

InNOVAcorp

Annual Accountability Report for the Fiscal Year 2002 – 2003

December 15, 2003

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Accountability Statement

The accountability report of the Nova Scotia Innovation Corporation (“InNOVAcorp”), a crown corporation, for the year ended March 31, 2003, is prepared pursuant to the *Provincial Financial Act* and government policy and guidelines. These authorities require the reporting of outcomes against InNOVAcorp’s business plan for the fiscal year 2002-03. The reporting of InNOVAcorp’s outcomes necessarily includes estimates, judgments and opinions by management.

We acknowledge that this accountability report is the responsibility of management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the business plan for the year.

Ross F. McCurdy
Chief Executive Officer, InNOVAcorp

Colin Latham
Chair, InNOVAcorp Board of Directors

Honorable Ernest Fage
Minister, Economic Development

Introduction

This accountability report covers the InNOVAcorp business plan for 2002-03 and therefore should be read in conjunction with that plan. The report reviews the goals and priorities stated in the spring of 2002 and reports on the accomplishments and progress achieved during the period ending March 31, 2003. Financial results are provided with an explanation of any significant budget variances. Finally, a section reporting on performance measures is included.

This is InNOVAcorp's second accountability report, as the Government of Nova Scotia extended its requirement of annual accountability reports to include crown corporations for the first time last year.

Since its formation in 1995, InNOVAcorp has significantly contributed to Nova Scotia's rapidly growing technology industry through the integration of several separate entities, each with its own culture and mandate. These entities included the Nova Scotia Research Foundation Corporation, the Technology Innovation Centre, the Technology Associations Secretariat, the Nova Scotia First Fund, the technology component of the Economic Renewal Agency, and the Advanced Materials Engineering Centre. A plan was implemented to transform the research, development and testing services into a full-service technology commercialization entity called InNOVAcorp.

In December 1999, management and its Board of Directors developed a 4-year strategy that positioned InNOVAcorp as Nova Scotia's principal commercialization agent, investor and manager of new and rapidly evolving technology companies, with a focus on life sciences and information technology. The corporate vision continues to evolve and is focused on the three pillars of business incubation, venture investment and mentoring. Each pillar has its individual value proposition, but the integration of the three offers powerful synergies.

InNOVAcorp leads the innovation and commercialization function of the provincial public sector through its operation of two technology incubators, the Technology Innovation Centre in Dartmouth and the BioScience Enterprise Centre in Halifax, currently hosting more than 50 early stage technology companies.

The corporation is an active venture capitalist, investing and managing \$11 million of venture capital funds through the Nova Scotia First Fund (NSFF). InNOVAcorp remains committed to finding innovative ways to leverage the NSFF and to securing additional investment capital necessary to increase early stage commercialization funds. This capital is a critical piece of the infrastructure necessary for high performance incubation and mentoring activities.

InNOVAcorp also takes a hands-on approach in developing new and growing existing profitable business ventures and overseeing their development through a mentoring and relationship management network.

A respected partner in a growing number of strategic areas of life sciences and information technology, InNOVAcorp also plays a significant role in sector growth.

InNOVAcorp's Progress and Accomplishments

GOAL 1. Increase contribution to the economic growth of Nova Scotia by helping technology-based businesses succeed.

InNOVAcorp has built a team that plays a hands-on role in developing new and growing existing profitable business ventures through its business incubation, venture investment and mentoring offering.

Since the 1987 inception of the corporation's first incubator, more than 70 businesses have graduated from our facilities. Further, more than 84 per cent of our clients remain operational in Nova Scotia after graduating from our incubation programs, resulting in an ongoing positive economic impact on the region.

During 2002-03, InNOVAcorp incubated more than 72 companies, both resident and affiliate, at our three sites in Dartmouth and Halifax, and these firms hired approximately 64 new employees.

Five clients graduated from our resident incubation program in 2002-03, which means they reached targeted business development milestones that enabled them to move from our premises into commercial real estate. From their new locations, these graduates continue to fuel the creation of new jobs, innovative products and services, sales, and exports.

In 2002-03, InNOVAcorp had 12 active investments in the Nova Scotia First Fund (NSFF) portfolio at various stages of growth and commercialization. InNOVAcorp has developed a strong network of venture capital companies with which to create multi-investor-syndicated deals. This syndicated investment approach has allowed InNOVAcorp to leverage its investments and participate in later stage transactions, resulting in a more diversified approach to investment risk. In 2002-03 the average leverage ratio of the NSFF investments was 12.5 times, and the average leverage ratio on direct venture capital funding was 8.2 times. The NSFF leveraging impact created additional financial strength, earlier "go-to-market" momentum for investee companies, and new jobs for Nova Scotia.

GOAL 2. Establish an environment where business leaders have the option to stay and commercialize their products and services in Nova Scotia.

Our efforts in 2002-03 extended beyond providing direct services and opportunities to our client companies. As a respected partner in growing Nova Scotia's strategic industries such as life sciences and information technology, we collaborated with a number of private and public organizations to develop the region's knowledge sectors and ensure Nova Scotia companies are globally competitive.

InNOVAcorp played a lead role in the development of several major initiatives in the life sciences industry, including Nova Scotia's inaugural biosciences conference, BioPort 2002. We also worked with the Nova Scotia Bio Industries Team to ensure a strong presence at BIO 2002 in Toronto, the world's largest biotechnology conference and exhibition with more than 15,000 delegates from around the world. And we were part of the region's life sciences industry investment attraction policy and action committee.

In 2002-03, InNOVAcorp continued to collaborate with the Life Sciences Development Association (LSDA), which strives to bring together those involved in life sciences throughout Atlantic Canada to create a world-class life sciences industry in the region. LSDA's major initiative is the development of the Life Sciences Research Village, a virtual and actual community designed to foster new research and commercialization activities in Nova Scotia. For this initiative, InNOVAcorp has been sharing its technology commercialization and incubation expertise. In much the same manner, we worked with other groups in Nova Scotia, such as Acadia University, that wished to benefit from the corporation's experiences in order to more effectively establish and grow their incubation facilities.

Approximately 80 per cent of all university research in Atlantic Canada is carried out in Nova Scotia. In 2002-03, InNOVAcorp continued to seek new business ventures to incubate and invest in, and worked closely with industry and the university community to develop the infrastructure and processes necessary for creating spin off companies that will contribute to the growth of the Nova Scotia economy.

Some of the many other organizations InNOVAcorp continued to work closely with last year to create opportunities to help grow the knowledge sectors included: National Research Council (NRC), NRC's Industrial Research Assistance Program, NRC's Canadian Technology Network, Greater Halifax Partnership, BioNova, Information Technology Industry Alliance of Nova Scotia (ITANS), Telecommunications Applications Research Alliance (TARA), NovaKnowledge, Business Development Bank of Canada (BDC), Nova Scotia Business Inc., Atlantic Canada Opportunities Agency (ACOA), ACF Equity Atlantic, Industry Canada, Office of Economic Development, University College of Cape Breton, and the Canadian Swedish Business Association.

GOAL 3. Become the leaders in technology commercialization.

In 2002-03, InNOVAcorp continued to review its business practices to identify ways to provide a more integrated service offering tailored to its clients' needs. We created an effective high-performance incubation system using both face-to-face and online tools that give entrepreneurs access to critical business advisory resources to overcome their business challenges.

Priority 1. Align business incubation, venture investment and mentoring strategies

In the past year, we embarked on an ongoing process of analyzing client business advice and guidance needs within the business incubation, venture investment and mentoring services, and explored innovative methods of delivery. As a first step, InNOVAcorp

developed the prototype and launch versions of a business guidance tool that provides small and medium sized companies with online access to information, experts, diagnostics and tools in an interactive, “just-in-time” web-based business environment. The tool provides onsite and offsite clients with access to tailored business solutions through the following options:

- a) procedural content, diagnostics, problem solving, business planning and monitoring tools (self-service mode)
- b) long-term guidance and leadership development through interaction with a mentor (one-on-one mode)

The online tool also added a ShareStation service. The ShareStation is a browser-based secure environment that allows businesses remote access to private file sharing, discussion forums and email functionality. ShareStation makes it easy for management teams, advisors, partners and suppliers to safely access important documents and have private online discussions from any computer with web access. The ability to download files and post revisions instantly makes it easy to keep everyone informed and up-to-date on the latest business developments.

Priority 2. Expand and integrate incubation capabilities

During 2002-03, InNOVAcorp incubated more than 72 companies, both resident and affiliate, at our three sites in Dartmouth and Halifax, and maintained an average occupancy rate of 94 per cent at the Technology Innovation Centre and 80 per cent at the BioScience Enterprise Centre. Due to the increasing demand for traditional and specialized incubation space, InNOVAcorp also initiated a number of projects to improve and expand its physical infrastructure, including:

- i) the development of a 13,000 sq.ft. pilot plant and manufacturing operation at 101 Research Drive in partnership with a private sector company;
- ii) plans to re-deploy existing scientific and engineering laboratory infrastructure and equipment from the former Nova Scotia Research Foundation facilities into incubation space for life sciences clients;
- iii) the completion of the mechanical, electrical and architectural design for a cGMP facility for a Technology Innovation Centre client so it can produce its platform technology for medical applications; and
- iv) the development of a conceptual plan for a food product development kitchen.

The plans to upgrade the infrastructure at 101 Research Drive will provide necessary space to help the region’s technology companies, ensuring they get the support they need in the initial stages of growth when they are most vulnerable and providing a grow-out business incubator for companies that have advanced beyond early stage incubation. The additional and improved space at 101 will also allow InNOVAcorp to optimize occupancy at the Technology Innovation Centre and the BioScience Enterprise Centre, and increase services offered to resident and affiliate clients at all locations.

In addition to improving and expanding InNOVAcorp’s physical infrastructure, we extended the services and opportunities we offer our incubation clients. Towards this

goal, in 2002-03 we developed a partnership with a local commercial training company, Fairwinds Training & Development Inc., to offer specially structured and priced professional development sessions to our clients. With sessions happening on site at our incubators, clients benefited from Fairwinds' expertise in areas such as prospecting for new clients, high performance leadership, negotiation selling, and effective communications skills.

We also built a partnership with another local organization, Entrepreneurs' Forum, which fosters the growth and development of knowledge-based companies by providing ongoing support, educational opportunities and mentoring. The partnership provided our incubation clients increased access to the Forum's offerings. Further, we worked closely with Dalhousie University's Faculty of Engineering on a new co-operative venture that provided two incubation clients with the university's technical assistance, which they needed to bring their products to market.

Beyond these partnership agreements for training, business assistance and networking, we held about 35 additional information sessions, training seminars and networking events for our clients. Ranging from formal opportunities to meet with visiting trade delegations to casual, fun social gatherings, these initiatives were not only rich with important business information, but they also allowed client entrepreneurs to avoid the isolation that often accompanies early stage business development and connect with business contacts that could help them grow their businesses. Through our connections with Canada's embassies around the globe and visits to our incubators by several trade commissioners, we were also able to help open doors to foreign markets that our clients had been trying to enter for years.

Priority 3. Implement a province-wide mentoring network to enhance commercialization products and services

InNOVAcorp expanded its business incubation service offering through an innovative online business platform that delivers management support to business decision makers everywhere in the province. The new business guidance tool is aimed at giving clients access to a wider range of information and advice, allowing them to improve their business decisions. The program takes a problem solving approach, and it focuses on finance, marketing, human resources and leadership.

We also provided business and technical advice one-on-one to entrepreneurs through our staff and partnership arrangements with other organizations such as NRC's Industrial Research Assistance Program (IRAP) and Canadian Technology Network (CTN). This assistance was offered province-wide and included business counseling and business planning support. Entrepreneurs also received access to an extensive network of affiliates and business contacts and database sources to identify industry trends, scientific breakthroughs, competitive analysis, technical data, and trademark and patent information, all customized to the clients' needs.

Further, peer-to-peer networking was provided through InNOVAcorp's business incubation services and facilities.

In 2002-03, the corporation's staff played an active role on numerous Boards of Directors and committees, including: Halifax Regional Development Agency, American Society for Quality, Canadian Association of Business Incubators, NovaKnowledge, Voluntary Planning, ACF Equity Atlantic, National Research Council (NRC), Canadian Foundation for Innovation, Dalhousie University, Greater Halifax Partnership, Information Technology Association of Nova Scotia, Natural Sciences and Engineering Research Council of Canada (NSERC), NRC-Institute for Information Technology, NRC-Institute for Marine Biology, Navitrak Inc., Chitogenics Ltd., Amirix Inc., ProIntek Ltd., Jellet Biotek Ltd., Trakonic Inc., Acadia University Business School, NovaLis, PlantSelect and MailWorkz.

GOAL 4. Become financially self-sufficient.

InNOVAcorp manages the Nova Scotia First Fund (NSFF), an early stage source of capital for Nova Scotia businesses. The NSFF was formed by the Government of Nova Scotia in 1989 and InNOVAcorp assumed its management in 1997. This venture capital fund supports promising entrepreneurs from start-up through to early stage expansion. Investments made are generally in the range of \$200,000 to \$500,000. Although the criteria InNOVAcorp uses to determine the suitability of an investment is the same as that used by traditional venture capital firms, the stage at which our investments are made is slightly earlier in a company's growth. This difference reflects InNOVAcorp's mandate to provide a public policy component of Nova Scotia's economic development activities.

The fund was leveraged through alliances with other organizations, financial institutions and venture capital companies. In addition to providing access to larger capital markets and leveraging investment capital, other venture capital firms provide InNOVAcorp with critical access to intellectual resources during the due diligence process. For example, the other firms provide additional experiences in financial analysis, competitive intelligence, other geographic markets and technology assessment. This contribution was critical to a small fund like the NSFF with its limited access to financial resources and experienced professionals. By effectively using alliances, the NSFF was able to maintain tight control over expenses, thus maximizing financial return.

In 2002-03, InNOVAcorp managed 14 investments, with a value of approximately \$11 million. The portfolio consisted primarily of investments in the information technology and life sciences sectors.

The past 12 months were challenging in the venture capital industry in Atlantic Canada and throughout North America. The NSFF's portfolio performance was similar to that experienced by other venture capital companies.

Priority 4. Work aggressively with private sector partners to identify and access sources of seed and early stage funding.

InNOVAcorp's investment services are an important component of the "stages of growth" continuum of most Nova Scotia companies. In the diagram below, the corporation's programs and services are primarily targeted at Stage 2 and Stage 3.

STAGES OF GROWTH



InNOVAcorp has developed a strong network of venture capital companies to create multi-investor-syndicated deals. For example, we have participated in syndicated investment transactions with venture capital companies such as the Business Development Bank of Canada (BDC), ACF Equity Atlantic, Working Ventures Canadian Fund Inc., the Telecommunications Applications Research Alliance (TARA), MDS Capital Corp., Canadian Science and Technology Growth Fund, Altamira Investment Fund, and other investment companies and individuals in Canada and the United States.

In 2002-03, InNOVAcorp remained committed to finding innovative ways to leverage the NSFF's capital and to securing additional investment capital necessary to increase early stage commercialization venture capital funds. This capital was a critical piece of the infrastructure necessary for high performance incubation and mentoring activities.

Financial Results

Summary By Section	Budget	Actual	Explanation of Variance
<i>Revenue</i> – NS Funding, Contracted Services, Operating Revenue	\$4,425,766	\$3,585,669	Results of BioScience Enterprise Centre not consolidated for 02/03. Technical Services revenues and Federal Contribution Agreements lower than plan.
<i>Operating Expenses</i> – Investment, Incubation, Mentoring, Contracted Services, Technical Services	\$2,759,067	\$2,036,362	Results of BioScience Enterprise Centre not consolidated for 02/03. Technical Services spending reduced due to lower business levels and Federal program delivery spending reduced.
<i>Corporate Expenses</i> - Corporate Services, Administration, Facilities Management	\$1,154,750	\$1,385,690	Variance due to unanticipated return of employee from secondment and unplanned restructuring costs.
<i>Minus Non Operating Items</i> – Investment Income, Interest on Long Term Debt, Discontinued Operations, Amortization	\$201,895	\$66,288	Net Interest Income exceeded plan because anticipated borrowings were not required. Amortization expense was less than plan due to deferral of facilities upgrades.
Investment Losses	\$-	\$1,833,877	Variance due to higher than expected portfolio writedowns.
Online mentoring tool development costs	\$738,912	\$934,254	Variance due to shortfall in expected revenue. Expenses were significantly curtailed but not by enough to offset the revenue shortfall.
Net Loss	(\$428,859)	(\$2,670,802)	The net loss was primarily due to non-cash expenses and writedowns.
Increase in cash and cash equivalents	(\$90,598)	(\$696,046)	The plan anticipated a higher external investment in the subsidiary formed to develop the online mentoring tool than was received.

Performance Measures

Although the results reported below are based on fiscal year 2002-03, the performance measures used for the report are those established in the 2003-04 business plan. Due to changes to the performance measures from 2002-03 to 2003-04, some of the data for the new measures was not collected in 2002-03.

Core Business: Technology Commercialization

InNOVAcorp's core business is technology commercialization and helping technology-based firms succeed in the marketplace. Towards this goal, InNOVAcorp offers business incubation services and facilities to emerging technology companies so they can grow stronger, faster.

Outcome: *Accelerate Technology-Based Companies through the early Stages of Growth* - One of the intended outcomes is the acceleration of technology-based firms through the 2nd/3rd stages of growth of the Commercialization Process.

Measure: Economic Impact - The number of new jobs created by our current incubation clients.

What does the measure tell us?

Job creation has long been an index used to measure economic impact. It is a reasonable assumption that if a company is hiring new employees, it must be progressing through the business development process, perhaps needing additional staff to develop or offer more products or services, perhaps hiring experts to perform certain business roles, and so on. The number of new client jobs in our facilities, then, reflects the number of clients we are serving as well as the maturing of our clients along the commercialization continuum.

Where are we now?

During 2002-03, we incubated more than 72 companies, both resident and affiliate, at our three sites in Dartmouth and Halifax. Combined, these firms hired about 64 new employees during the year.

Where do we want to go/be in the future?

We hope to increase the number of new employees hired by our clients in the new year. This goal will be achieved by continuing to offer a comprehensive and integrated mix of business development resources to our clients within an environment that fosters company growth. The goal will also be achieved through the conversion of 101 Research Drive into a grow-out business incubator; with additional space available, we can assist more clients, which will in turn hire more employees.

Measure: Number of Companies Graduated - We can measure whether business incubation is helping accelerate firms through the early stages of the commercialization process in part by tracking the number of clients that graduate from the programs at our

business incubators, the Technology Innovation Centre, the BioScience Enterprise Centre, and the grow-out facility at 101 Research Drive.

What does the measure tell us?

A client graduates from our incubation program when it reaches targeted business development milestones and has moved far enough along in the commercialization process that it is ready to move from our premises into commercial real estate. From their new locations, these graduates continue to fuel the creation of new jobs, innovative products and services, sales, and exports. The number of incubation graduates, then, reflects the number of companies we helped move to a definitive advanced stage in the business development process.

Where are we now?

Five clients graduated from our resident incubation program in 2002-03.

Where do we want to go/be in the future?

We hope to graduate 3-4 incubation clients each year in the future. This goal will be achieved by continuing to offer a comprehensive and integrated mix of business development resources to our clients within an environment that fosters company growth.

Measure: Number of Technical Advice and Support Inquiries

What does the measure tell us?

InNOVAcorp provides direct support to client companies through its partnership with National Research Council (NRC) - Industrial Research Assistance Program (IRAP). The amount of technical advice and other support we provide reflects the number of companies we helped in the early stages of business development.

Where are we now?

Over the past year the Industrial Technology Advisors (ITAs) within InNOVAcorp assisted their clients by responding to over 2,000 technical advice and support inquiries, addressing business issues through the Canadian Technology Network, providing competitive intelligence through over 150 information inquiries, and developing over 79 projects with client companies.

Where do we want to go/be in the future?

We will continue to work with NRC-IRAP.

Measure: Specialty Incubation Space - We can measure whether business incubation is helping accelerate firms through the early stages of the commercialization process in part by evaluating our success in offering customized services and facilities to existing clients so they have the tailored resources they need to be successful.

What does the measure tell us?

Early stage technology firms require customized solutions to meet their unique business development challenges. For some of our incubation clients, the customized solutions

include specialty incubation space outside the typical laboratory, office and light industrial space we traditionally provide. These special facilities are often ones companies cannot otherwise access on their own without our help, and yet are necessary for their clients' progress in the commercialization process.

Where are we now?

Last fiscal year we embarked on our plan to convert our facility at 101 Research Drive into a grow-out business incubation facility for companies that have progressed beyond early stage incubation but are not quite ready for commercial realty. We were able to complete some of the renovations required to enable one client, desperate for space to manufacture a new product, to move into part of the building. We also completed a large portion of the mechanical, electrical and architectural design for the remaining portions of the facility, and acquired a commitment of financial support for our renovations from the federal government, through the Atlantic Canada Opportunities Agency.

We also worked with two other existing incubation clients looking to build new specialized incubation space. For one company, we completed the mechanical, electrical and architectural design for a much needed cGMP facility. For the other company, we helped begin a feasibility study and business plan for building a food product development kitchen.

Where do we want to go/be in the future?

Our goal is to complete the conversion of our facility at 101 Research Drive into a grow-out business incubator. We will also continue to work with an incubation client towards its goal of developing a cGMP environment, and help another client determine whether building a food product development kitchen is feasible and, if so, how to make it happen.

Outcome: *Maximize Shareholder Value* - One of the intended outcomes of business incubation is maximizing the value to the shareholder, the Province of Nova Scotia, for the resources allocated to InNOVAcorp.

Measure: Leased Space - We can measure whether business incubation is maximizing the value to the shareholder in part by calculating the occupancy rates, or the percentage of space leased, at our business incubation facilities.

What does the measure tell us?

InNOVAcorp's business incubation clients pay market rates for the services we provide them and the space they lease from us. The more space leased in our existing incubation facilities, the higher our revenues are, resulting in a larger return on the Province of Nova Scotia's allocation of resources to InNOVAcorp. It is important to note that one of our goals is to help clients reach targeted business development milestones and move far enough along in the commercialization process that they are ready to graduate from our program and move from our premises into commercial real estate. When we are successful in this goal and a client moves out of one of our facilities, our occupancy rate drops. We try to backfill the empty space with new clients to maintain a high occupancy

rate, but even if we are eventually successful, the occupancy rate fluctuates during the year as clients come and go.

Where are we now?

In 2002-03, we maintained an average occupancy rate of 94 per cent at the Technology Innovation Centre and 80 per cent at the BioScience Enterprise Centre.

Where do we want to go/be in the future?

Our goal is to maintain the occupancy rates at the Technology Innovation Centre and the BioScience Enterprise Centre, and increase the rate at 101 Research Drive. We will achieve these targets by having an active communications, marketing and client recruitment campaign, and by offering services and facilities proven to help technology firms succeed. We will also try to achieve our occupancy rate target for 101 Research Drive by completing the conversion of that facility into a grow-out business incubator for companies that have progressed beyond early stage incubation but are not quite ready for commercial realty. An upgrade to the infrastructure at 101 Research Drive is required, and when it is completed we will be able to serve additional clients and lease more space. Further, increasing the available space at 101 will also allow us to optimize occupancy at the Technology Innovation Centre and the BioScience Enterprise Centre, and increase services offered to resident and affiliate clients at all locations.

Measure: New or Follow-on Investments

What does the measure tell us?

In the conventional venture capital industry, performance is measured by the return on investment (ROI), which in turn reflects the quality of the investment rather than the number of investments. In rare instances returns may be realized quickly or in a short time frame but generally they are realized only after several years. InNOVAcorp, like any venture capitalist, has to be selective when making investments even though its investments are often made at an earlier stage of growth than those of a traditional investor.

There are both short-term and long-term measurements that can be used to determine accountability and assess the effectiveness of a venture capitalist. InNOVAcorp has developed a performance model database by which outcomes can be analyzed to determine the corporation's efficiency and economic impact. Therefore, we can access whether InNOVAcorp is maximizing the value to the shareholder in part by providing an overview of the value of the investment portfolio, summarizing the total capital invested, capital available for future and follow-on investments, current valuation, and number of jobs created. These measures allow for comparison of the portfolio's ROI on a year-to-year basis.

Where are we now?

As of March 31, 2003, InNOVAcorp had a total capital investment of \$9.1 million in 20 companies, with an estimated valuation of companies and uncommitted funds of \$9.5 million.

Where do we want to go/be in the future?

We would like to maintain or exceed this baseline year in the future.

Measure: Average Leverage Ratio

What does the measure tell us?

This measure provides an overview of InNOVAcorp's investment strategy. It summarizes the magnitude by which the corporation's investment capital is leveraged with other investors.

Where are we now?

InNOVAcorp's investment leveraged an additional venture capital investment of \$60.8 million plus other investments of \$36.6 million for total estimated capital investment of \$106.1 million. This is a leverage ratio of 12.1.

Where do we want to go/be in the future?

We would like to maintain or exceed this baseline year in the future.

Measure: Economic Impact

What does the measure tell us?

We can measure whether InNOVAcorp is maximizing the value to the shareholder in part by tracking the number of jobs created within the companies in which we invested. Job creation has long been an index used to measure economic impact. It is a reasonable assumption that if a company has new employees, it must be progressing through the business development process, perhaps needing additional staff to develop or offer more products or services, perhaps hiring experts to perform certain business roles, and so on. The number of jobs in our investee companies, then, reflects the number of clients we are serving as well as the maturing of our clients along the commercialization continuum.

Where are we now?

As of March 31, 2003, the number of jobs within the companies in which InNOVAcorp is invested was about 160.

Where do we want to go/be in the future?

We would like to maintain or exceed this baseline year in the future.