

InNOVAcorp's I-3 Technology Start-Up Competition

I-3 Defined

- The purpose of the I-3 competition is to identify and support high potential early stage Nova Scotia-based companies, and help fuel entrepreneurial spirit across the province.
- The I-3 competition has been designed to maximize participation from across the province.
- Each first place zone winner will receive a **\$100,000 prize package** of a combination of cash and in-kind contributions and each second place zone winner will receive a **\$40,000 prize package** of a combination of cash and in-kind contributions to be used towards the establishment or further development of the start-up venture. At the end of the competition, one provincial winner will be selected from among the five first place zone winners, and will be awarded a **\$100,000 seed equity investment** from InNOVAcorp.

I-3 stands for "Idea, Innovation, Implementation," the early steps in the commercialization process.

More than ever, a sustainable strong, vibrant economy in Nova Scotia requires continuous innovation and the creation of new Nova Scotia based companies. Not only can early stage companies evolve over time to become major contributory employers in the community, but they also encourage a culture of entrepreneurship and innovation – key ingredients for a region's prosperity.

Created and managed by InNOVAcorp, a pilot I-3 technology start-up competition, which targeted Cape Breton innovators, was launched in March 2006. The pilot competition generated 18 formal submissions. Entries came from across Cape Breton and ranged from medical devices, to information and communications technologies (ICT), to industrial and energy innovations.

After the success of the pilot I-3 competition in Cape Breton, InNOVAcorp recognized the opportunity to take the competition province-wide.

I-3 Across Nova Scotia

On September 13, 2007, at the Museum of Industry in Stellarton, the province-wide I-3 Technology Start-Up Competition was officially launched. Individual zone launches were also held in Sydney, Wolfville, Halifax and Yarmouth from September 13 - 20. The competition has been taking place simultaneously in the following five geographic zones:

- Zone 1 - Cumberland, Colchester, Pictou, Antigonish and Guysborough counties
- Zone 2 - Lunenburg, Queens, Shelburne and Yarmouth counties
- Zone 3 - Digby, Annapolis, Kings and Hants counties
- Zone 4 - Halifax Regional Municipality
- Zone 5 - Victoria, Cape Breton, Inverness and Richmond counties

During the weeks following the launches, entrepreneurs were encouraged to bring forth their innovative business ideas and compete for a combination of cash and in-kind business building capacity.

In the weeks following the entry deadline, the six-person judging panel in each zone, that consisted of a seasoned entrepreneur, a seasoned business person, a lawyer, a chartered

accountant and two senior representatives from InNOVAcorp, assessed the summary submissions based on a pre-determined set of criteria.

At the end of the day on October 9, the deadline for first round submissions, it became clear that entrepreneurial activity in Nova Scotia is alive and well - InNOVAcorp received 121 formal submissions from entrepreneurs across Nova Scotia, far exceeding our original stated goal of 75 submissions.

Breakdown of Submissions

The breakdown of submissions from across the province included:

- 14 submissions from zone 1 (Cumberland, Colchester, Pictou, Antigonish and Guysborough counties)
- 17 submissions from zone 2 (Lunenburg, Queens, Shelburne and Yarmouth counties)
- 18 submissions from zone 3 (Digby, Annapolis, Kings and Hants counties)
- 55 submissions from zone 4 (Halifax Regional Municipality)
- 17 submissions from zone 5 (Victoria, Cape Breton, Inverness and Richmond counties)

Refer to the “Analysis of Submissions” section for a breakdown of the scope and types of submissions received.

On October 22, InNOVAcorp announced the five business start-ups in each of the five geographic zones that, based on their business plan summaries, were the best qualified entrants to move to the next round in the competition. Entrepreneurs that moved on to round two were required to submit a full business plan to be reviewed by the judging committees in each zone.

On November 22, the three finalists in each zone chosen to present an oral pitch of their start-up business plans to the I-3 judging panels in mid-December were announced. Finalists were chosen based on a detailed business plan submission. Plans were evaluated for market feasibility, commercialization potential, ability to attract future investment, and the entrepreneurs’ management strengths.

Those three start-ups in each of the five zones are now vying for the first and second place zone awards that will be **announced on December 20**.

Prize awards

Each first place zone winner will receive:

- a **\$100,000** prize package of a combination of cash and in-kind contributions

Each second place zone winner will receive:

- a **\$40,000** prize package of a combination of cash and in-kind contributions

The cash and in-kind contributions are to be used towards the establishment or further development of their start-up ventures. Prize packages will include support and resources in the form of expertise (i.e. legal, accounting, marketing, human resource services), and funding to be used by winners to develop their start-up businesses.

Further, the goal is that the cash award will be used as leverage to attract additional potential funds that may be available through sources such as angel investors and/or federal government programs.

On February 12, 2008, the five first place zone winners will present their final oral pitches to the I-3 provincial judging panel and compete for the **provincial award - a \$100,000 seed equity investment from InNOVAcorp.**

During the planning stages of the competition, InNOVAcorp developed partnerships with over 25 professional services firms based in various communities all across Nova Scotia, including legal, accounting, marketing and human resource and professional service firms. These firms are located in the communities in which the entrepreneurs reside and operate. The partners will provide hands-on venture guidance and assistance to the winners in their region.

Analysis of Submissions

InNOVAcorp's I-3 competition has helped uncover several trends in entrepreneurial activity across Nova Scotia. Business ventures ranged from ICT and advanced manufacturing to life sciences.

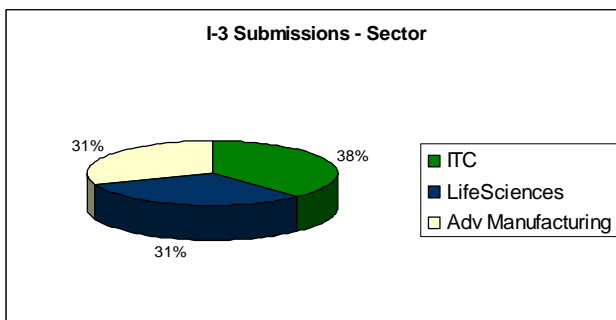


Figure 1: I-3 Submissions by Industry Sector

As illustrated in Figure 1, the I-3 submissions primarily fell in one of three industry sectors; information and communications technology (ICT), Life Sciences, and advanced manufacturing. Interestingly these sectors are considered by many to represent the future of Nova Scotia's knowledge based economy.

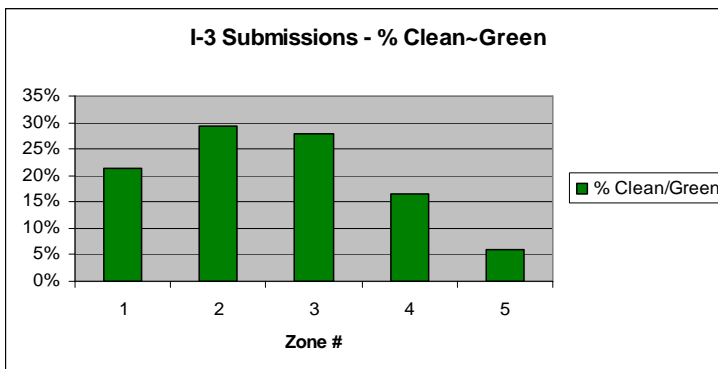


Figure 2. Percentage of I-3 Submissions which are considered Clean & Green

As illustrated in Figure 2, many of the I-3 submissions would fall into the emerging sub category of "Clean & Green" meaning that the submissions' product or service core value proposition

included a positive environmental impact. The clean & green submissions looked to reduce green house gasses through renewable energy generation, products which use renewable raw materials, and or products & services which significantly reduce energy consumption over alternatives. The emphasis on clean and green speaks to the markets strong demand and related business opportunity for cleaner greener products.

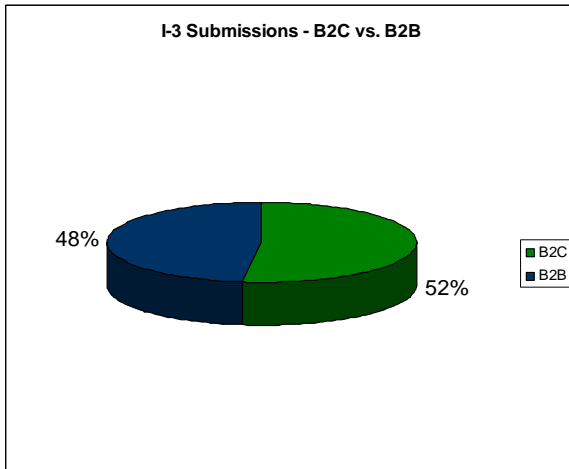


Figure 3. Percentage of I-3 Submissions which were targeting the business to consumer (B2C) Vs. business to business (B2B) customer segments.

As illustrated in Figure 3, I-3 submissions were generally evenly split between business to consumer (B2C) Vs. business to business (B2B) customer segments. Further, the majority of submissions were targeting national and international markets. This diversity and global scope is very positive and demonstrates the entrepreneurial communities understanding of the global business community.

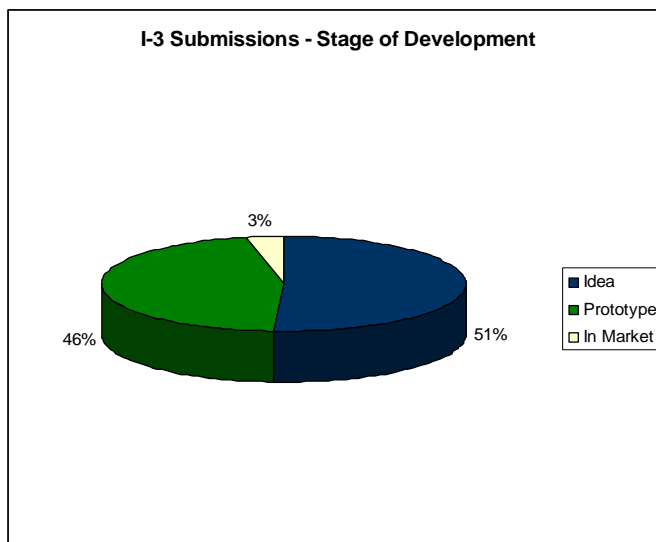


Figure 4. The percentage of I-3 submissions by stage of development.

As illustrated in Figure 4, a large percentage of I-3 submissions already had working prototypes. A solid compelling business plan, a working prototype, combined with management savvy can be a winning combination.



Figure 5. I-3 Technology Start-up Competition Partners.

As illustrated in Figure 5, InNOVAcorp has partnered with professional services firms from across the province to deliver in-kind services to I-3 first and second place zone winners. Further, InNOVAcorp and its partners have together increased the knowledge based economy support capacity.

Zone 1 Partners:

- AA Munro Insurance – Consulting services
- Abundant Living Personal Coaching – Human resource services
- Entrepreneurs' Forum – Consulting services
- Hicks, LeMoine – Legal services
- Nova Scotia Community College – Consulting services
- Mclsaac Darragh, Chartered Accountants – Accounting services
- St. FX Enterprise Development Centre – Marketing services
- Saint Mary's Business Development Centre – Consulting Services

Zone 2 Partners:

- Acadia Centre for Social & Business Entrepreneurship – Consulting services
- Belliveau Veinotte Inc., Chartered Accountants – Accounting services
- Digital Fusion – Marketing services
- Economic Spectrum Unlimited – Human resource services
- Entrepreneurs' Forum – Consulting services
- Nickerson Jacquard – Legal services
- Saint Mary's University Business Development Centre – Consulting services

Zone 3 Partners:

- Acadian Centre for Social & Business Entrepreneurship – Consulting services
- Entrepreneurs' Forum – Consulting services
- Grant Thornton – Accounting services
- Michael Gabriel Communications – Marketing services
- Muttart Tufts DeWolfe & Coyle, Barristers & Solicitors – Legal services
- Saint Mary's University Business Development Centre – Consulting services
- Windy Gale Communications Limited – Human resource services

Zone 4 Partners:

- Entrepreneurs' Forum – Consulting services
- Kerr & Nadeau – Legal services
- Kim Squared – Marketing services
- Saint Mary's University Business Development Centre – Consulting services

Saint Mary's University Executive & Professional Development – Consulting services
WBLI Chartered Accountants – Accounting services
Xela Human Resource Solutions – Human resource services

Zone 5 Partners:

Cape Breton Post – Consulting services
City Printers Limited – Consulting services
Entrepreneurs' Forum – Consulting services
Gary Jennings, Chartered Accountant – Accounting services
Patrick Dwyer – Human resource services
Rudderham Chernin Law Office – Legal services
Saint Mary's University Business Development Centre – Consulting services
VMP Group – Marketing services

Visit www.innovacorp.ca for information on the I-3 Technology Start-Up Competition.