

INCUBATION

MENTORING

INVESTMENT



BUSINESS PLAN 2009-2010

www.innovacorp.ca

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Message from the Minister

InNOVAcorp's mission is to fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets. Its internationally recognized High Performance Incubation (HPI)[™] business model which incorporates incubation infrastructure, business mentoring and seed/venture capital investment, is designed to move at the speed of business to help high potential Nova Scotia knowledge-based companies overcome traditional hurdles to business growth.

InNOVAcorp's daily interactions with entrepreneurs, private industry, angel investors and venture capitalists, academia, industry associations and public-sector agencies help fuel sustainable economic growth in Nova Scotia.

The Crown corporation's critical work is increasingly benefiting knowledge-based companies from all over Nova Scotia, helping them increase competitiveness in global markets. With 121 entries from Sydney to Yarmouth and beyond, the I-3 Technology Start-Up Competition, which was launched by InNOVAcorp in September 2007 and completed in February 2008, confirmed that innovation is alive and well across the province.

Working side-by-side with its clients and partners, InNOVAcorp creates an environment in which high potential early stage companies become "fit for the fight," attract world-class employees, establish state-of-the-art go-to-market strategies, and take on global markets. Further, InNOVAcorp leverages its international network of advisors and investors to assist in raising seed and venture capital.

In fall 2008, InNOVAcorp clients began to experience what has become a global recession. In 2009-2010, InNOVAcorp will continue to play a key role in ensuring that Nova Scotia knowledge-based companies are well positioned to seize opportunities as the economy recovers.

The Honourable Percy Paris
Minister, Economic and Rural Development

Message from the President and CEO

During fiscal year 2008-2009, InNOVAcorp further intensified its role in driving the knowledge economy and innovation capital markets in Nova Scotia. The Nova Scotia knowledge-based companies that have benefited from InNOVAcorp's High Performance Incubation (HPI)[™] business model generated over \$278 million in export revenues and directly employed more than 1440 people, resulting in a payroll of \$62 million. In 2008-2009, the investment capital raised by leveraging our Nova Scotia First Fund surpassed \$101.3 million.

More than ever before, InNOVAcorp's work is benefiting knowledge-based companies from all over Nova Scotia. It is interesting to note that the direct employment generated by our client companies is split approximately 65 per cent in the Halifax Regional Municipality (HRM) and 35 per cent outside HRM. InNOVAcorp's I-3 Technology Start-Up Competition, which was launched in September 2007 and completed in February 2008, demonstrated that innovation is alive and well across Nova Scotia.

While our economic, client satisfaction, and leading indicator metrics clearly demonstrate success, it is important to benchmark ourselves against "best in class" organizations around the world. In February 2009, InNOVAcorp was informed its HPI business model was one of two finalists in the National Business Incubation Association (NBIA) "Incubation Program of the Year - 2009" competition. Based in the United States, NBIA represents more than 1900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008), and Paris, France (2007). The winner of this prestigious competition was announced in April 2009 at NBIA's annual international conference. Congratulations to the world-class San Jose BioCenter from San Jose, California, on winning the National Business Incubation Association's 2009 award for business incubation program of the year. It was a great honour for the InNOVAcorp team to be one of two international finalists.

In early fall 2008, InNOVAcorp clients began to experience what has become a global recession. Early stage knowledge-based companies that are looking to bring products and services to export markets in 2009 and 2010 are expected to face customers and partners who are more risk averse. These companies must work hard to ensure their products and services deliver immediate tangible benefits to their customers, with a return on investment measured in months as opposed to years.

InNOVAcorp has helped, and will continue to help, our clients navigate the current economic climate and position themselves for the medium and long term. We will do this by working side-by-side with our clients and partners and by accessing world-class business building expertise to move our client company agendas forward.

InNOVAcorp will increase its focus in five strategic areas in 2009-2010 so we can continue to play a significant role in ensuring Nova Scotia is globally competitive and positioned for the eventual economic recovery.

1. Globally Competitive Business Climate: Increase the Capacity of the HPI[™] Business Model
2. Globally Competitive Business Climate: Maximize the Sustainability and Economic Impact of the Nova Scotia First Fund
3. Leader in Clean and Green Economy: Operationalize Our Clean Technology Practice
4. Globally Competitive Workforce: Facilitate the Strengthening of Global Go-to-Market Expertise
5. Leader in R&D and Innovation: Strengthen University Research Commercialization Capacity and Entrepreneurial Activities

In 2009-2010, which by all accounts will be one of the most challenging times for the economy in over 50 years, InNOVAcorp will continually adapt to ensure it can deliver the highest value services to our clients and play a key role in ensuring Nova Scotia knowledge-based companies are positioned for the eventual economic recovery.

Dan MacDonald
President and CEO

Mission and Vision

MISSION

To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

Nova Scotia's ability to compete – regionally and globally – is increasingly reliant on the success of its knowledge-based companies. These high growth companies positively affect the province's prosperity more than any other sector of the economy.

Nova Scotia Knowledge-Based Companies	
Positive Nova Scotia GDP Impact	Ability to Attract & Retain Talent
<ul style="list-style-type: none">• 98% export oriented• Capital investment attraction• Local corporate purchasing• Local wealth creation• Sustainability of operations	<ul style="list-style-type: none">• High average per person payroll• Diversity of jobs and career growth opportunities• Employability of employees• Urban and rural relevancy and impact
Provincial Tax Contributors	Potential to Spin-out New Nova Scotia Companies
Clean & Green	

VISION

InNOVAcorp strives to deliver the most effective technology commercialization practice in North America as it moves towards a bold vision of the desired state of the Nova Scotia innovation capital markets by 2015.

In February 2009, InNOVAcorp was informed that its High Performance Incubation (HPI)TM business model was one of two finalists in the National Business Incubation Association (NBIA) Incubation Program of the Year - 2009 competition. Based in the United States, NBIA represents more than 1900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008), and Paris, France (2007). The winner of this prestigious competition was announced in April 2009 at NBIA's annual international conference. Whether a finalist or the ultimate winner, it is important for InNOVAcorp to benchmark itself against "best in class" business models from across the globe.

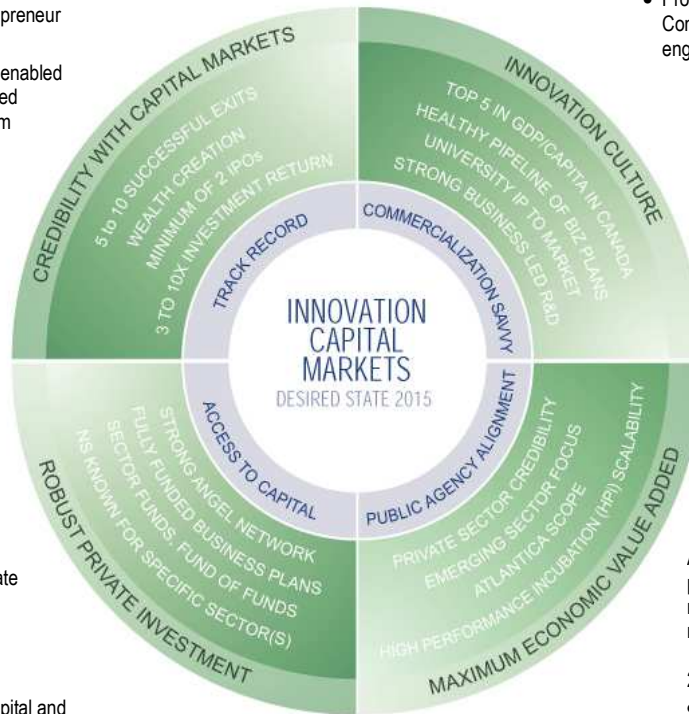
InNOVAcorp's vision comes not from focusing on what is wrong. Rather, it comes from playing a key role in creating "the winning conditions for a globally competitive Nova Scotia" by focusing on what it will take to move our innovation and capital markets forward.

To this end, InNOVAcorp uses its daily interactions with entrepreneurs, private industry, angel investors and venture capitalists, academia, industry associations and public-sector agencies to fuel sustainable economic growth.

Nova Scotia must build and maintain credibility with North American capital markets. This will be achieved only through successful return on investment, building strong businesses, and demonstrable wealth creation at both the company and sector levels.

2008-2009 Progress:

- Credibility with capital market players increasing rapidly through relationship building and syndicate deal making
- Recent transactions helping to build track record: Marine X 2, Digital Media X 1, Clean Technology X 1, Life Sciences X 2
- CVCA, National Angel Organization, and Canadian IT Law Association conferences held in Halifax
- Evidence of spin-out and serial entrepreneur activity
- \$8M Nova Scotia First Fund in 2003 enabled 35 transactions and \$32M in leveraged investment, \$13M of which came from outside of region



SOURCE: InNOVAcorp 2005

Nova Scotia must create a welcoming environment for local and regional private sector investors, ranging from angel to institutional investors.

2008-2009 Progress:

- Constant interaction with venture capital and angel investment community across North America
- Momentum in venture capital investment in Nova Scotia companies: 05:\$18.7M, 06:\$24M, 07:\$18M, 08:\$17M
- Nova Scotia medical device company raises \$4M round from regional and international investors
- First Angel Network is formalized and actively investing/co-investing
- Sector-based funds inciting Atlantic Canadian participation

Nova Scotia must develop a strong innovative culture as well as significantly improve its ability to commercialize in order to build sustainable businesses.

2008-2009 Progress:

- Pipeline of knowledge-based company business plans increasing: 05:85, 06:106, 07:158, 08:198
- University/college curriculum, case studies, ILO collaboration
- Identification of and collaboration with high commercialization potential university researchers
- Early Stage Commercialization Fund (ESCF) in 3rd year; submissions: 06:12, 07:42, 08:58
- Province-wide I-3 Technology Start-Up Competition attracts 121 submissions and engages 28 private sector partners

All Nova Scotia-focused (federal and provincial) economic development agencies must align their efforts and resources to maximize value add and lasting impact.

2008-2009 Progress:

- The province's Opportunities for Sustainable Prosperity (OFSP) economic development strategy lists innovation and financial capital as key priorities
- Private sector engagement and collaboration is flourishing, including active partnerships with chartered banks and legal and accounting firms
- I-3 competition follow-up initiative focusing on go-to-market expertise
- ICT, life sciences, clean technology focus
- HPi™ business model is continuously refined to ensure maximum value add and scalability

Planning Context

Global Recession: Navigating the current economic climate and preparing for the eventual recovery.

The global recession that emerged in the second half of 2008 is expected to continue through 2009. While Nova Scotia has been and will be further impacted by the recession, in general the province is expected to fare better than other jurisdictions due to our economy's blend of private and public sector components.

Private companies serving government, healthcare, education, and/or built infrastructure markets are expected to do relatively well in 2009. Companies offering "must have" products and services to local markets are expected to be flat or slightly down. Companies exporting "must have" products and services are already facing longer sales cycles, rapid (less than 12 months) return on investment expectations, and price pressure.

In early fall 2008, InNOVAcorp clients began to experience what has become a global recession. Early stage knowledge-based companies that are looking to bring products and services to export markets in 2009 and 2010 are expected to face customers and partners who are more risk averse. These companies must work hard to ensure their products and services deliver immediate tangible benefits to their customers, with a return on investment measured in months as opposed to years.

While Nova Scotia knowledge-based companies have typically entered the United States as their first market from which to expand, in 2009 and 2010 companies may look to diversify their market entry strategy.

The current global economic slowdown has put further stress on early stage technology companies in Canada, especially those in Atlantic Canada; potential customers of technology companies are delaying purchases and are reluctant to commit orders.

Globalization: The rapid pace of globalization is both an opportunity for and a threat to Nova Scotia. Nova Scotia companies have every opportunity to compete for and serve global markets. At the same time, companies from literally around the world have the same opportunity.

Nova Scotia export-oriented companies must embrace new and emerging business models to compete globally. These new business models will continue to challenge companies to maximize their value add, diversify, take advantage of global supply chains, and look for opportunities to clearly differentiate their offerings from the inevitable commoditization of nearly every product and service.

Virtually all InNOVAcorp's efforts are centered on global competitiveness. We assist knowledge-based companies to compete globally using the services supplied through our High Performance Business (HPi)[™] business model.

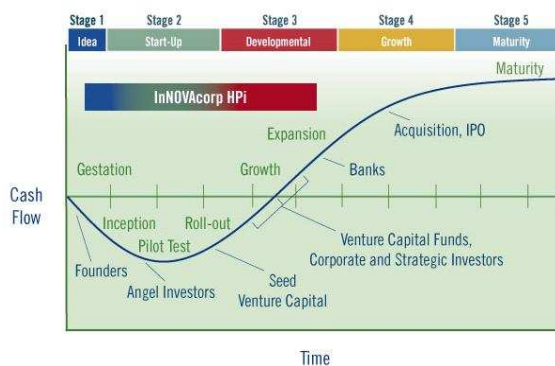
During a global recession, when the major focus is on navigating the current economic climate, it is also important to prepare for the eventual recovery.

In 2009-2010, InNOVAcorp will continue to refine its service offering and focus to help companies successfully navigate the current economic climate, by increasing the capacity of the HPi business model and maximizing the sustainability and economic impact of the Nova Scotia First Fund.

Access to Capital: Most knowledge-based companies that rely on accessing venture capital to fund cash flow are incapable of securing financing from new investors. In today's climate, many venture capital funds reserve all their attention and the majority of their investment capacity for existing portfolio companies (i.e. they only make follow-on investments).

According to CVCA (Canada's Venture Capital & Private Equity Association), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in those based in the United States, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet, Atlantic Canadian companies must compete globally against more appropriately funded ones.

This reality is nothing less than a call to action by the Canadian venture capital industry for government to step in and supplement private-sector venture capital funds. It is important to note that in Atlantic Canada, provincial government venture funds have an even greater role to play in the current economic turmoil since they are the principal venture investors supporting and growing the economy's knowledge sector.



Access to Talent: Nova Scotia's unemployment rate is expected to increase in 2009, yet in certain high-growth areas such as information technology and life sciences, recruiting experienced technical and commercialization-savvy talent is a significant business challenge.

Knowledge-based companies seeking to compete globally require globally competitive expertise. The required expertise ranges from technical, operations and finance, to business development, sales, and marketing.

While Atlantic Canada is home to several globally competitive companies such as Irving, Sobeys, Clearwater, Oxford Foods, and McCain, there is a shortage of relevant, proven state-of-the-art business building skills available for early stage knowledge-based companies.

The vast majority of local early stage knowledge-based companies possess relevant technical expertise. Most also have at least a high level of industry expertise, but few have the required relevant operations, finance, business development, or sales and marketing capabilities. The result is that start-up companies are unable to successfully commercialize their products and services.

InNOVAcorp plays a key role in helping clients identify challenges in the areas of operations, finance, business development, and sales and marketing and obtain relevant expert advice on how best to move forward. This guidance may come from the InNOVAcorp team, but most often comes from external experts, regionally, nationally or internationally.

InNOVAcorp has "an open door policy" for professionals looking to better understand the local market for talent. Many of these professionals have relocated or are exploring relocating back to Atlantic Canada, and many possess relevant business experience. Each month, InNOVAcorp meets face to face or via teleconference with between 10 and 15 of these individuals. In cases where a professional possesses talent required by one or more of our clients, we often engage the individual to add value to the clients in some way. This may be as simple as a conference call to discuss a specific challenge, or a paid engagement to investigate and report on a challenge.

All this being said, early stage companies have a difficult time recruiting and retaining talent because of their inability to offer competitive compensation and relative security due to their stage of funding.

In 2009-2010, InNOVAcorp will further strengthen its global go-to-market expertise for its clients.

Industry Led R&D: The level of R&D performed by industry in Nova Scotia is the second lowest in the country, just ahead of PEI. The Canadian industry-led R&D level average is 1.12 per cent of GDP, while Nova Scotia sits at 0.30 per cent. For Nova Scotia's future prosperity, it is critical to ensure industry innovates and commercializes products and services for export markets. Key stakeholders must understand why industry conducts R&D, especially the "D", at this low level. Further, these stakeholders must work to exploit strengths and minimize weaknesses in this area. InNOVAcorp intends to play a key role in moving this agenda forward.

Rural Nova Scotia: The population and economic prosperity of rural Nova Scotia continues to decline as younger citizens migrate to urban centres in Nova Scotia and beyond. While this phenomenon has been occurring for generations, many feel that the pace of outward migration from Nova Scotia is at an all time high. While many parts of Nova Scotia offer an excellent quality of life and relatively low-cost real estate, the lack of infrastructure, including access to broadband connectivity, professional services and sustainable challenging career opportunities fuels the pace of outward migration.

University and College Research Commercialization: Among our most cherished assets are our universities and colleges. Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. More than \$130 million in research is conducted at these institutions each year. While the local economy certainly benefits from the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The business building component of university and college curriculum in most cases is lacking, and there are few formal ties between university research and the innovation capital markets. In this context, InNOVAcorp must continue to increase its efforts by effectively partnering further with entrepreneurs who are active in Nova Scotia's post-secondary institutions.

InNOVAcorp's specialty lies in helping companies commercialize (the D in R&D) their technologies for global export. Building expertise and capacity in this area is key to Nova Scotia's future prosperity.

In 2009-2010, InNOVAcorp will strengthen university research commercialization capacity and entrepreneurial activities.

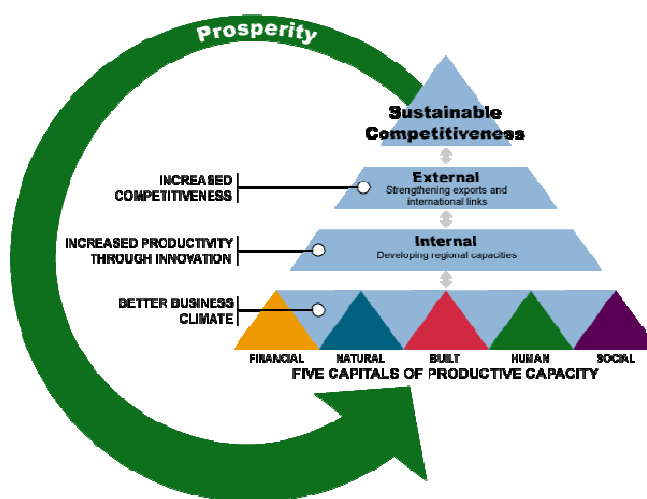
Clean Technology: The declining state of the world's environment is driving innovation across virtually every industry. Every organization must do its part to reduce greenhouse gases, operationally as well as in the products and services it delivers. Consumers no longer tolerate or purchase products and services offered by companies that do not demonstrate efforts to establish green best practices. Related to the focus and momentum of all things green, a new sector has emerged. Clean technology has quickly become the leading venture investment category globally, with billions of dollars in venture capital already invested in clean technology companies.

InNOVAcorp, through its HPI™ business model, has observed significant growth in the number of Nova Scotia knowledge-based companies whose core value proposition is derived from clean technology. Innovations that look to decrease the amount of energy required, improve sources for renewable energies, and produce more environmentally-friendly materials are examples of types of Nova Scotia clean technology opportunities. Last year, InNOVAcorp worked to scope out and understand the clean technology sector. In 2009-2010, we will complete the operationalization of our clean technology HPI™

practice, enabling start-up companies in this field to tap InNOVAcorp's business-building services and expertise.

Opportunities for Sustainable Prosperity

InNOVAcorp continues to play a key role in the implementation of the province's economic strategy Opportunities for Sustainable Prosperity, which is designed to create sustainable economic growth.



Source: Opportunities for Sustainable Prosperity 2006

Financial Capital: In 2003-2004, the Province of Nova Scotia injected \$8 million into InNOVAcorp's Nova Scotia First Fund (NSFF) and over the last five and a half years, the NSFF has approved and invested more than \$7 million in high potential Nova Scotia knowledge-based companies. These companies in turn leveraged over \$32 million of invested capital in syndication with other investors, \$13 million of which originated from investors based outside Atlantic Canada.

InNOVAcorp's strategy has led to us to prepare, position and lead the development of investment syndication opportunities for a number of companies. InNOVAcorp has also been engaged with a number of top-tier venture capital funds that were looking to invest in companies with a link to or a base in Nova Scotia. Within its targeted mandate and limited scope, the NSFF has generated a positive financial return on some of its investments; two of the investments generated significant internal rates of return (19.6 per cent and 26.0 per cent, respectively). InNOVAcorp's strategy has been to build goodwill and credibility for the region.

Built Capital: InNOVAcorp has partnered with the Province of Nova Scotia and Dalhousie University to build a world-class life sciences-focused incubation facility on the Dalhousie campus, with a target completion date of April 2011. The infrastructure will build on the strong track record of InNOVAcorp's BioScience Enterprise Centre.

InNOVAcorp has partnered with the Halifax Regional Municipality and the provincial and federal governments to complete Phase 2 of the Woodside Knowledge Park. The completion of the Highway 111 interchange and Mount Hope Drive extension will enhance access to the park and enable further development.

InNOVAcorp has continued to leverage its fully-integrated voice and data IP network at its four facilities. The network enables early stage companies to access high-end IT infrastructure, speed up time to market, and facilitate integrated communications/transactions with customers and suppliers.

Human Capital: InNOVAcorp continues to facilitate building skill sets related to global go-to-market strategies and knowledge among client companies' senior management, which is critical to helping Nova Scotia companies prosper. Further, InNOVAcorp continues to be deeply involved in initiatives designed to retain and retrain human resources in Nova Scotia, and repatriate and recruit talent from outside the province.

Social Capital: Regional capacity, and more specifically "entrepreneurship and increased productivity through innovation," is in fact InNOVAcorp's mission: to fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

InNOVAcorp SWOT Analysis

In keeping with its culture of continuous improvement, InNOVAcorp first performed an objective SWOT (strengths, weaknesses, opportunities, threats) analysis as part of its 2005-2006 fiscal year business plan. That analysis has been updated for each of the subsequent fiscal years. The latest analysis follows.

Strengths

Resources and/or capabilities that can be used as a basis to create value and/or competitive advantage

- Adaptability: Relevancy through organizational adaptability and continuous improvement culture
- Best Practice: Internationally recognized best practice High Performance Incubation (HPI)[™] business model; one of two finalists for US-based NBIA's "Incubation Program of the Year - 2009" international award
- Brand: Steadily increasing province-wide visibility and credibility with the private sector
- Brand: Strong brand awareness and credibility with Nova Scotia early stage technology entrepreneurs
- Brand: Supportive network of professional service providers
- Brand: Strong client referral network
- Capital: Active seed and venture capital investment fund
- Capital: Venture and seed capital investment expertise; credibility with national and, increasingly, international investment community
- Expertise: Considered opinion leaders in the areas of innovation, commercialization, early stage investment, entrepreneurship, and knowledge economy
- Expertise: Global product and service commercialization expertise and industry contacts
- Expertise: Highly relevant private-sector information and communications technology (ICT) and life sciences business and technical expertise
- Governance: Engaged, diversified and balanced board of directors
- Governance: Robust corporate governance
- Infrastructure: Specialized incubation infrastructure assets (configurable laboratory and office premises, business services and support, including a state-of-the-art integrated voice and data network)
- Metrics: Solid performance measures system and a track record of results, with metrics baselined in 2005
- Organization: Collaborative culture, leveraged to maximize synergies between private and public sectors
- Satisfaction: High level of client satisfaction
- University: Strong multilevel relationships with universities and community colleges

Weaknesses

Absence of specific required strengths

- Organization: Depth of clean technology sector technical expertise
- Capacity: Increased effectiveness of HPI[™] pipeline management is required so 80 per cent of support is provided to the highest potential clients
- Sustainability: The longer-term sustainability of InNOVAcorp's HPI[™] tool set, specifically the Nova Scotia First Fund and its related ability to keep pace with global innovation capital markets

Opportunities

New opportunities to add value, grow, become more efficient, etc.

- Capital: Restructure the Nova Scotia First Fund to maximize its leverage impact and ensure its long-term sustainability
- Clean Technology: Continue to operationalize InNOVAcorp's clean technology HPI[™] practice
- Infrastructure: Deliver advanced information technology infrastructure and services to resident and remote clients (Target completion of Phase II: March 2009)
- Pipeline: Further leverage online marketing to attract and pre-qualify new clients, as well as to strengthen relationships with existing clients

- Pipeline: Pursue new recruitment, partnership and other opportunities that the proximity and world-class infrastructure of the new BioScience Centre on the Dalhousie campus will present
- Relationships: Build strategic corporate relationships (e.g. Microsoft BizSpark Network, RIM, Apple, Nokia) that enhance our brand and value add for clients
- Rural: Further strengthen presence and day-to-day working relationships in rural areas in collaboration with regional (rural) development agency network and private sector
- Rural: Strengthen client pipeline, InNOVAcorp brand, and support capacity for early stage companies in rural Nova Scotia by holding another province-wide I-3 Technology Start-Up Competition
- Capital: Champion improved tax mechanisms to drive industry research and development, innovation and commercialization
- Talent: Maximize talent recruitment opportunities, including those from outside the region, that arise from the changing landscape of today's economic climate
- University: Increase collaboration with universities to deliver/strengthen entrepreneurial curriculum
- University: Partner with universities to establish an enhanced targeted commercialization fund

Threats

Potential threats to the organization's ability to deliver on its charter that weaken core strengths or preempt the successful pursuit of opportunities

- BioScience: Failure to relocate the BioScience Centre in April 2011 delays waterfront plans, creating a financial liability for the province
- Capital: Canada's venture capital track record and its impact on future investments
- Capital: High number of undercapitalized venture-grade opportunities and their related inability to meet operational objectives result in a poor investment track record for the region
- Capital: Potential acquirers of technology are retrenching, affecting valuations and venture capital activity
- Clean Technology: Challenging economic climate and low energy prices diminish appetite for clean technologies among consumers and investors, impacting market, valuations, acquisitions, etc.
- Financial: Unplanned requirement for significant capital investment (e.g. to repair incubation infrastructure) causes InNOVAcorp to use operational funding
- Market: Businesses and consumers are moving to purchase proven "must have" products only, affecting market entry of innovative products and services
- Market: Continuation of a global economic downturn into a full recession affects both access to capital and access to market
- Organization: Loss of expertise, history and continuity when members of the senior management team retire
- Pipeline: Client pipeline dramatically expands due to people being laid off and pursuing entrepreneurial ventures, taxing our resources
- Pipeline: I-3 Technology Start-Up Competition workload taxes in-house resources and limits time spent with existing clients
- Quality: Inability to sustain a level of quality support to clients due to the significant increase in the potential client pipeline
- R&D: Low level of regional industry-led R&D continues to impede momentum of commercialization progress
- Talent: Ability of client companies to recruit and retain the required world-class go-to-market and management experience and expertise

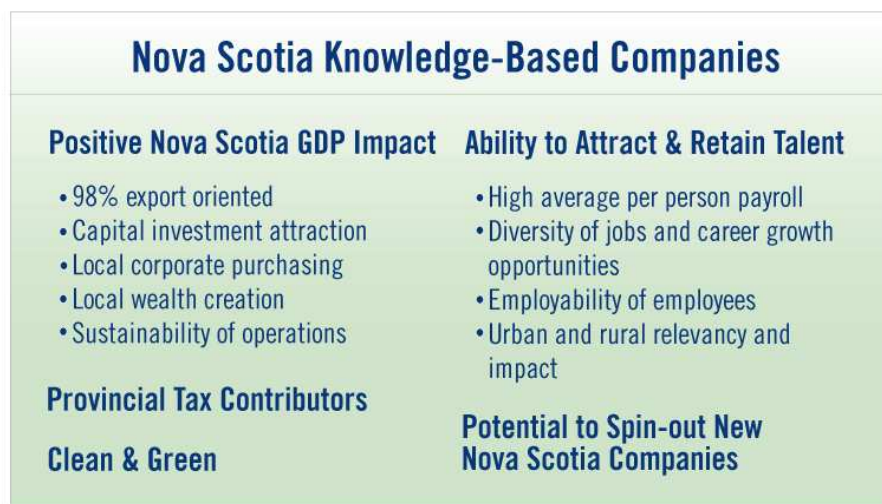
2009-2010 Strategic Goals

Strategic Goals

Two broad strategic goals drive InNOVAcorp's activities:

To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

To collaborate with private and public partners to build a dynamic high-growth entrepreneurial culture in Nova Scotia.



Core Business

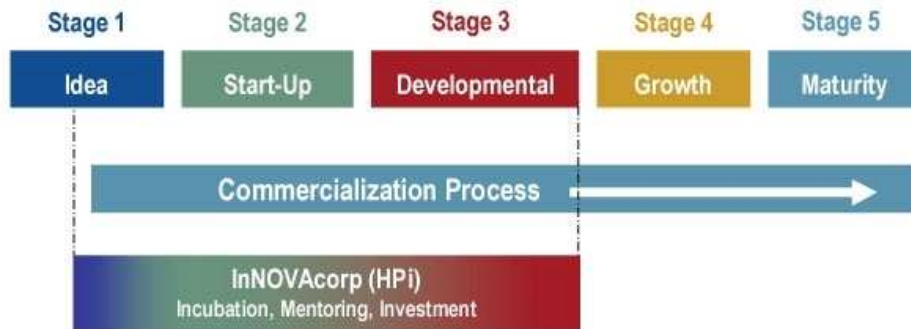
The High Performance Incubation (HPi)[™] business model represents InNOVAcorp's core business offering. Recognized internationally as a best practice approach to technology commercialization, the model comprises three interwoven resources – incubation infrastructure, business mentoring and seed/venture capital investment – to help entrepreneurs overcome traditional hurdles to business growth.



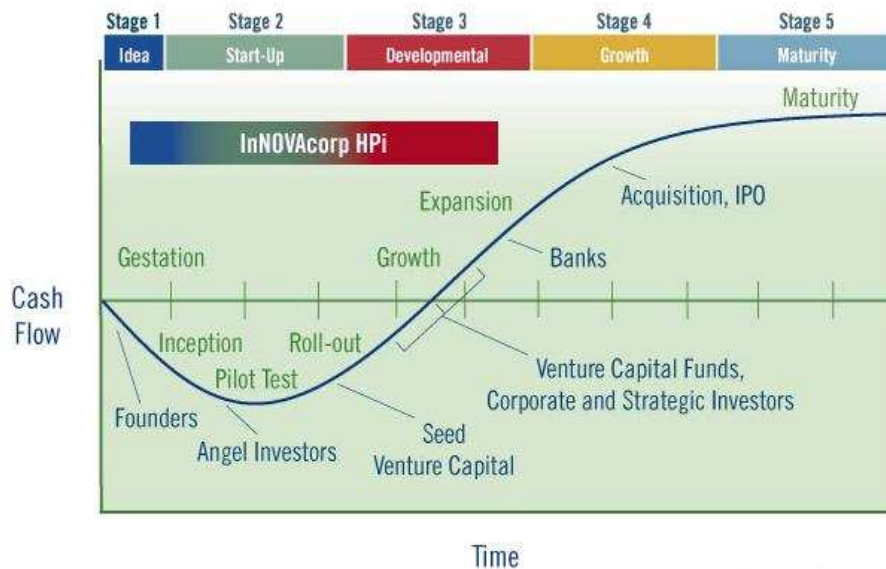
InNOVAcorp focuses on high potential opportunities that most closely meet the following criteria:

1. Stage: Nova Scotia early stage company
2. People: Business plan credibility, management experience, and entrepreneurial track record
3. Barrier: Unique proprietary technology (product, system, and/or service), with defensible intellectual property and/or a high barrier to competitive entry
4. Market: Large national/international addressable market
5. Fundability: High probability of obtaining a fully-funded business plan

Stages of Growth



Commercialization:
A sequence of strategic and tactical actions intended to achieve market entry and sustained competitiveness of new innovative technologies, products, and/or services.



Incubation

As an active member of the Canadian Association of Business Incubation (CABI) and the National Business Incubation Association (NBIA), InNOVAcorp manages three incubation facilities:

- the Technology Innovation Centre in Dartmouth targets companies in the information and communications technology (ICT) and engineering industries
- the BioScience Enterprise Centre in downtown Halifax focuses on companies in the life sciences industry
- the grow-out facility at 101 Research Drive in Dartmouth (currently occupied by Ocean Nutrition Canada)

InNOVAcorp has partnered with the Province of Nova Scotia and Dalhousie University to build a world-class life sciences-focused incubation facility on the Dalhousie campus, with a target completion date of April 2011. This infrastructure will replace and build on the strong track record of InNOVAcorp's BioScience Enterprise Centre.

With an ideal blend of business services, professional development and networking opportunities, and relevant resources, InNOVAcorp's incubation facilities offer the infrastructure and environment that emerging technology companies need to grow.

InNOVAcorp's clients from across Nova Scotia, while not all physically located in our incubation facilities, can benefit from our business services and be candidates for our mentoring and investment opportunities.

In 2006-2007, InNOVAcorp completed Phase I of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada micro-encapsulation facility. During 2008-2009, InNOVAcorp facilitated an agreement to develop the Highway 111 Mount Hope extension, which in the summer of 2009 will provide direct highway access to the Knowledge Park. Completion of this valuable link will allow InNOVAcorp to recruit additional businesses to the park, maximizing cluster synergies.

Going forward, we will look to optimize the facilities managed by InNOVAcorp to provide a critical mass of incubation infrastructure, and further extend our reach by expanding our affiliate incubator network.

Affiliate incubators are defined as Nova Scotia incubation facilities that are owned and/or managed by a third party and meet InNOVAcorp's best practice criteria. InNOVAcorp incubation experts will provide start-up and ongoing management consulting to these affiliates. Further, InNOVAcorp will develop an incubation community that has access to best practices, annual meetings, etc.

At the end of 2008-2009, InNOVAcorp's incubation facilities stood at 90 per cent occupancy. Tenants typically "graduate" from the incubation facility as they progress through the third stage of the business development cycle. In 2009-2010, InNOVAcorp will strive to maintain occupancy of its incubation facilities at approximately 90 per cent, enabling the corporation to offer incubation services to new clients and allowing for the tactical expansion of existing clients.

InNOVAcorp will pursue new recruitment, partnership and other opportunities that the proximity and world-class infrastructure of the new BioScience Centre on the Dalhousie campus will present.

Mentoring

Through its business advisory services, InNOVAcorp offers high potential early stage technology businesses the hands-on support they need to grow. By leveraging InNOVAcorp's corporate knowledge base and our expanding network of private sector advisors, our mentoring activities help clients find more direct and cost-effective paths to success.

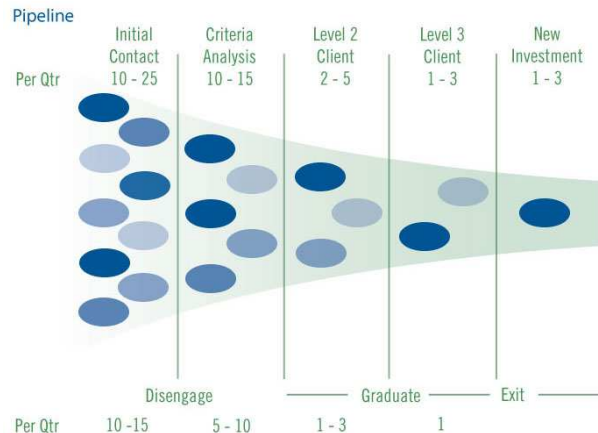
InNOVAcorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Our comprehensive suite of services includes: fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash flow management, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, website optimization, sales and distribution channel strategies, obtaining seed and venture capital, and human resource management strategies.



HPI Pipeline

In 2008-2009, InNOVAcorp provided advisory services and relationship management support to more than 198 Nova Scotia early stage companies, and reviewed and advised 32 university research-level projects.

The illustration to the right depicts InNOVAcorp’s typical pipeline flow. During 2008-2009, InNOVAcorp further refined its approach to engaging new clients to achieve higher scalability. With this refined approach came the full operationalization of a client classification analysis, which was designed to efficiently identify high potential clients and pinpoint business areas where clients need assistance.



To meet the needs of clients, in 2009-2010 InNOVAcorp will continue to strengthen its go-to-market expertise in key sectors, including information and communications technology (ICT), life sciences, and clean technology.

InNOVAcorp will continue to leverage our refined internal processes and tools to maximize efficiencies and strategically expand the in-house team based on our clients’ support requirements. Business expertise in the community and abroad will continue to be accessed to efficiently and effectively build a robust external mentoring network.

University & College Commercialization

In conjunction with Nova Scotia Economic and Rural Development, InNOVAcorp will continue to manage the Early Stage Commercialization Fund (ESCF) to review, advise and support the early stage technology commercialization of the best post-secondary institution research.

Working closely with university industry liaison offices, the purpose of ESCF is to provide funding and go-to-market support for projects demonstrating readiness to advance a technology that has achieved, or is



close to achieving, a prototype/proof-of-concept stage, and is approaching market readiness with a possibility of attracting industrial partners and/or investment. The prospect of generating a new revenue stream must be apparent.

ESCF Objectives:

- promote and accelerate technology transfer activities in academic institutions in Nova Scotia
- provide the opportunity to assess the commercial potential of intellectual property
- narrow the gap that exists at the very beginning of the commercialization process, to enable the projects to move closer to industry collaboration and/or technology spin-off

InNOVAcorp will also use its experience and expertise to positively influence post-secondary curriculum development in the areas of business planning and commercialization strategies. The corporation will continue to further post-secondary innovation programs by forging and maintaining mutually beneficial relationships with Nova Scotia's universities and colleges.

InNOVAcorp will continue to broaden and deepen its level of assistance in the promotion of business-building curriculum through further interaction with the educators themselves. Over the past year, we have had overwhelmingly positive feedback in our direct engagement in the classroom setting. We will chart a course to build on those experiences by increasing our level of engagement in the classroom through guest lecturing and entrepreneurial business case presentations and discussions.

I-3 ~ Idea, Innovation, Implementation

InNOVAcorp will continue to support rural innovation through co-management of the Nova Scotia Co-operative Council's Proof-of-Concept Fund and by working closely with the regional development authorities throughout the province.

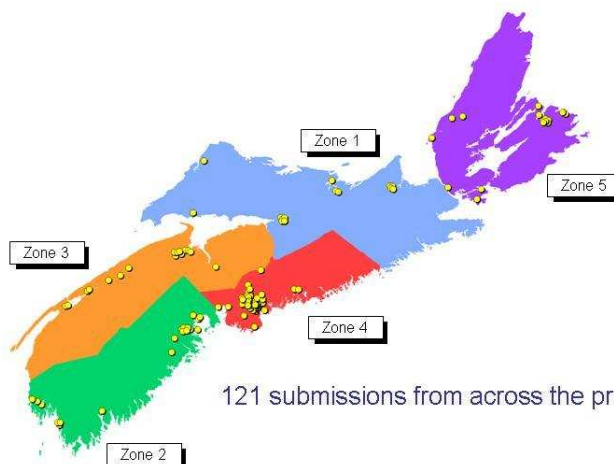


Created and managed by InNOVAcorp, the first pilot I-3 Technology Start-Up Competition, which targeted Cape Breton innovators, was launched on March 2, 2006. This initiative was designed to encourage and support Nova Scotia entrepreneurs. The competition generated more than 75 inquiries and 18 formal submissions. Entries came from across Cape Breton and ranged from medical devices, to information and communications technologies, to

industrial and energy innovations.

In 2007-2008, InNOVAcorp launched a province-wide I-3 competition to identify and support high potential early stage Nova Scotia companies, and help fuel entrepreneurial activity across the province. The competition took place simultaneously in five geographic zones and attracted 121 formal submissions.

During the planning stages of the 2007-2008 competition, InNOVAcorp developed partnerships with more than 25 professional service firms from across Nova Scotia to deliver in-kind services to I-3 first and second place zone winners. These firms are located in the communities in which the entrepreneurs reside and operate, and have provided hands-on venture guidance and assistance to the winners in their region in the form of legal, accounting, marketing, human resource, and other consulting services.



121 submissions from across the province.

I-3 Competition Learnings:



- I-3 submissions primarily fell in one of three industry sectors: information and communications technology (ICT), life sciences, and advanced manufacturing.
- Approximately 20 per cent of I-3 submissions fell in the emerging sector of clean technology, meaning the submission's product or service core value proposition included a positive environmental impact.
- I-3 submissions were generally evenly split between business to consumer (B2C) vs. business to business (B2B) customer segments.
- 45 per cent of I-3 submissions already had working prototypes.

In 2008-2009, InNOVAcorp worked to categorize and provide relevant support via its HPI business model to the highest potential I-3 submissions, giving them access to our commercialization expertise. All I-3 submissions were provided value added guidance that will allow them to take the next positive steps for their initiatives.

It is InNOVAcorp's intention to conduct another I-3 competition in 2009-2010. The competition will greatly benefit from the learnings of the 2007-2008 competition.

R&D and Commercialization

InNOVAcorp will continue to play a key role in moving the industry-led R&D agenda forward. The level of R&D performed by industry in Nova Scotia is the second lowest in the country, just ahead of PEI. The Canadian industry-led R&D level average is 1.12 per cent of GDP, while Nova Scotia sits at 0.30 per cent. For Nova Scotia's future prosperity, it is critical to ensure industry innovates and commercializes products and services for export markets. Key stakeholders must understand why industry conducts R&D, especially the "D", at this low level. Further, these stakeholders must work to exploit strengths and minimize weaknesses in this area.

In 2009-2010, InNOVAcorp will continue to provide SR&ED technical assistance in partnership with expert third party financial advisors to ensure our client companies are maximizing the benefits of this important tax credit. The organization will also work to ensure other barriers to conducting R&D are understood and ultimately eliminated.

Investment

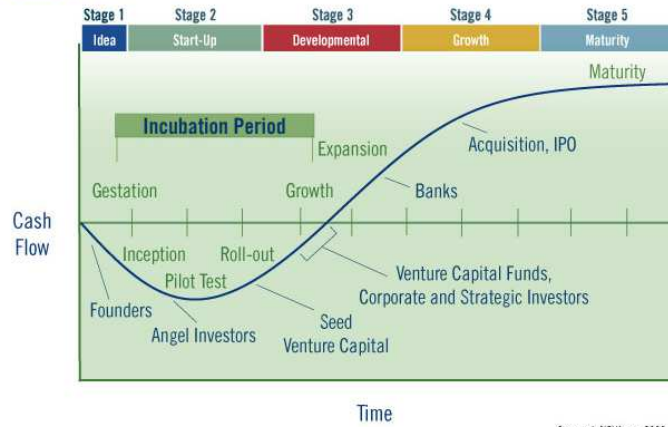
The Nova Scotia First Fund (NSFF) provides early stage high growth potential companies with timely venture investments of between \$100,000 and \$1.5 million. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy. Managed by InNOVAcorp, the fund has leveraged more than \$101.3 million in risk and venture capital. Since its recapitalization in 2003-2004, the fund has leveraged \$32 million of investment (\$13 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early stage high growth companies.

The NSFF's positive impact on Nova Scotia's innovation capital markets is significant. As an active seed and venture capital player, InNOVAcorp has played an important part in significantly increasing the amount of capital invested in Nova Scotia high growth companies. Nova Scotia companies raised \$7 million in venture capital financing in 2004. In 2005, they raised \$18.7 million. In 2006 that number further increased by more than 40 per cent to reach \$24 million, and it leveled off in 2007 to \$18 million and in 2008 to \$17 million.¹ The average venture capital deal size in Atlantic Canada has increased more than 25 per cent since 2004, surpassing the growth of deal size nationally. InNOVAcorp continues to play a key role in this "access to capital" turnaround.

¹ Source: Thomson Financial, 2009

ACCESS to CAPITAL

InNOVAcorp will continue to actively seek investment opportunities that offer the best potential for commercial success and financial sustainability. To this end, the corporation will strive to align Nova Scotia's risk capital environment and expectations with those of other jurisdictions, leading the way in capitalizing fully-funded business plans, encouraging investment in stellar seed and growth-stage venture-grade opportunities, securing private sector-capital, and fostering conditions that position entrepreneurs for financing in future stages of company growth.



Source: InNOVAcorp 2006

InNOVAcorp will foster an environment that will enable Nova Scotia to further gain and maintain private-sector credibility in global early stage and venture capital markets and will help create the necessary conditions for efficient private-sector risk capital markets in Nova Scotia and Atlantic Canada.

Priorities for 2009-2010

In 2008-2009, InNOVAcorp strengthened its role as the "go to" organization for technology commercialization.

Through effectively scaling our services and by increasing the value we bring to collaborations with academic institutions and the private and public sectors, in 2009-2010 InNOVAcorp will increase its positive impact on the Nova Scotia economy through five priorities:

1. Globally Competitive Business Climate: Increase the capacity of the HPI™ business model
2. Globally Competitive Business Climate: Maximize the sustainability and economic impact of the Nova Scotia First Fund
3. Leader in Clean and Green Economy: Operationalize our clean technology practice
4. Globally Competitive Workforce: Facilitate the strengthening of global go-to-market expertise
5. Leader in R&D and Innovation: Strengthen university research commercialization capacity and entrepreneurial activities

1. Globally Competitive Business Climate: Increase the Capacity of the HPI™ Business Model

Current State: The InNOVAcorp HPI™ business model is recognized as a best practice technology commercialization approach. The model comprises three interwoven resources – incubation infrastructure, business mentoring and seed/venture capital investment. To maintain the client engagement quality of the current and anticipated 2009-2010 client pipeline, InNOVAcorp will focus on increasing its capacity and enhancing the expertise delivered to clients, especially in the area of globally competitive go-to-market capabilities.

In 2009-2010, InNOVAcorp will:

- further improve prospective client pipeline management to provide timely high-value feedback and to allow for 80 per cent of resources to be provided to client companies
- further increase in-house and mentoring network go-to-market expertise, specifically in the areas of business development and channel marketing
- implement a new and improved province-wide I-3 Technology Start-Up Competition
- secure additional regional development authority (RDA) partnerships to improve our visibility and capacity in rural areas
- further increase quality of networking and professional development opportunities for clients, including monthly "Business Over Breakfast" and go-to-market oriented seminars
- further increase the knowledge and expertise around BRIC (Brazil, Russia, India, and China) go-to-market strategies
- achieve chartered director certification from The Directors College for one senior management member
- ensure optimum incubation facility occupancy levels
- engage key private sector partners across the province to maximize service offering synergies
- complete planning for both the seamless transition of existing BioScience Enterprise Centre clients and the recruitment of new clients for the new facility

Desired State: Play a key enabling role in building and strengthening Nova Scotia's knowledge economy, measured in export revenues, direct employment, and client satisfaction. The InNOVAcorp HPI business model is the most effective technology commercialization practice in North America.

2. Globally Competitive Business Climate: Maximize the Sustainability and Economic Impact of the Nova Scotia First Fund

Current State: In 2003-2004, the Province of Nova Scotia injected \$8 million into InNOVAcorp's Nova Scotia First Fund (NSFF) and over the last five and a half years, the NSFF approved and invested more than \$7 million in high potential Nova Scotia knowledge-based companies. These companies, in turn, leveraged over \$32 million of invested capital in syndication with other investors, \$13 million of which originated from investors based outside Atlantic Canada. InNOVAcorp has co-invested with both institutional and angel investors from across Canada and beyond.

InNOVAcorp's strategy has led us to prepare, position and lead the development of investment syndication opportunities for a number of companies. InNOVAcorp has also been engaged with a number of top-tier venture capital funds, that were looking to invest in companies with a link to or a base in Nova Scotia. Within its targeted mandate and limited scope, the NSFF has generated a positive financial return on some of its investments; two of the investments generated significant internal rates of return (19.6 per cent and 26.0 per cent, respectively). InNOVAcorp's strategy has been to strengthen the goodwill and credibility for the region and to build the return track record of the asset class, thereby driving and supporting the attraction of more capital to the region and Nova Scotia.

According to CVCA (Canada's Venture Capital & Private Equity Association), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in those based in the United States, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet, Atlantic Canadian companies must compete globally against more appropriately funded ones.

The current state of the equity markets creates a situation where the risk profile of even the highest potential Nova Scotia knowledge-based companies is such that they will find it extremely difficult to access capital. InNOVAcorp's role as a seed and early stage investor is now more critical than ever.

In 2009-2010, InNOVAcorp will:

- work with the Province of Nova Scotia to ensure the long-term viability and capitalization of the Nova Scotia First Fund
- expand the investment strategy of the NSFF to increase the amount invested in the highest-potential companies over the life of the investment, while remaining within the early stage investment scope
- strive to increase the size of venture capital rounds in Nova Scotia on a deal-by-deal basis by leveraging our capital
- continue to proactively look to invest in opportunities that offer the best odds of commercial success and financial sustainability
- continue its investment strategy of favouring fully-funded/fundable business plans and make investments that target financial return

Desired State: The NSFF is managed in a manner which provides maximum benefit to the Nova Scotia economy and fully capitalizes on available operational expert advice. InNOVAcorp plays a key role in improving Nova Scotia's innovation capital markets. The NSFF is engaged with partner funds to increase the venture capital pool necessary to build and monetize competitively capitalized venture-grade opportunities.

3. Leader in Clean and Green Economy: Operationalize Our Clean Technology Practice

Current State: The declining state of the world's environment is driving innovation across virtually every industry. Every organization must do its part to reduce greenhouse gases, operationally as well as in the products and services it delivers. Consumers no longer tolerate or purchase products and services offered by companies that do not demonstrate efforts to establish green best practices.

Related to the focus and momentum of all things green, a new sector has emerged. Clean technology has quickly become the leading venture investment category globally, with billions of venture capital already invested in clean technology companies. Clean technologies are innovations that improve a business's productivity, efficiency and economic performance, while reducing natural resource use, energy consumption, and the production of waste and hazardous materials.

InNOVAcorp, through its HPI™ business model, has observed significant growth in the number of Nova Scotia knowledge-based companies whose core value proposition is derived from clean technology. Innovations that look to decrease the amount of energy required, improve sources for renewable energies, and produce more environmentally friendly materials are examples of types of Nova Scotia clean technology opportunities. InNOVAcorp has been working in the clean technology sector at a modest level for more than three years.

In 2009-2010, InNOVAcorp will:

- continue to scope out globally clean technology incubation and seed/venture capital best practices
- continue to scope out the global clean technology industry to identify market sectors, business models, and valuation comparables
- formalize participation in a clean technology-focused investment fund to facilitate investment syndication
- complete the quantification of the environmental footprint of InNOVAcorp's 1 and 101 Research Drive facilities; identify and quantify opportunities to reduce footprint and costs over 10 years
- secure the required resources to identify and support high potential clean technology clients
- proactively identify and help strengthen two or more clean technology clients

Desired State: Nova Scotia is positioned to capitalize on the emerging clean technology sector. Further, Nova Scotia high potential clean technology companies access both the expertise and capital required to reach key business milestones.

4. Globally Competitive Workforce: Facilitate the Strengthening of Global Go-to-Market Expertise

Current State: Knowledge-based companies seeking to compete globally require globally competitive expertise. The required expertise ranges from technical, operations and finance, to business development, sales, and marketing.

While Atlantic Canada is home to several globally competitive companies, there is a shortage of relevant, proven state-of-the-art business building skills available for early stage knowledge-based companies.

The vast majority of local early stage knowledge-based companies possess relevant technical expertise. Most also have at least a high level of industry expertise, but few have the required relevant business building capabilities. The result is that start-up companies are unable to successfully commercialize their products and services.

In 2009-2010, InNOVAcorp will:

- position itself as a willing broker and matchmaker for business building talent
- collaborate with local executive recruiting firms to identify and place business building talent
- increase, where appropriate, involvement in initiatives such as East Coast Connected, Fusion, and JCI to ensure Atlantic Canadian expatriates have a connection back to our business community
- encourage clients to obtain expert advice on business building issues and think strategically and practically about recruitment and retention
- proactively assist in matching co-op students from across all disciplines with our clients, bringing value to the client and the student

- provide assistance to clients on structuring competitive and innovative yet affordable compensation packages
- proactively perform a short- and medium-term business-building skills gap analysis
- seek ways for clients to effectively share expert talent with other clients without conflict of interest
- investigate the feasibility of coordinating and co-funding an initiative to secure business building talent, some of which may be located outside Nova Scotia, and leverage the talent over multiple clients, with the potential for a client to hire the talent full time

Desired State: Nova Scotia companies have access to world-class go-to-market talent, and that talent sees Nova Scotia as a place where they can fulfill their careers.

5. Leader in R&D and Innovation: Strengthen University Research Commercialization Capacity and Entrepreneurial Activities

Current State: Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. More than \$130 million in research is conducted at these institutions each year. While the local economy certainly benefits from the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Over the past three years, the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The real-world business building component of university and college curriculum is lacking, and there are few formal ties between university research and the innovation capital markets.

In 2009-2010, InNOVAcorp will:

- develop and implement the Early Stage Commercialization Fund (ESCF) 3.0, implementing refinements to also attract non-science related and student-led opportunities, as well as maximize synergies with ILOs/Springboard
- proactively secure guest speaker opportunities to share with students the innovative Nova Scotia knowledge-based businesses and support infrastructure
- increase collaboration with universities to deliver and strengthen entrepreneurial curriculum
- update the database of research projects in post-secondary institutions, and proactively reach out to those involved in highly commercializable projects
- collaborate with co-op program managers to place students in client company environments
- publish two additional Atlantic Canada-oriented business case studies

Desired State: Nova Scotia universities and colleges are known nationally for their innovative engagement of the business community, business-building curriculum, and the flow of applied research towards commercial products.

Performance Measures

This section outlines the performance measures InNOVAcorp will track in 2009-2010. Using 2005-2006 as a baseline, these economic impact, client satisfaction, and leading indicator metrics will provide an indication of how well the strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled *Priorities for 2009-2010*.

Measure	Base Year 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Target 2009-10
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Economic Impact Metrics

<i>Revenue generated by client companies:</i> While most of InNOVAcorp's clients are early stage companies, this measure tracks the annual revenue, measured in millions of Canadian dollars, generated by current and graduate client companies.	\$120M	\$174M	\$225M	\$278M	\$275
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<i>Employment generated by client companies:</i> This measure tracks the annual employment generated by current and graduate client companies.	860	1183	1500	1447	1600
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Total employment payroll of current and graduate client companies.	\$40M	\$52M	\$62M	\$62M	\$70M
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<i>Amount of Nova Scotia First Fund (NSFF) leveraged investments:</i> From February 1996, the cumulative amount of investment made in client companies in which investments were made by the NSFF, measured both in ratio and in millions of Canadian dollars. InNOVAcorp's stated goal is to achieve a ratio of 1:3, meaning that for every \$1 invested by the NSFF, \$3 would be invested by syndicated investors.	\$83.8M	\$93.0M	\$96.3M	\$101.3M	\$106M
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Client Satisfaction Metrics

<i>Percentage of clients satisfied with InNOVAcorp services overall:</i> Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value-add. At the end of the survey, clients are asked to rate their overall satisfaction with the services provided by InNOVAcorp. This metric is considered a key indicator of InNOVAcorp's value-add.	89%	92%	92%	96%	91%
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Measure	Base Year 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Target 2009-10
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Percentage of clients that would recommend InNOVAcorp to a business colleague:
 Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value-add. At the end of the survey, clients are asked whether they would recommend the services of InNOVAcorp to a friend or colleague. This metric is considered a key indicator of InNOVAcorp's value-add.

90%	93%	88%	96%	91%
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Leading Indicator Metrics

Number of early stage Nova Scotia-based companies InNOVAcorp engaged during the fiscal year.	85	106	158	198	175
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In addition to the companies referenced above, InNOVAcorp provided value added guidance to a number of companies that made submissions to the province wide I-3 competition.			121		100
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Number of new clients	12	15	11	9	15
Number of active HPI™ clients	30	38	43	45	50
Incubation occupancy levels	85%	91%	87%	90%	90%
Number of clients exporting products/services internationally	42	47	46	51	51

Note: The metrics provided are based on information and estimates gathered from InNOVAcorp client companies.

Budget Context

Financial Management

InNOVAcorp is strongly committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia and partner agencies to strategically leverage its assets in support of economic development initiatives.

	Estimate 2008-2009 (\$)	Actual 2008-2009 (\$)	Estimate 2009-2010 (\$)
Revenues			
Provincial Funding	4,666,000	4,812,510	4,535,000
NS Funding Recognized (deferred) re capital assets acquired	271,000	290,777	110,000
Incubation	1,620,000	1,568,461	1,614,000
Mentoring	125,000	142,387	125,000
Product Engineering	237,000	210,743	255,000
Software Sales and Services	400,000	553,763	530,000
	<u>\$7,319,000</u>	<u>\$7,578,641</u>	<u>\$7,169,000</u>
Expenses			
Incubation	1,677,000	1,796,977	1,731,000
Mentoring	1,366,000	904,198	1,363,000
Investment	574,000	480,935	623,000
Product Engineering	208,000	202,748	227,000
Software Sales and Services	400,000	480,780	457,000
Corporate Services	1,843,000	1,966,286	1,809,000
	<u>\$6,068,000</u>	<u>\$5,831,924</u>	<u>\$6,210,000</u>
EBITDA			
Provincial Funding	4,666,000	4,812,510	4,535,000
NS Funding Recognized (deferred) re capital assets acquired	271,000	290,777	110,000
Incubation	(57,000)	(228,516)	(117,000)
Mentoring	(1,241,000)	(761,811)	(1,238,000)
Investment	(574,000)	(480,935)	(623,000)
Product Engineering	29,000	7,995	28,000
Software Sales and Services	-	72,983	73,000
Corporate Services	(1,843,000)	(1,966,286)	(1,809,000)
	<u>\$1,251,000</u>	<u>\$1,746,717</u>	<u>\$959,000</u>
Non Operating Items			
NSFF Total Return	(174,000)	(934,266)	(151,000)
Post Retirement Benefits & Long Service Award	(237,000)	(256,546)	(216,000)
Amortization	(663,000)	(608,813)	(491,000)
Interest Income (expense) dividends & capital gains (losses)	(452,000)	(543,575)	(376,000)
	<u>\$(1,639,000)</u>	<u>(2,343,200)</u>	<u>(1,729,000)</u>
Surplus (Deficit)	<u>\$ (275,000)</u>	<u>\$ (596,483)</u>	<u>\$ (275,000)</u>

*Helping early stage Nova Scotia companies
commercialize their technologies
and succeed in the global marketplace.*

1801 Hollis Street, Suite 1400
Halifax, Nova Scotia B3J 3N4

T 902.424.8670
F 902.424.4679

info@innovacorp.ca
www.innovacorp.ca