

Making Headway



Investing in New Brunswick



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

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

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Interview with Ray Fitzpatrick

Ray Fitzpatrick, Investment Analyst at the New Brunswick Innovation Foundation (NBIF), discusses investment attraction for local business. NBIF promotes entrepreneurship by making venture capital investments in start-ups and funding applied research to develop new intellectual property.

UNB Summer Institute

UNB Fredericton continues to support promising entrepreneurs this summer by hosting teams with business ideas to validate. The intensive three-month program helps participants turn their vision into a livelihood.

Atlantic Canada's Biggest "Fan"

Ross Finlay is the co-founder of Halifax-based First Angel Network (FAN). Created by angel investors for angel investors, FAN provides entrepreneurs and investors with a high-quality private equity investment experience. Ross shares insights on attracting investment in Atlantic Canada.

TME Students Pitch Competition

The Technology Management & Entrepreneurship (TME) program held its annual pitch competition at UNB Fredericton March 17th where students pitched their ideas and won 13 prizes!

Introducing Community Economic Development Corporations (CEDC)

Financial and Consumer Services Commission (FCNB) recently introduced new rules that support an innovative way for companies and communities to raise capital in New Brunswick.

SOCIAL MEDIA NEWS

NBIF INNOVATION **@nb_innovation**

2014 NBIF R3 honouree Rodney Ouellette explains \$4M precision #cancer treatment collaboration with Merck <http://bit.ly/1rbgCHI>

FIRST ANGEL NETWORK **@FirstAngelNet**

Congrats to portfolio company @EigenInnovation! The team just closed a \$1.4M round

VENN **@VennCentre**

Join @FCNB_ for "Are you Investment Ready?" - a FREE workshop March 2nd at Venn! <http://fcnb.ca/fullsail.html>

DHIRENDRA SHUKLA **@dshukla72**

Summer Institute #Accelerator program @UNB @UNBTME received +100 applications! Going to be another amazing summer!

WHAT'S NEW AT FCNB.CA

Community Economic Development Corporations (CEDC) support a new way for companies and communities to raise capital in New Brunswick. Discover how CEDCs can support your business ideas and achieve goals.

Editor's Note

Investing in New Brunswick

As part of our Fullsail capital market development initiative, FCNB has developed “Learning the Ropes”, a series of educational programs. Learning the Ropes events are designed to help both the entrepreneur and those considering investing in a New Brunswick company.

We have travelled around New Brunswick during the past several months providing these programs which ask the question: “Are you investment ready?” But the answer may not be as simple as might be expected. To illuminate this, FCNB worked with New Brunswick Innovation Foundation (NBIF) and the First Angel Network (FAN) to help entrepreneurs answer this question.

This edition of Making Headway explores insights into what investors such as NBIF and FAN are looking for when considering an investment. Some sage advice is also provided by these experts.

You've heard of the rock band AC-DC, but what about CEDC? Our mandate of fostering capital markets took another step in April when we introduced rules that support an additional way to invest in a New Brunswick company. In this edition we explore the rules that allow CEDCs or Community Economic Development Corporations to attract the funding they need to achieve their goals.

There have been a number of great events hosted in the Province over the past few months including UNB's Annual Technology Management & Entrepreneurship (TME) pitch competition. Making Headway shares the details of these events and explores UNB's Summer Institute and its goal to support entrepreneurs in New Brunswick.

JEFF HARRIMAN, CAPITAL MARKETS SPECIALIST, 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.

FINANCIAL AND CONSUMER SERVICES COMMISSION

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Interview with Ray Fitzpatrick



Q Can you tell me about NBIF?

NBIF is an agency that promotes entrepreneurship in New Brunswick by making venture capital investments in start-up companies and funding applied research to develop new intellectual property. We focus on riskier innovative companies that have the potential to grow into multi-million dollar companies. We invest anywhere between \$50,000 - \$1 Million initially, and can make follow-on investments with the idea of having a liquidity event in five to seven years. Our portfolio currently has 38 active start-up companies.

Can you take us through a quick history?

NBIF was created 13 years ago as an independent, not-for-profit company to develop innovation capacity in New Brunswick. We do this by investing in applied research that has commercial potential and by investing venture capital in high potential growth

companies operating within New Brunswick. Investment returns made through our investments stay within the organization to fund more innovation and companies.

At what stage would NBIF invest and why?

We invest very early, at the seed-stage. We work in this area as it's very hard to find others that will invest here due to the risks that pre-revenue companies present. Our philosophy is to work with founders in the early stages to prep them for growth and follow-on investments from other larger VCs usually from outside the region.

Advice for someone pitching to you?

Nothing can replace practice. The more you practice, and the better you know the business, the more confidence will come through which gives me confidence in a person's ability to make a successful business. Also, Relax! This isn't "Dragons' Den" and no one is looking to yell or make you feel bad like you see on TV. We're here to help!

What are the common mistakes you see entrepreneurs make?

Number one would be founders falling in love with their product and trying to make it perfect before putting it out to the market. The purpose of any business is to learn about and change your product/service and growth engine and start selling. Surprisingly, this activity sometimes doesn't get the focus that it should.

What are common mistakes you see investors make?

Knowing what type of investor you want to be: passive or active? If you want to be a passive investor and the entrepreneur is calling you every day, you're not going to be very happy. The same thing goes when you want to be actively involved. But founders won't be happy if you're showing up at the office every week. Both parties need to establish what level of involvement they're looking for before the final funding decision is made.

Why do you think New Brunswickers need to do to attract more investment?

There is early seed-stage funding available locally with NBIF, angels, the First Angel Network and local government agencies like ACOA, ONB, IRAP and Learnsphere, who are all covering that area nicely. It is with the larger follow-on, or Series A funding (\$1M+) that we all could use some additional help attracting, as well as larger VC's across Canada, the U.S., and beyond. The best way to do that is meet with VCs where they are. Financiers rarely travel to meet potential start-ups, not to mention companies fresh out of the gate. So it's important to find ways to meet with VCs in other places and build new relationships. People think this is the sole responsibility of the founder but it's not. Our success depends on their success, so forging relationships with VCs that we, as financiers, can access in other jurisdictions, is worth doing.

What has been the most difficult or challenging problem you've had to face at NBIF?

Finding the right collaborative balance between investors and founders. I'm a hands-on type of person, and if there's a problem, I want to get right in there and help them sort it out. However, with 38 active companies, there isn't enough time for us to be working in the trenches with everyone all of the time. What we can do, especially considering the variety of experience we've collected through our portfolio, is provide advice and show some alternative ways to solve the problem. Some founders don't

want any advice, and it's their call. However, the ones who share their problems with us and source our experiential knowledge usually turn out better for it.

Could you share a funny story?

I love hearing pitches, I really do, but every few months I'll get a phone call from someone who has an 'invention' and they want to know how we can help them. This all sounds well and good, but they're scared to tell me what the invention is because they're scared 'someone might steal it'. It's kind of hard to give advice on pricing and a go-to-market strategy for a product when you

know absolutely nothing about it. It's all good, and we explain how to present ideas without disclosing intellectual property. It's not easy for some people to share their ideas, but if you want to be an entrepreneur, this is the first risk you have to take, and trust that organizations like ours are in the secret-keeping business. It just strikes me as funny that people think that investors will pour hundreds of thousands of dollars into something without knowing what it is!

UNB'S SUMMER INSTITUTE

Providing Entrepreneurial Guidance



The Summer Institute at UNB Fredericton offers an intensive three-month program to guide participants through the process of turning their vision into a livelihood. The program accepts individuals 19+ and teams of up to three people with a basic business idea that they would like to validate.

The Summer Institute has gained international interest, evident by the number of applications received from outside of Canada this year. A total of 102 applications were received for a chance to work, learn, and develop a business in the unique support system that the Summer Institute provides.

From all applications, seven product and business ideas were selected to be part of this year's cohort. The ideas to be brought to fruition range from puppets, pottery urns, temporary bridges,

horse-jumping analytics, rescue drones, and energy storage. Oh, and healthy snacks too. The Summer Institute aims to make participants the best kind of rich: satisfied, healthy, and connected to people who care.

"With two sessions of the Summer Institute already completed and seeing the progress that some of the past participants are continuing to make with their companies, it's not hard to see that entrepreneurship is happening well here in New Brunswick," says Dr. Dharendra Shukla, the J. Herbert Smith/ACOA Chair for Technology Management and Entrepreneurship at UNB. "The entrepreneurial community is large and growing, with so many people ready to give back to the network system which helped to get them to where they are. We're excited to see what's in store for this summer's cohort!"

Atlantic Canada's Biggest "Fan"



In 2004, Ross Finlay worked for Price Waterhouse Coopers (PwC) within its Capital Finance division where he worked closely with Brian Lowe. During his tenure, he and Brian helped a company named Immunovaccine raise money to fund their business. Ross was surprised by the time and effort it took to raise this money and thought it would have been a lot easier if there was an angel group in Nova Scotia or one somewhere in Atlantic Canada. This realization gave Ross and Brian the idea of starting

their own angel group, and together they did just that. Their dream was to create a fun and interesting place where a company could pitch to a group of 15-20 high net worth individuals.

They approached 10 potential investors about the idea and they all thought it sounded great. Ross said, "I wouldn't start this network unless we had 10 cheques through the door." Alas, two weeks later, they had 10 cheques.

Their first meeting was held in September 2005 with 16 members attending. Word spread quickly and by Christmas 2005 they had 50 members from New Brunswick and Nova Scotia. In 2006, they expanded to Prince Edward Island.

Since then, "First Angel Network" (FAN) grew by approximately 10 members per year and peaked at around 90 members which they have maintained for several years. They have had almost 200 total members since 2005.

As they began working with some of these companies, FAN started helping with more than just capital raising, so through the assistance of Atlantic Canada Opportunities Agency (ACOA),

Ross is known for his storytelling and his candid feedback. Here are a few tips he shared with us:

- When you start raising money, take a piece of paper and draw 50 squares on it. Put "No" in 49 of them and "Yes" in the 50th. Every time you hear a "No", cross one out and know you are one closer to a "Yes!"
- Creating and running a business can be trying. You are faced with adversities on a daily basis and are forced to make decisions that affect the future of your company. Learn how to effectively deal with stress and make sure you keep yourself healthy - you're no good to the business if you're not well. The best way to deal with stress is to do something about whatever is stressing you.
- Negative thinking always works.
- Minds are like parachutes — they work best when open. Be open to constructive feedback and don't take it personally. Investors can make great champions and connectors.
- One investor in a FAN portfolio company, who was not on their board or a formal mentor/advisor, saw potential in a client company of his in the Far East. He arranged for them to get together and a year or so later they were a client of the portfolio company. The investor did all of this on their own.

they expanded their reach and started offering educational programs for entrepreneurs around New Brunswick. They started working with universities, and in many cases became mentors to companies.

Ross and FAN continue to learn a lot year-over-year and they have greatly improved their process which allows them to offer much more to companies. FAN has been recognized for its contribution to angel groups across North America and currently works in partnership with the National Angel Capital Organization, and the Angel Capital Association in the United States.

When asked what benefits organizations like FAN bring to capital markets in New Brunswick, Ross said it brings much more than just money.

“We also provide governance, portfolio management and advice on strategies,” he explains. “We introduce clients to new markets and make connections for our members globally. We are also unique as FAN is the only group organized specifically for angel investing with the knowledge and experience required for the mutual understanding of both our members and angel investors.”

STUDENT PITCH COMPETITION

Winning Pitches Awarded \$9,100

Some of the most promising and successful startups to come out of New Brunswick in recent years have emerged out of the Technology Management & Entrepreneurship (TME) program at the University of New Brunswick. They include SmartSkin Technologies, Go-Go Gymnastics, Resson Aerospace, HotSpot Merchant Solutions, SimpTek Technologies, and Castaway Golf Technologies.

The TME program’s annual pitch competition has been a central force in propelling students’ innovative ideas into companies. Some 70 students stepped forward to pitch their ideas at the most recent competition.

This year’s competition featured 30 pitches and 13 prizes, with a total value of \$9,100. Among the prize-winning ideas were: an app to find you a licensed taxi; a new way to capture and store tidal energy, and an app to link you with nearby partners for athletic pursuits.

“The entrepreneurship support network in New Brunswick has come such a long way in the last few years,” says Dr. Dhirendra Shukla, the J. Herbert Smith / ACOA Chair for Technology Management and Entrepreneurship at UNB.

FIRST PLACE

CarCue

\$1,000, plus legal services from Cox & Palmer

Matthew Power of Clarendville, N.L.; Chemical Engineering/ Technology Management & Entrepreneurship. CarCue provides vehicle users with a means of tracking upcoming and historical maintenance activities. It also connects them with local maintenance shops to offer discounts for their upcoming maintenance needs.

Continued on following page

The Winners

COMMUNICATION AWARD

Ludo

Sébastien Haché of Shippagan, N.B, Civil Engineering / Technology Management & Entrepreneurship. Ludo is an app that connects athletes with potential partners in their current area based on skill level, location, and venue accessibility. This increases both the competitive enjoyment and facility usage at local sporting centres.

INNOVATION AWARD

BagelBot

Grace Bowness of Summerside, PEI; Chemical Engineering / Technology Management & Entrepreneurship. The BagelBot is a breakfast solution for busy mornings, allowing users to have the convenience of a perfectly prepared bagel in the comfort of their own home, without the added cost of having it prepared for them.

IMPACT AWARD

CanCross

Cameron Arsenault of Summerside, PEI; Geodesy and Geomatics Engineering / Technology Management & Entrepreneurship. CanCross is designing new temporary bridges that can be installed with ease and allow for heavy transportation on roadways with deteriorating culverts.

Growth Category

FIRST PLACE

Limbic

\$1,000 plus legal services from Cox & Palmer

Alex Matson, Fredericton, Mechanical Engineering / Technology Management & Entrepreneurship. Limbic is revolutionizing the electric longboard, using body motion to control this type of sporting gear.

INNOVATION

CarboGlove

(from either category)

Samuel Mason of New Durham, N.H.; Electrical Engineering / Technology Management & Entrepreneurship. CarboGlove is creating heated, disposable gloves for emergency responders to wear in cold climates.

TECHNICAL

Rising Tide Technologies

Scott Shreenan of Lower Sackville, N.S.; Masters in Technology Management & Entrepreneurship. Rising Tide Technologies is developing a technology that will use the forces of the tide in a novel method to capture mechanical energy, allow for its storage, and use it to generate electricity during peak demand. This helps utility companies manage energy demand fluctuations that occur throughout the day.

The FCNB considers financial abuse and investment fraud of seniors a serious concern

New Brunswick's aging population is a concern for FCNB and many of our stakeholders. People are living longer, healthier lives and the proportion of persons aged 65 years or older is increasing. This trend is expected to continue.

As the population of seniors increases, we are also seeing a growing number of seniors becoming victims of financial abuse. As part of our enforcement initiatives, FCNB was hearing devastating accounts of seniors who were victims of financial abuse, being stripped of their life savings by those who preyed on their vulnerability. We believed that seniors were being targeted and were disproportionately the victims of financial abuse.

FCNB considers financial abuse and investment fraud of seniors a serious concern. We all become more dependent on others as we age, making us more vulnerable to potential financial abuse. Older victims of financial abuse, including investment fraud, are especially at risk; if seniors lose all or part of their life savings they have less time to recover their financial stability. The effects of senior financial abuse and exploitation go well beyond the pocketbook and can lead to social isolation, depression, anxiety and other negative health effects.

World Elder Abuse Awareness Day is June 15th. Financial abuse can happen to anyone, so FCNB is encouraging all New Brunswickers to take action and help stop senior financial abuse. Visit our website fcnb.ca/seniors to download free tools that you can use at home, at work, and in your community, or contact us to book a presentation for your staff or community on recognizing and responding to financial abuse.



FREE RESOURCES

Promote financial wellness in your work place

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.

Community Economic Development Corporations



FCNB recently introduced new rules that support an innovative way for companies and communities to raise capital in New Brunswick.

What is a CEDC?

A CEDC is an opportunity for New Brunswickers to channel their investment dollars into their local economy. CEDC stands for “Community Economic Development Corporations.” A CEDC is a pool of money raised by selling shares (or other eligible securities) to individuals in a defined community. These funds are controlled by a local group of officers and directors, who may be chosen by the founders and promoters of the CEDC or by the CEDC’s investors at an annual general meeting.

Who can invest in a CEDC?

An eligible investor must be at least 19 years of age and must be a resident of New Brunswick or a corporation or trust that has a permanent establishment in New Brunswick.

How are the funds used?

In order to qualify, the project must have a measureable financial return. A CEDC is not meant to fund projects that do not generate revenue. For example, developing a new children’s playground would not be an eligible use of CEDC funds since it does not produce a revenue stream. On the other hand, developing a farmer’s market or a windfarm may be eligible projects.

How do I invest in a CEDC?

Potential investors fill out an Expression of Interest Form. This does not mean you are committing to investing, but tells the company that you are interested in knowing more about the opportunity. The company will send you an Offering Document to help you make your decision. This document outlines what you would be purchasing with your investment dollars, who is making the shares (or units) available, what the total value of the offering should be and how the funds are to be used.

It is important to remember that because these are exempt market investments, they are risky investments. For more information about exempt securities visit our website at fcnb.ca/securities-exemptions.html.

Please note neither the Government of New Brunswick nor the Financial and Consumer Services Commission assesses, reviews, or approves the merits of the shares (or other eligible securities), or reviews the Offering Document.

For much more information on this program visit our website at: fcnb.ca/cedc.html.