb.ca*. Creating a profile will be quick and easy. Players will have the option of creating a profile using their email address or by connecting their Facebook account. Fortune will be accessible in both French and English.

"I'm impressed by the innovative approach taken by FCNB to provide a fun and practical tool to help Canadians grow their money savvy," says Jane Rooney, Financial Literacy Leader of Canada.



# Capital Markets Report reveals varied outcomes over five years

Capital markets are where entrepreneurs and businesses seek money or investments to fund their growth. The goal of the report is to provide FCNB's stakeholders with a single source for in-depth information and analysis of our capital markets.

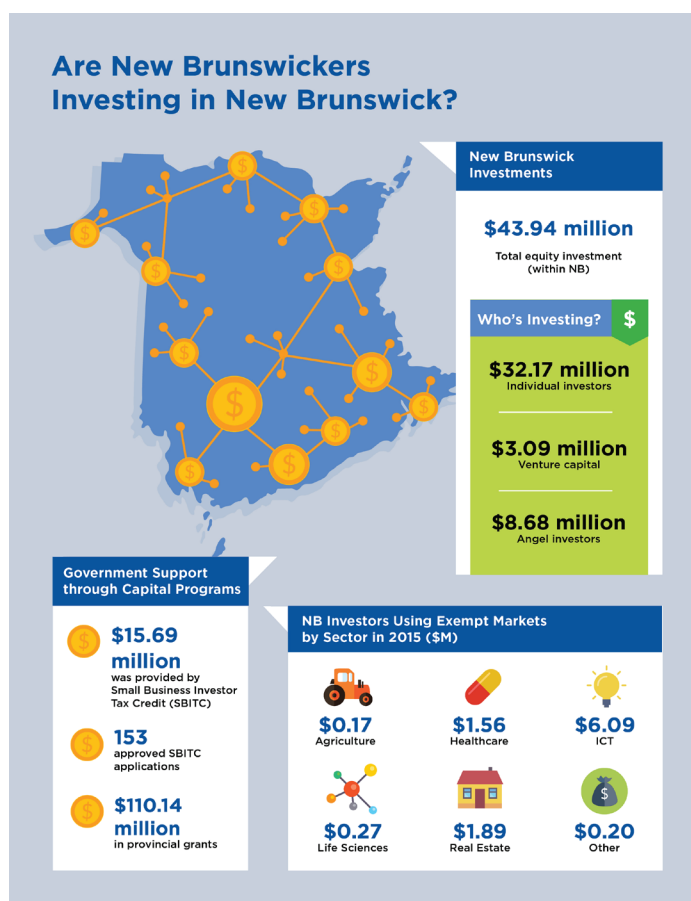
The report highlights data on more than \$1.46 billion raised through direct investments received by New Brunswick companies between 2011 and 2015. This total is comprised of venture capital of \$62.17 million, public companies raising \$251.44 million, and exempt markets distribution of \$1.15 billion.

Venture capital (VC) investments continue to play a key role in our capital markets. In 2015, New Brunswick companies attracted a total of \$11.64 million compared to \$14.08 million in 2014, a decrease of 17.3%. In 2015, the VC funds raised were slightly below the cumulative five-year average of \$12.43 million and the number of VC deals also dropped by seven.

Information and Communications Technology (ICT) also continues to be the main focus for VC deals attracting 88.6% of total VC capital in 2015. Overall, the majority of VC deals were in the early and later stages of business development. Later stage VC investment increased by 127.3% (from \$990,000 in 2014 to \$2.25 million in 2015), although this amount remains below the five-year average of \$4.8 million.

**The goal of the report is to provide FCNB's stakeholders with a single source for in-depth information and analysis of our capital markets.**

The provincial government also supports entrepreneurial efforts through its Small Business Investor Tax Credit (SBITC). In 2015, the tax credit was increased from 30% to 50% of the amount invested. This had an immediate impact on New Brunswick's capital markets as the total capital raised in 2015 using the program increased to \$32.17 million, an increase of 116.9% over 2014.



New Brunswick public companies were relatively quiet in 2015 with a total capital raise of \$19.94 million. All of these funds were raised using the exempt market. The lending provided by the caisses populaires and the credit unions increased by 6.5% (\$52.17 million) and 7.3% (\$5.83 million) respectively, in 2015.

The cumulative value of merger and acquisition (M&A) deals for New Brunswick for the five years ending 2015, was \$1.4 billion. The report notes New Brunswick companies have been actively purchasing companies within and outside New Brunswick with total acquisitions worth \$769.25 million representing 53.98% of all M&A activity. Mergers and acquisitions in the year 2015 witnessed a significant drop to \$125.28 million, down from \$372.02 million in 2014.

Read the report and find more information on our website: [fcnb.ca/CM-Research.html](http://fcnb.ca/CM-Research.html)