

Making Headway



**Growing in
New Brunswick**



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

WINTER 2016
Volume 7 Edition 3

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Capital Markets Report Summary

We recently published our 2015 New Brunswick Capital Markets Report to provide stakeholders with a single source for in-depth analysis of our capital markets. This summary will include highlights from the report.

Crowdfunding in New Brunswick

FCNB approved rules to allow for equity-based crowdfunding in New Brunswick. Cox & Palmer provides an overview of legal issues to consider when crowdfunding in New Brunswick.

Kim Sharpe Interview

Learn about Plaza Retail, a developer, owner, and manager of retail real estate, based in Fredericton. We sat down with Kim Sharpe, Director of Business Development for Plaza, to talk about how the company has grown over the years.

Paul Gunn Interview

We interviewed Paul Gunn, President and Chief Executive Officer of Soricimed Biopharma Inc. Soricimed is a clinical-stage drug and diagnostic development company based in New Brunswick. We discussed the benefits and challenges of starting an organization in New Brunswick.

Bringing Together Art and Business

Third Space Gallery, Saint John's not-for-profit artist-run centre for contemporary art, hosted their first night exhibition of public contemporary art projects, Third Shift. Third Shift brought the art community and local businesses together to create a unique summer evening for artists and art appreciators alike.

SOCIAL MEDIA NEWS

BIONB @BioscienceNB

When setting up your crowdfunding campaign @GRohac says: make it special and be honest #Fullsail2015

PLANETHATCH @Planethatch

#1 Tip: Talk to 50 people that don't know who you are and explain your idea #crowdfunding @RealFoodsLevi @FCNB_ #Fullsail2015

KRISTA ROSS @KRossChamber

Congratulations to Plaza Retail REIT on winning the UPS large business award @Fton_Chamber #bea2015

UPTOWN SAINT JOHN @uptownsaintjohn

AMAZING photos of #ThirdShiftSJ this past weekend by @markhemmings. Mark, you've captured the magic here! <http://markhemmings.com/blog/>

NATASHA DHAYAGUDE @N_dhayagude

Learned lots about the different aspects of #crowdfunding thanks @FCNB_ for putting on a great event! #Fullsail2015 @JDHarriman

WHAT'S NEW AT FCNB.CA

We've created a fun animated video to help you better understand what crowdfunding is, what the new rules are and how to start the process.

Check out the video at: fcnb.ca/crowdfunding.

Editor's Note

Growing in New Brunswick

Growing a company is harder than it seems. It can take years and requires a lot of hard work, sleepless nights and sometimes luck. We often discuss growth in relation to Start-up companies and high growth industries, however there is a lot to be learned from those who have had success and work in more traditional industries while achieving the type of growth many organizations wish to emulate.

This edition, we had the opportunity to interview two New Brunswick entrepreneurs whose organizations have started from little and have grown in our province. They were more than happy to share their stories and viewpoints on growing in New Brunswick.

FCNB has been active in the past few months sharing details about our rules that allow for equity crowdfunding. In this issue, we share an article provided by Cox & Palmer that shares their views on things a company should consider if they plan to raise funds using equity crowdfunding.

We also have included a unique story on an event where the arts community and business community in Saint John came together to create a night to remember!

Each year, we publish a report on New Brunswick's Capital Markets. This report highlights which industries are raising funds in New Brunswick and can be found at fcnb.ca/capitalmarketsresearch.

The report also identifies where funds are being raised and which industries are most active in attracting investment. Enjoy the stories our New Brunswick entrepreneurs have shared and the insights provided by our Capital Markets Report.

JEFF HARRIMAN, CAPITAL MARKETS SPECIALIST, FCNB



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

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 email telling us about something great that is happening in New Brunswick's capital markets.

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WHAT'S NEW AT FCNB.CA

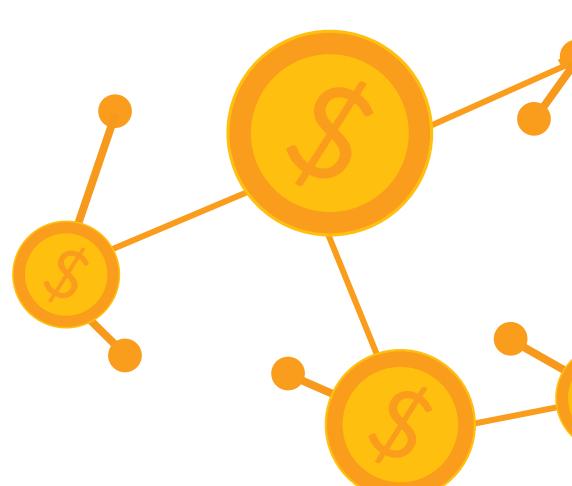
As part of our Full Sail capital markets development initiative, we strive to assist stakeholders in understanding the components of New Brunswick's capital markets and provide tools to analyze emerging trends.

Learn more at fcnb.ca.

Capital Markets Report



Our 2015 New Brunswick Capital Markets Report presents a clear picture of the activity in New Brunswick capital markets; as well it provides a tool to analyze capital markets trends in the province. The report includes a five-year trend analysis and a discussion on FCNB's new rules that allow for equity crowdfunding.



The goal of the report is to provide stakeholders with a single source for in-depth analysis of our capital markets. We have also included data regarding the \$24.51 million invested by New Brunswick individuals and organizations that helped fund New Brunswick companies in 2014.

REPORT HIGHLIGHTS

- Venture capital rebounded in 2014 to \$14.08 million with 22 completed deals. The average size deal increased to \$640,000 from \$470,000 in 2013.
- New Brunswick Venture Capital (VC) results remain relatively strong when compared to similar-sized provinces, with only Saskatchewan and Newfoundland and Labrador receiving more VC funding. New Brunswick had the highest number of individual deals.
- Mergers and acquisitions saw 23 deals worth \$372.02 million completed in 2014.
- Capital raised in the exempt markets totalled \$75.28 million in 2014 and this amount was raised by 19 companies.
- There has been continuous growth in debt financing over the last five years with the caisses populaires and the credit unions providing increased lending. Debt financing from New Brunswick financial institutions increased by two percent compared to 2013.

For more information and to read the full report, visit fcnb.ca/capitalmarketsresearch.

Crowdfunding in New Brunswick

Equity crowdfunding provides an innovative, fresh and new opportunity for entrepreneurs to fund their start-up corporations in New Brunswick. However, the legal implications and ramifications can be complicated. Outlined below are a few issues that any entrepreneur will want to consider before entering the equity crowdfunding universe.

Structure

How is the share capital of your corporation structured? Because a potential “funder” will be subscribing for equity in your corporation, the share capital structure should be organized appropriately. Before deciding to offer shares to the “crowd”, make sure you know what you are offering. Consider whether the shares being offered should be a separate class than those held by other current shareholders. You may want to restrict the

time limitations so that shareholders are deemed to consent in the event that they fail to respond within the allotted timeline.

Governance

Every entrepreneur who is considering equity crowdfunding should also be prepared for the increase in the importance of good corporate governance once many shareholders are brought to the table.

A solid and well thought-out unanimous shareholders agreement is a must. Every person that subscribes for shares needs to become a party to the unanimous shareholders agreement. This requirement and the contents of the agreement will need to be made available for all potential shareholders prior to the issuance of any securities.

Equity crowdfunding provides an innovative, fresh and new opportunity for entrepreneurs to fund their start-up corporations in New Brunswick

new shareholder’s ability to vote, and/or ensure that existing shareholders have “super-voting” shares to ensure that the new shareholders do not have stronger voting power than the founders.

In New Brunswick, unless otherwise stated, all shareholders of a corporation enjoy pre-emptive rights upon the issuance of additional shares of a corporation. This can prove to be problematic for a corporation where there are a large number of shareholders. Consequently, you may wish to consider eliminating shareholders’ pre-emptive rights by amending the articles of incorporation before approaching the “crowd” for funding.

You should also consider whether the by-laws of the corporation are conducive to handling shareholders that are not active in the day-to-day operations of the corporation. Before equity crowdfunding, consider whether timelines for calling meetings are appropriate and build in

Any unanimous shareholders agreement needs to contain customary language that is designed to protect a corporation from issues that can arise between shareholders (among other things). This is particularly important where the corporation does not have a personal relationship with the shareholders from the “crowd” that are subscribing for shares. For example, any wise entrepreneur will ensure that their unanimous shareholders agreement includes a right of first refusal and drag along rights which are tailored to protect the corporation. The agreement should also address the issue of what happens in the event of a buyout of the corporation.

When dealing with a large number of passive shareholders (which will be the case for those coming from a round of equity crowdfunding), an entrepreneur should consider implementing a voting trust agreement to ensure that one [...]

Crowdfunding in New Brunswick

person acts as the proxy for a specific group of shareholders and votes all shares (if voting shares are offered) on its behalf. This will avoid having to chase shareholders that do not respond in a timely fashion, and may avoid the need for the calling of formal meetings in certain cases.

When a large number of shareholders own a corporation, the entrepreneur at the helm needs to have strong communication and reporting skills. Every entrepreneur considering equity crowdfunding needs to understand what needs to be communicated to the shareholders and when to avoid the possibility of a disgruntled person alleging minority shareholder oppression and consequently putting the corporation at risk.

Also, once a corporation has more than 50 shareholders, the reporting requirements are to be made with the Financial and Consumer Services Commission. Depending on the residence of the investors subscribing for shares, multiple filings with regulatory authorities in different jurisdictions may be required. Make sure you understand your filing obligations in all applicable jurisdictions.

Although equity crowdfunding may prove to be an effective tool for entrepreneurs in their quest to finance a corporation, if not properly thought through, it can turn an entrepreneur's dream of building a successful corporation into an overwhelming challenge. Make sure that, prior to going to the "crowd," you have received sound legal advice. A qualified securities lawyer is an excellent resource and an investment worth making.

ARTHUR T. DOYLE & DANIEL L. STEVENSON,
COX & PALMER

FREE RESOURCES

Promote financial wellness

Financial wellness is a key component of overall wellness. 42% of Canadians rank money as their greatest stressor. Having a personal financial plan can help you worry less and avoid the negative impact money stress can have on your health and productivity.

Book a free Smart Saving Lunch n' Learn session for your group. This session offers the tools participants need to set goals, take control of their finances, and invest in the future. Presentations are offered in both French and English and can be tailored to meet the needs of your group.

Call 1 866 933-2222 or email info@fcnb.ca.

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Interview with Kim Sharpe

We recently had the opportunity to sit down with Kim Sharpe to talk about his experience growing a company in New Brunswick. Kim is the Director of Business Development for Plaza Retail REIT.

Plaza Retail is a developer, owner, and manager of retail real estate, based in Fredericton, New Brunswick. This company is a great example of how an organization can grow and prosper in the province. They entered the public markets as a Junior Capital Pool Company in 1999, when they had only eight properties.

Today, they have accumulated 306 properties consisting of seven million square feet, with locations in Alberta, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island and Québec. Much of their success stems from working with nationally recognized companies who occupy 90% of their buildings. They currently have a market capitalization on the TSX of \$420 million. Plaza has also been able to increase its distribution to unit holders 14 times in 13 years.

Plaza had a notable accomplishment by growing their revenue and earnings enough to graduate from the TSX Venture Exchange to the Toronto Stock Exchange (TMX) on July 2, 2013. The same year, they completed their most significant acquisition by purchasing Key REIT for \$119 million, which grew their footprint by over one million square feet. The company then converted from a corporation into a real estate investment trust (REIT), the preferred structure in the public real estate sector, effective January 1, 2014.

Sharpe says that the reason Plaza has been so successful comes down to developing a solid business plan and a keen focus on execution. Sharpe said having a solid business plan will allow you to start off on the right foot.

Effectively executing the business plan is also very important. Putting a strong focus on execution is a great way to build credibility and let the results speak for themselves.

"We have a 'no excuses' mentality," says Sharpe. "We have an unwritten rule: if we have a job to do, we get it done."

Sharpe noted that being based in the eighth smallest province in Canada allows Plaza to stay off the radar, allowing them to keep their heads down and not get distracted by the hustle and bustle of a big city.

"We have high quality staff with a very low turnover rate," says Sharpe. "Our staff are top-notch people from New Brunswick, working and living in New Brunswick."

When asked what advice he would give to those aiming to follow in his footsteps, Sharpe says to do your homework. "There is a lot of information available to help you research."

You can do it, and you can do it here in New Brunswick.

He reiterated that it is possible to be successful in New Brunswick and there is plenty of expertise to draw from. There are resources and support available to New Brunswickers to help them achieve their goals.

"We did it," says Sharpe. "So can you."

"The support has grown a lot since we first started. With resources like the New Brunswick Innovation Foundation and active angel investors, it is making it easier and easier for New Brunswickers to start and keep their business in the province. You can do it, and you can do it here in New Brunswick."

Interview with Paul Gunn

Soricimed Biopharma Inc. is a clinical-stage drug and diagnostic development company based in New Brunswick. The company began as academic research at Mount Allison University and moved into the private sector in 2005. Paul Gunn has been with Soricimed Biopharma Inc. since the beginning. He is now the President and Chief Executive Officer. Soricidin, a proprietary peptide (short chains of amino acids), is the basis of Soricimed's targeted cancer management program focused on advanced solid tumours of epithelial origin. Epithelial cells are one of the four major tissue types found in the human body, and are the most prolific.

Sorcimed's drugs have shown a capability to reduce cancer cell viability, induce apoptosis (programmed cell death) and to reduce tumour growth and volume with no demonstrable toxicity. The company is currently in a Phase I study, taking place at cancer centres in both Canada and the United States. Gunn says when he started working with the company there was not a lot of infrastructure and support in New Brunswick for biopharmaceutical companies. However, the industry has grown throughout the region and as a result, support and infrastructure has developed. To further their research, Gunn says they are able to use world-class facilities in British Columbia and Houston, Texas. They buy and are billed for only what they need to allow them to keep their fixed overhead costs down, as well as keep control of the work and their review process.

Throughout the years, Soricimed has used a variety of outlets to fund their research. When the team began their research, it was funded by individual investments and the intellectual property was transferred to them. Since then, they have also had angel investors and help from the Atlantic Innovation Fund and the National Research Council. Soricimed currently has 175 shareholders.

"Our model may be different than the majority of companies," says Gunn. "But it works for us." Gunn shared that the most challenging obstacle they have had to face so far is the continual need to raise money since their drug is not on the

market yet, creating no revenue. On the science side of things, Gunn says there is a lot of uncertainty when moving from cell work to animal work then to humans.

"We have a mix of local and outside expertise as well as 11 people on staff to help us get through these challenges," says Gunn. "We have access to all of the expertise we need."

According to Statistics Canada, New Brunswick only takes up two per cent of Canada's population. With such a small population here compared to the rest of Canada, people tend to underestimate what can be done. Gunn says this was beneficial to Soricimed because they were able to easily fly under the radar when they were starting out. They were able to make sure they had something real before they went public. Gunn says laying low can also be considered a downfall.

"We are getting much closer to having a marketable drug, something that wouldn't be possible if we had listened to all of the people who said no."

"Not too many people look for a drug company in New Brunswick," says Gunn. "It is a blessing and a curse."

Gunn also says that the New Brunswick Tax Credit is a big help to Soricimed. For those looking to follow in Gunn's footsteps, he says not to give up. "You can do biotech or life sciences research in New Brunswick," says Gunn. "You should expect a lot of 'no's' but do not let that discourage you. We are getting much closer to having a marketable drug, something that wouldn't be possible if we had listened to all of the people who said no."



Bubbles floated through the streets and coloured lights cast a glow onto Canterbury Street. Casting a glance up Grannan Lane between Canterbury and Germain, people lounged on the temporary grassy space and mingled underneath the strings of lights strung overhead.

As is typical in the Port City, the fog drifted quietly through the crowds, sauntering past the contemporary art exhibits that took over the Lane fostering a magical illusion to an already magical night.

Third Shift owned the night.

Bringing Together Art and Business

Bringing Together Art and Business

Occupying a small section of Saint John's Trinity Royal Heritage Area on 21 August, Third Shift's goal was to inspire Saint John residents to reimagine their city, reclaim vacant and under-utilized areas and engage with the uptown area. Hosted by Third Space Gallery, Saint John's not-for-profit artist-run centre for contemporary art, the event was their first night exhibition of public contemporary art projects.

We had the chance to sit down with Jody Kliffer and Alice Fudge, members of the Third Shift organizing committee, to talk about the success of the event and how the event was influenced by the contribution of local business owners, property owners and entrepreneurs.

The idea for the event started when Third Space wanted to have an event to promote contemporary art in the city, similar to other urban centres. The goal of the committee was to create an interactive, public-facing and accessible event in the urban core of Saint John.

"We knew the event was going to get attention and it turned out to be bigger than we imagined," said Fudge. "One of the things that inspired me and surprised me the most was the trust that local business owners had in our vision. When we approached them, we had our primary goal of asking Saint Johners to reimagine their city, but other than that we didn't have a lot of details hammered out. The acceptance, willingness and desire of the business owners to see our nighttime event be a success was impressive."

The organizing team says property and business owners were welcoming of the event and also sensitive to the fact that it was exclusively an art event. Historica Developments worked with Third Shift to change light bulbs in their vacant building, a simple yet effective addition to create some atmosphere and draw attention to the building undergoing renovation. Revolution Strategy, the event's Gold Sponsor, provided access to their building to help with set-up and electricity. Local businesses like Thandi's, Church Street and Port City Royal were on hand to help with setup for the evening. And, Acre Architects submitted

a proposal to install an art piece in the form of a temporary grassy space in Grannan Lane to repurpose the concrete roadway.

"The business community realizes that Saint John will not grow independently and that business and property owners need to capture the essence and energizing pulse of this community," said Kliffer.

"We need to encourage people to stay, to return and new people to want to move here — culture is part of that. Without a consolidated effort on behalf of everyone to recruit and retain key skilled workers, and help them integrate into the community, we risk losing our opportunity to compete with other urban centers in a viable way."

Third Shift brought the art and local businesses together to create a unique summer evening for artists and art appreciators alike. This was a great way to bring together the arts and business communities to help foster Saint John's unique culture.

Stay tuned for Third Shift 2016. 

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