

INCUBATION | MENTORING | INVESTMENT



**innovacorp**

BUSINESS PLAN  
2010-2011

[www.innovacorp.ca](http://www.innovacorp.ca)

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## Message from the Minister

Innovacorp's mission is to fuel sustainable economic growth by enabling high potential 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)<sup>™</sup> 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 and institutional investors, 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 133 entries from Sydney to Yarmouth and beyond, Innovacorp's 2009-2010 I-3 Technology Start-Up Competition, which was launched in September 2009 and completed in February 2010, confirmed 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. Throughout 2009-2010, Innovacorp played a key role in ensuring Nova Scotia knowledge-based companies were positioned to seize opportunities as the global economy recovered from the worldwide recession.

Further, Innovacorp leverages its international network of advisors and investors to assist in raising seed and venture capital. In 2009, the government of Nova Scotia through Innovacorp made two strategic steps to improve access to capital for high potential venture-grade early stage companies. The funding to ensure the long-term viability of the Nova Scotia First Fund was increased by \$30 million over 10 years, and the fund made a strategic investment in a clean technology-focused venture fund to improve access to capital for emerging companies in this high growth sector.

The knowledge economy will play a critical role in the future prosperity of this province. Innovacorp's work to identify and support high potential Nova Scotia companies from the high growth industry sectors, including information technology, life sciences, clean technology, and advanced manufacturing, is fuelling our knowledge economy.

The Honourable Percy Paris  
Minister, Economic and Rural Development

## Message from the Chair

During fiscal year 2009-2010, 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)<sup>™</sup> business model generated about \$279 million in export revenues and directly employed about 1,467 people, resulting in a payroll of over \$64 million, most of which was in the form of high value jobs. In 2009-2010, the investment capital raised by leveraging our Nova Scotia First Fund surpassed \$105 million.

More than ever before, Innovacorp's work is benefiting knowledge-based companies from all over Nova Scotia. Innovacorp's I-3 Technology Start-Up Competition, which was launched in September 2009 and completed in February 2010, attracted 133 submissions from across Nova Scotia, 58 per cent of which were from outside the Halifax Regional Municipality.

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 2010, Innovacorp was informed its HPI business model was again named one of two finalists in the National Business Incubation Association (NBIA) Incubation Program of the Year - 2010 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, 2009), and Paris, France (2007).

Throughout 2009, Innovacorp clients experienced what had become the most severe global recession in decades. Early stage knowledge-based companies that were looking to bring products and services to export markets in 2009 faced customers and partners who became more risk averse. Where possible, Innovacorp assisted client companies in navigating the economic climate and positioning themselves for the medium and long term.

Innovacorp will increase its focus on six strategic areas in 2010-2011 so we can continue to play a key role in *creating, developing, and growing globally competitive knowledge-based companies*.

1. Access to High Quality Support: Ensure Quality-Focused Client Pipeline Management
2. Access to Capital: Maximize the Economic Impact of the Nova Scotia First Fund
3. Access to Infrastructure: Operationalize the New Innovacorp Enterprise Centre
4. Access to Talent: Ensure Client Companies have Access to Globally Competitive Go-to-Market Expertise
5. University Research Commercialization: Engage University and College System to Maximize Commercialization Potential of Applied Research
6. Innovacorp Organizational Continuous Improvements

In 2010-2011, Innovacorp will work to ensure Nova Scotia knowledge-based companies are positioned to seize opportunities as the global economy recovers from the worldwide recession.

Dr. Jacquelyn Thayer Scott  
Innovacorp Board Chair

# 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. Innovacorp's focus is to *create, develop, and grow globally competitive knowledge based companies* to maximize the following benefits:

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

## 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 2010, Innovacorp was informed that its High Performance Incubation (HPI)<sup>™</sup> business model was one of two finalists in the National Business Incubation Association (NBIA) Incubation Program of the Year - 2010 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, 2009), and Paris, France (2007). The winner of this prestigious competition will be announced in May 2010 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.*

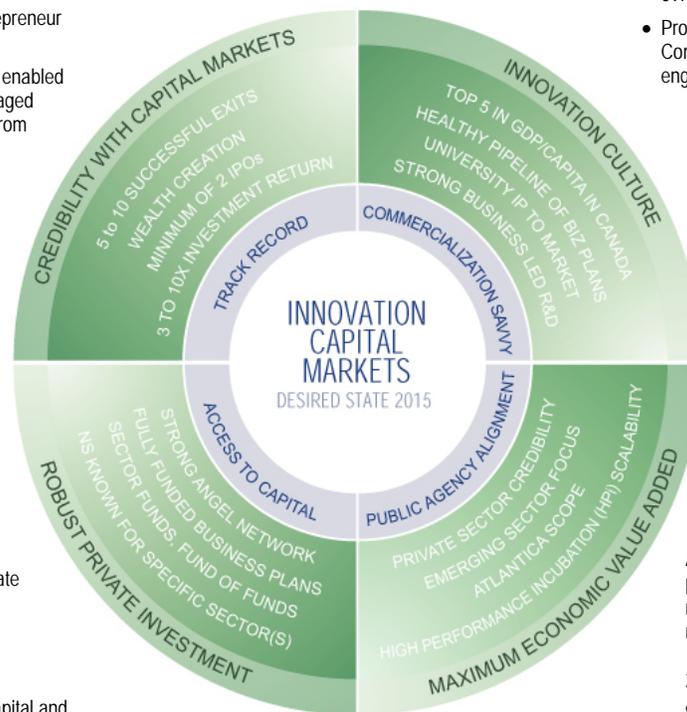
Innovacorp's vision comes not from focusing on what is wrong. Rather, it comes from playing a key role in creating the winning conditions for a globally competitive Nova Scotia by focusing on what it will take to move our innovation and capital markets forward.

To this end, Innovacorp's daily interactions with entrepreneurs, private industry, angel and institutional investors, academia, industry associations and public-sector agencies help fuel sustainable economic growth in Nova Scotia.

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.

2009-2010 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 38 transactions and \$33.6M in leveraged investment, \$13.2M 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.

2009-2010 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, 09:\$24.8M
- Nova Scotia medical device company raises \$4M round from regional and international investors
- First Angel Network is formalized and actively investing/co-investing
- Innovacorp becomes limited partner in \$80M clean technology-focused fund
- 10 year, \$30M commitment in the Nova Scotia First Fund

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

2009-2010 Progress:

- Pipeline of knowledge-based company business plans increasing: 05:85, 06:106, 07:158, 08:198, 09:184
- University/college curriculum, case studies, ILO collaboration
- Identification of and collaboration with high commercialization potential university researchers
- Early Stage Commercialization Fund (ESCF) in 4th year; submissions: 06:12, 07:42, 08:58, 09:48
- Provincial I-3 Technology Start-Up Competition attracts 133 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.

2009-2010 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
- IT, life sciences, clean technology focus
- HPI™ business model is continuously refined to ensure maximum value-add and scalability

# Planning Context

## **Economic Climate:**

The global recession that emerged in the second half of 2008 peaked in 2009. Nova Scotia fared better than many other jurisdictions due to our economy's blend of private and public components.

Private companies serving government, healthcare, education, and/or built infrastructure markets, and those offering "must have" products and services to local markets, did relatively well in 2009.

Export-oriented companies offering products and services to domestic and US markets faced the near disappearance of capital spending, significant price pressure, long sales cycles, and rapid (less than six months) return on investment expectations. The rise in value of the Canadian dollar put further pressure on the ability of export-oriented companies to survive the recession.

Innovacorp will continue to play a key role in helping high potential knowledge-based companies prepare to efficiently and competitively enter export markets.

## **Globalization:**

The rapid pace of globalization is both an opportunity for and a threat to the province. Nova Scotia companies have every opportunity to compete for and serve global markets. At the same time, companies from 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 Incubation (HPi)<sup>TM</sup> business model.

In 2010-2011, Innovacorp will continue to refine its service offering and focus, to help companies successfully navigate the economic recovery, 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:**

A large majority of knowledge-based companies, such as those in the high growth information technology, life sciences, and clean technology sectors, require "risk capital" to help fund their start-up and development phases. The capital required by these companies ranges from hundreds of thousands to millions of dollars, depending on the type of company and the sector it is working in. Nova Scotia knowledge-based companies are very important to the province's future prosperity.

Capital from typical sources, such as commercial banks, is not readily accessible by these companies as they are not yet cash flow break-even or able to secure credit.

There are various provincial and federal government programs to assist these companies in some areas of their business. While these government initiatives are positive contributors to the innovation system, the programs do not typically fund start-up company operations. The financial capital required for a company to be globally competitive is beyond the scope of the government programs.

Beyond the earliest stage of a company's life cycle, the primary sources of the required "risk capital" are equity investors. Equity investors fall into three main categories:

**Angel Investors** – Typically local high net worth individuals. Angels are accredited investors that take advantage of Nova Scotia's equity tax credit tax policy to reduce their investment risk. Angel investors typically invest between \$5,000 and \$25,000 each in a single company. A formal network of angel investors typically invests between \$100,000 and \$500,000 in a single company. There is an active angel investor community in Nova Scotia, but it is not in a position to fully fund a company.

**Venture Capital** – Funds that are regional, national or international institutional investors funded by pension plans, private equity partners, corporations, governments, etc. These funds typically focus on a particular industry sector, company maturity level, and geographic area.

In Atlantic Canada, there is only one active private sector venture fund, which is based in New Brunswick, and there is a labour sponsored/retail fund based in Nova Scotia. There are three provincial government-backed venture capital players (Innovacorp, NSBI, NBIF) that are active in Atlantic Canada. These organizations are restricted to provincial boundaries and lack viable regional syndicate funding partners. There are currently no federally-backed active venture capital players in Atlantic Canada.

**Public Offerings** – Initial public offerings (IPOs) from Nova Scotia companies have been rare since 2003. "Going public" typically requires a company to have raised millions of dollars to position itself for rapid profitable growth. Community Economic Development Investment Funds (CEDIFs) are another public offering option. CEDIF is a viable option for community-oriented initiatives, and in some cases it is an option to raise seed capital for a technology start-up company.

As a result of the abovementioned current state, Atlantic Canada is considered an "underserved" market when it comes to access to risk capital. In other words, there are very few (arguably none) private risk capital players capable of co-funding companies in the \$2,000,000 - \$10,000,000-plus range.

Knowledge-based companies in underserved markets, such as Nova Scotia and across Atlantic Canada, continue to face significant challenges in raising venture capital, primarily due to the absence of a community of experienced technology investors, resulting in significant repercussions for start-ups:

- Perpetual fund raising with less than 12 months runway
- Money raising efforts prevent concentration on building business
- Start-ups unable to reach self-sustainability (cash flow break-even)
- Risk profile remains too high to attract talented management
- Risk profile remains too high for later stage venture capitalists to invest
- Inability to compete with fully-funded companies
- Nova Scotia's knowledge economy stalls

When entrepreneurs are successful in raising venture capital, the rounds of financing are inadequate (i.e. too small) to attract and retain the best management teams. Innovacorp and other experienced investors already in the community would welcome another player to increase the pool of syndicate co-investors.

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

Better capitalized companies will be better able to meet cash flow requirements and attract the right talent with domain expertise and market experience, which will increase the companies' ability to implement their business plans and increase their speed to market.

There is no silver bullet to improve access to risk capital. It is a multi-dimensional issue that requires cultural and public agency alignment and private capital involvement. The issue is further exacerbated by the lack of a successful return track record in the region.

Nova Scotia lacks a critical component of any successful knowledge economy: the presence of an active and effective private sector run venture capital fund that can participate in rounds of risk capital investments at the early and later stages. Such a fund would make investments in both Nova Scotia

companies as well as companies in the Atlantic region in order to attract syndicate investments with other funds.

Ontario, Quebec, Alberta and British Columbia provincial governments have become limited partners (LPs) in such private sector funds, alongside private sector LPs and the Business Development Bank of Canada (BDC). These provinces have played a leading role in expanding the venture capital pool in their respective business communities by making multi-year financial commitments to government-sponsored venture capital funds.

### **Access to Talent:**

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.

The 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 2010-2011, 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, professional services and sustainable challenging career opportunities fuel 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 directly 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 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 2010-2011, Innovacorp will strengthen university research commercialization capacity and entrepreneurial activities.

### **Clean Technology:**

The declining state of the world's environment is driving innovation across 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.

# Innovacorp SWOT Analysis

In keeping with its culture of continuous improvement, Innovacorp performs an objective SWOT (strengths, weaknesses, opportunities, threats) analysis as part of its fiscal year business planning. The 2010-2011 SWOT analysis follows.

## **Strengths**

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

- Best Practice: High Performance Incubation (HPI)<sup>TM</sup> business model internationally recognized best practice; one of two finalists for US-based NBIA's Business Incubation Program of the Year for 2009 and 2010
- Brand: Steadily increasing province-wide visibility and credibility with the private sector
- Brand: Strong brand awareness and "go to" organization credibility with Nova Scotia early stage technology entrepreneurs
- Brand: Strong brand awareness with entrepreneurs under 40 years old through active participation and value-add in related organizations and ECC, JCI, Hub Halifax, 21inc, and social networking and new media
- Brand: Strong client referral network
- Brand: Strong relationships and reputation with federal government, including NRC, BDC, EDC, Industry Canada, CFI, NSERC, CIHR-POP, ACOA and ECBC
- Brand: Supportive network of professional service providers, including legal, accounting, marketing, and human resources companies
- Capital: Active seed and venture capital investment fund with a 10-year funding commitment
- Capital: Venture and seed capital investment expertise; credibility with national and, increasingly, international institutional investment community
- Client Satisfaction: Client relationship management (CRM) implemented to ensure client service continuity from Innovacorp advisor to advisor.
- Client Satisfaction: High level of client satisfaction
- Expertise: Considered opinion leaders in the areas of innovation, commercialization, early stage investment, entrepreneurship, and knowledge economy
- Expertise: Global trade export commercialization expertise and industry contacts
- Expertise: Highly relevant private sector information technology, life sciences, and clean technology business and sector expertise
- Expertise: Human resources expert services
- Governance: Engaged, diversified and balanced board of directors
- Governance: Robust corporate governance, including a formal risk management system
- Infrastructure: Commitment to build new Innovacorp Enterprise Centre on the Dalhousie campus (next generation LEED-certified, highly efficient incubation infrastructure, replacing the successful existing BioScience Enterprise Centre)
- Infrastructure: "Go to" expert for state-of-the-art incubation infrastructure
- 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: Relevancy through organization adaptability and continuous improvement culture
- Organization: Collaborative culture, leveraged to maximize synergies between private and public sectors; constant interaction with private sector
- Organization: Significantly increased productivity of organization over seven years, with fewer full-time employees
- Pipeline Management: I-3 Technology Start-Up Competition three-year track record, capacity building, 270 submissions
- University: Strong multilevel relationships with universities and community colleges
- University: Early Stage Commercialization Fund four-year track record, 40 active projects

## **Weaknesses**

*Absence of specific required strengths*

- Capital: Lack of regional institutional investors affects ability to secure follow-on investment capacity
- Culture: Commitment to “green” may not live up to expectations of existing and prospective employees
- Infrastructure: Ability to market and attract clients to our IT services platform
- Pipeline Management: Capacity to deliver high quality services to highest potential clients, while balancing the steady inflow of prospective clients
- Pipeline Management: Proactive client pipeline management as it relates to incubation facility tenancy
- Visibility: Relatively low number of large awareness-building announcements

## **Opportunities**

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

- Capital: Champion improved tax mechanisms to drive increased industry research and development, innovation and commercialization, and access to seed capital
- Capital: Champion the development of a new Atlantic Canadian venture fund
- Infrastructure: Develop a strategy for securing Canadian Centre of Excellence designation
- Infrastructure: Drive adoption of advanced information technology infrastructure and services among clients
- Investment Attraction: Partner with NSBI to target investment attraction in key emerging sectors
- Leadership: Play a key role in driving the province’s innovation and productivity agenda
- Metrics: Refine Innovacorp metrics to align with province’s new metrics initiative
- Pipeline Management: Further leverage online marketing techniques to attract and pre-qualify new high potential clients, as well as to strengthen relationships with existing clients
- Pipeline Management: Pursue new recruitment avenues and partnerships to ensure new Innovacorp Enterprise Centre is constructed and opened in a financially sustainable manner
- Risk Management: Implement risk management best practices
- Talent: Develop and implement a talent building initiative focused on closing the gap on the highest need expertise areas
- Talent: Engage entrepreneurial co-op/residency student into a client company for the work term placement
- Talent: Maximize talent recruitment opportunities, including those from outside the region, that arise from the changing landscape of today’s economic climate
- Talent: Proactively map existing and medium-term skill gaps and assist in securing talent
- University: Increase collaboration with universities to deliver/strengthen entrepreneurial curriculum
- University: Increase the effectiveness and synergies between Innovacorp and industry liaison office teams at universities and colleges across the province
- University: Create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus

## **Threats**

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

- Access to Capital: Canada's venture capital track record and its impact on future investments
- Access to Capital: High number of undercapitalized venture-grade opportunities and their related inability to attract high quality people and meet operational objectives result in a poor investment track record for the region
- Capital: Very few active local/regional private venture capital investors

- Clean Technology: Challenging economic climate and relatively low energy prices diminish appetite for clean technologies among consumers and investors, impacting market, valuations, acquisitions, etc.
- Financial: Economy negatively impacts incubation clients' ability to pay for rent and services, and mentoring clients' success; could also mean decreased revenue flows to Innovacorp if tenants were to move from its space or downgrade to smaller space
- Financial: Failure to complete the new Innovacorp Enterprise Centre on time (April 2011), creating a financial liability
- Financial: Level of reserves and write downs relating to high risk investments
- Financial: Decreasing commercial real estate rates combined with the growing trend of teleworking affects Innovacorp incubation infrastructure occupancy and therefore financial sustainability
- Financial: Risk that the Innovacorp Enterprise Centre costs more to construct than budgeted; could result in higher rent for tenants, a facility operating deficit, and loss of reputation with the government
- Financial: Unplanned requirement for significant capital investment (e.g. to repair incubation infrastructure) causes Innovacorp to use operational funding
- Market: Strength of the economic recovery, globally and specifically in the US, affects both access to capital and access to market
- Organization: Senior management team turnover
- Pipeline Management: 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

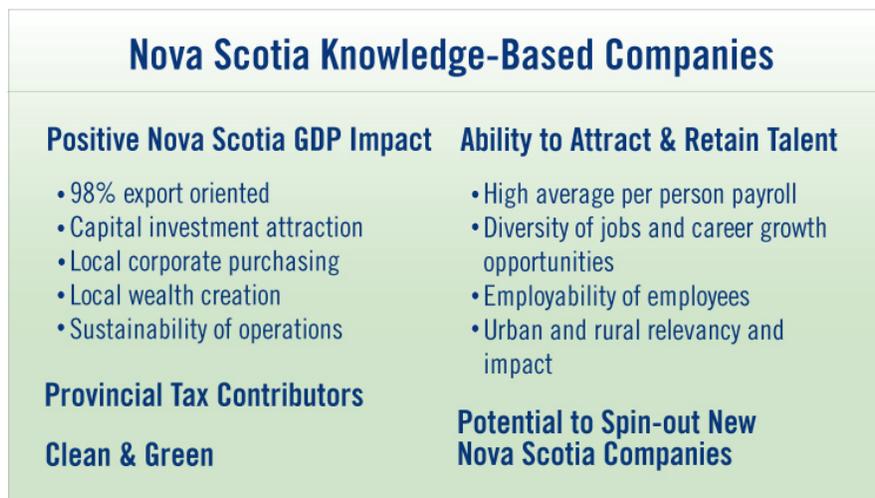
# Strategic Goals

## 2010-2011 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.**

More specifically, Innovacorp's focus is to create, develop, and grow globally competitive knowledge-based companies to maximize the following benefits:



## Core Business

The High Performance Incubation (HPI)<sup>TM</sup> 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:

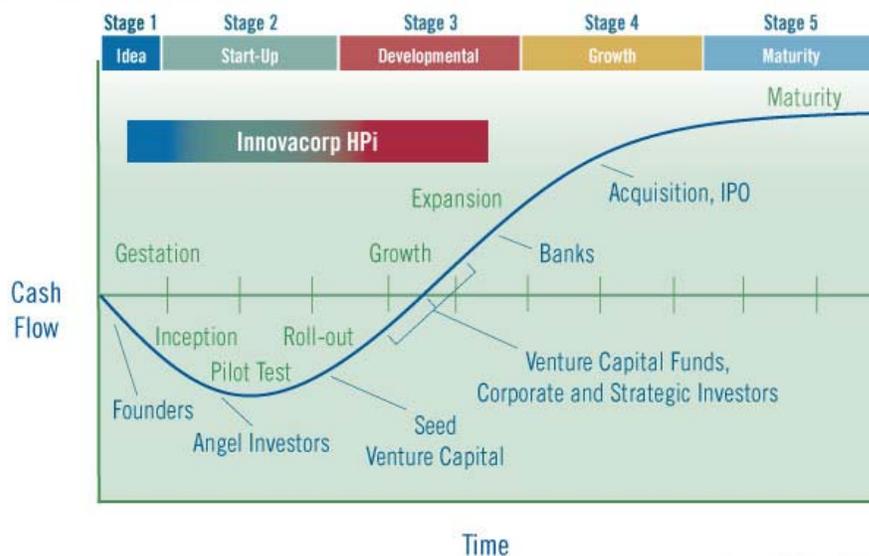
1. **Stage:** Nova Scotia early stage company
2. **People:** Business plan credibility, management experience, and entrepreneurial track record
3. **Barrier:** Unique proprietary technology (product, system, and/or service), with defensible intellectual property and/or a high barrier to competitive entry
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.

### ACCESS to CAPITAL



## *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 technology 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 and Composites Atlantic)

Innovacorp has partnered with the Province of Nova Scotia and Dalhousie University to build a world-class 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 worked towards putting in place agreements to develop the Highway 111 Mount Hope extension, which will ultimately 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. We will 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 2009-2010, Innovacorp's incubation facilities stood at 88 per cent occupancy. Tenants typically "graduate" from the incubation facility as they progress through the later stages of the business development cycle. In 2010-2011, 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 Innovacorp Enterprise 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.

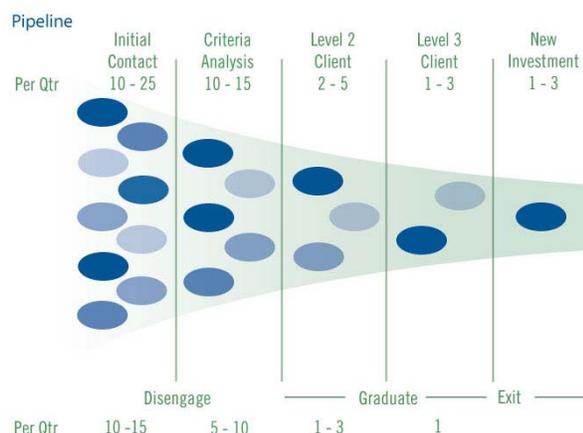
Innovacorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Our comprehensive suite of services includes: fundamental business planning, intellectual property identification and protection strategies, access 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 2009-2010, Innovacorp provided advisory services and relationship management support to more than 184 Nova Scotia early stage companies, and reviewed and advised 68 university research-level projects.

The illustration to the right depicts Innovacorp’s typical client pipeline flow. During 2009-2010, 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 2010-2011 Innovacorp will continue to strengthen its go-to-market expertise in key sectors, including information technology, 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 and 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 post-secondary institution research with a high probability of commercialization in the subsequent five years. 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 also be apparent.

ESCF Objectives:

- Promote and accelerate technology transfer activities in Nova Scotia's post-secondary academic institutions
- Provide the opportunity to assess the commercial potential of intellectual property
- Narrow the gap that exists at the very beginning of the commercialization process, and enable projects to move closer to industry collaboration and/or technology spin-off

In round two of the 2009-2010 edition of the Early Stage Commercialization Fund, Innovacorp, in partnership with the Atlantic Canada Opportunities Agency (ACOA), BioNova and the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), offered additional funding specifically for the commercialization support of medical technologies. Medical technologies include medical devices, imaging and diagnostics, but do not include other health-related work such as drugs or vaccines.

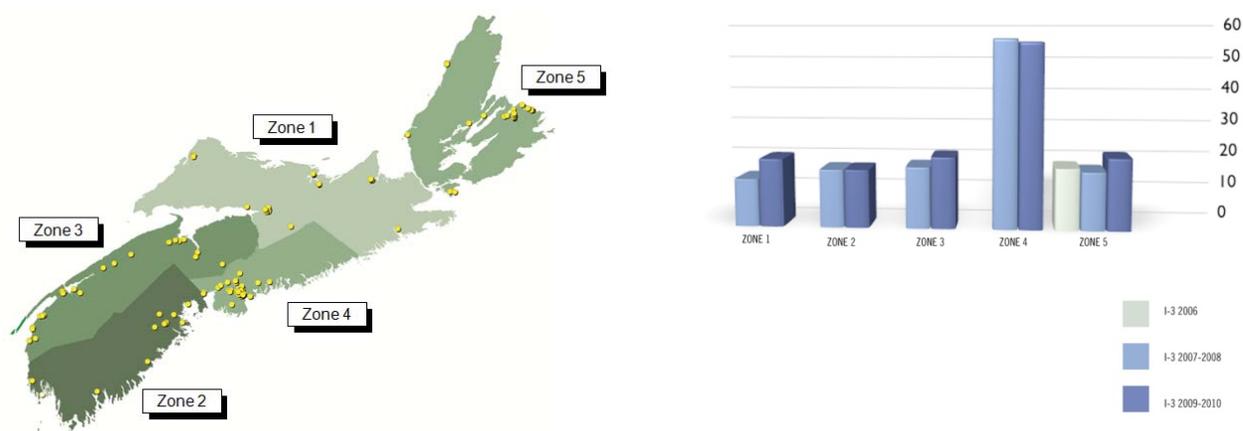
Innovacorp will also use its experience and expertise to positively influence post-secondary curriculum development in the areas of business planning and commercialization strategies. The corporation will continue to further post-secondary innovation programs by forging and maintaining mutually beneficial 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**

Created and managed by Innovacorp, the first pilot I-3 Technology Start-Up Competition, which targeted Cape Breton innovators, was launched in March 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.

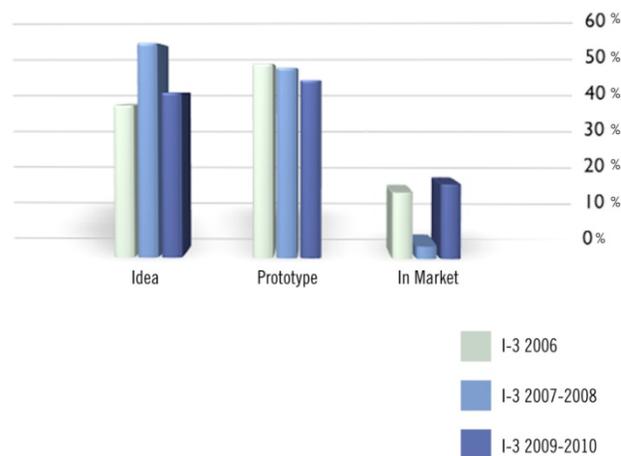
In 2007-2008 and then again in 2009-2010, Innovacorp held a provincial I-3 competition to identify and support high potential early stage Nova Scotia companies, and help fuel entrepreneurial activity across the province. Both provincial competitions took place simultaneously in five geographic zones and attracted 121 and 133 formal submissions respectively.



During the planning stages of both provincial competitions, Innovacorp developed partnerships with more than 25 professional service firms from across Nova Scotia to deliver in-kind business building 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 business building guidance and assistance to the winners in their region in the form of legal, accounting, marketing, human resource, and other consulting services.

I-3 Competition Learnings:

- I-3 submissions primarily fell in one of four industry sectors: information technology, life sciences, clean technology, and advanced manufacturing.
- I-3 submissions were generally evenly split between business to consumer (B2C) vs. business to business (B2B) customer segments.
- 60 per cent of I-3 submissions had working prototypes or were in market.



As was the case in 2008-2009, in 2010-2011 Innovacorp will work 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 2011-2012.

**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. 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 is an ongoing member of the review panel for the Springboard Fund Awards, providing input and recommendations on applications. Each year, the Springboard Fund Awards provides up to \$30,000 in funding for early stage inventions and investment-ready technologies, to provide researchers and primary investigators with the needed seed money to commercialize their research.

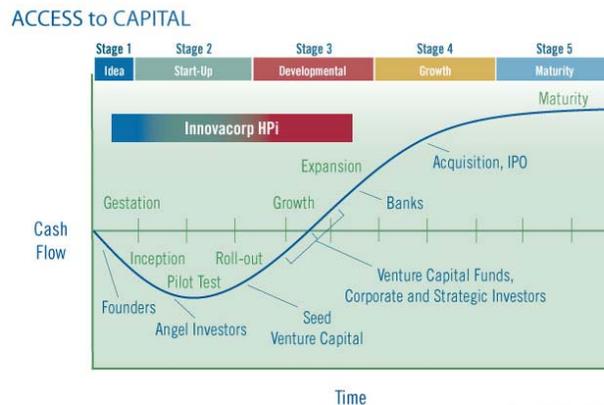
The organization is also a selection committee member for the Innovation and Commercialization of New Opportunities for Agri-Based Products, an initiative created by the Nova Scotia Department of Agriculture.

In 2010-2011, 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 that range from \$100,000 up to \$3 million over the life cycle of the investment. 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 \$105 million in risk and venture capital. Since its recapitalization in 2003-2004, the fund has leveraged \$33.6 million of investment (\$13.2 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. While the amount raised by Nova Scotia companies leveled off in 2007 to \$18 million and in 2008 to \$17 million, the amount increased to close to \$25 million in 2009.<sup>1</sup> While we are pleased to see the marginal increase in capital raised over the last 12 months, Atlantic Canada-based venture-grade companies continue to be undercapitalized compared to competing US-based and Canadian companies.



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.

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.

<sup>1</sup> Source: Thomson Financial, 2010

## Priorities for 2010-2011

In 2010-2011, Innovacorp strengthened its role as the "go to" organization for technology commercialization.

Through scaling our services and increasing the value we bring to collaborations with academic institutions and the private and public sectors, in 2010-2011 Innovacorp will increase its overall capacity and quality of services to create, develop, and grow globally competitive knowledge-based companies through six priorities.

1. Access to High Quality Support: Ensure Quality-Focused Client Pipeline Management
2. Access to Capital: Maximize the Economic Impact of the Nova Scotia First Fund
3. Access to Infrastructure: Operationalize the New Innovacorp Enterprise Centre
4. Access to Talent: Ensure Client Companies have Access to Globally Competitive Go-to-Market Expertise
5. University Research Commercialization: Engage University and College System to Maximize Commercialization Potential of Applied Research
6. Innovacorp Organizational Continuous Improvements

### *Ensure Quality-Focused Client Pipeline Management*

**Current State:** The Innovacorp HPI™ business model is recognized internationally as a best practice technology commercialization approach. The brand reputation of Innovacorp with key stakeholders is very positive. Innovacorp's proactive pipeline building activities, including the I-3 Technology Start-Up Competition, are attracting hundreds of prospective clients per year. Given the current and expected level of human resources, it is difficult for the organization to properly assess these prospects, engage or disengage them, offer them value added guidance, all while providing high quality mentoring to our highest potential existing clients. Expectations from prospective clients and existing clients will not be, and in some cases are already not being, met.

#### **In 2010-2011, Innovacorp will:**

1. Develop and execute a "Top 25 Clients" plan. Refine, develop, and resource client action plans. Track on time milestone completion and quality level. Refine senior management engagement role, decision making governance, and the role of bi-weekly meetings. Report progress quarterly.
2. Design and implement Client Relationship Management 2.0 to ensure maximum cross-functional leverage and pipeline management efficiency.
3. Proactively implement Innovacorp mandate-relevant portions of the province's Core Priority Economic Initiatives in the areas of High Value Jobs, Sector Development, Productivity and Innovation, and Trade.
4. Secure additional Regional Development Authority (RDA) partnerships to improve our visibility and capacity in Northern Nova Scotia rural areas.
5. Ensure optimum incubation facility occupancy levels.
6. Proactively benchmark Innovacorp's HPI business model and/or its components with the best in the world.
7. Achieve chartered director certification from The Directors College for one senior management member.

**Desired State:** A minimum of 75 per cent of mentoring and investment human resources is applied to Innovacorp's top 25 clients. Prospective clients are assessed in a timely, professional manner. Innovacorp plays a key enabling role in building and strengthening Nova Scotia's knowledge economy, measured in export revenues, direct high value employment, and client satisfaction. The Innovacorp HPI business model is the most effective technology commercialization practice in North America.

## *Maximize the Impact of the Nova Scotia First Fund*

**Current State:** 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. In addition, there are very few "for-return" funds active in Nova Scotia and the rest of the Atlantic region, putting emphasis on the need to further scale the HPi business model.

Innovacorp's role as a seed and early stage investor is more critical now than ever. Syndication on deals is expected to be difficult, as will be achieving the 1:3 leverage ratio (for every dollar invested by Innovacorp an additional three dollars would be invested by syndicate partners). In 2009-2010, the Province of Nova Scotia made a long-term commitment to the Nova Scotia First Fund (NSFF). With the goal to further leverage the impact and capitalize on the performance of the fund, the Province committed an additional \$30 million to the NSFF. In 2009-2010, the NSFF approved and committed to invest \$2 million in Cycle Capital – an \$80 million clean technology venture fund. The investment has formalized a strong relationship with the managers of Cycle Capital and the other limited partners in the fund.

### **In 2010-2011, Innovacorp will:**

1. Structure and operationalize the 10-year, \$30 million NSFF commitment (OIC 2009-228) with the Department of Finance.
2. Develop and execute a "Top 25 Clients" plan. Refine, develop, and resource client action plans. Track on time milestone completion and quality level. Refine senior management engagement role, decision making governance, and the role of bi-weekly meetings. Report progress quarterly.
3. Co-develop, with other potential fund limited partners, an investment thesis for an Atlantic Canada-based venture fund.

**Desired State:** The NSFF is managed in a manner that 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.

## *Operationalize the New Innovacorp Enterprise Centre on the Dalhousie Campus*

**Current State:** Innovacorp and its life sciences oriented resident clients will vacate the existing BioScience Enterprise Centre on the Halifax Waterfront by April 2011, and relocate to the newly constructed Innovacorp Enterprise Centre on the Dalhousie campus. Funding to support the operational lease costs and initial fit up for the new facility has been secured for a 20-year period from the Province through an Order in Council. The transition of existing resident clients to the new facility will not ensure financial sustainability. Recruiting new resident clients to the existing BioScience Enterprise Centre is increasingly difficult due to the relatively short timeframe until the replacement facility opens.

### **In 2010-2011, Innovacorp will:**

1. Ensure on time, on budget construction of the new Innovacorp Enterprise Centre.
2. Secure funding from partner organizations to cover unforeseen expenses.
3. Develop and execute an operational plan for the new facility to ensure appropriate staffing, access, security, and building services refinements, tenant leasing strategy, etc.
4. Develop and execute a client/tenant recruitment marketing plan that will be used to ensure optimal client mix and occupancy level.

5. Develop and execute a transition plan that will ensure existing BioScience Enterprise Centre client requirements, as well as technical and other financial sensitivities, are identified and managed.
6. Collaborate with NSBI Investment Attraction to identify, recruit and secure specific R&D-oriented companies from key industry sectors.
7. University: Create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus.

**Desired State:** Innovacorp ensures the new facility reaches its full potential in the shortest amount of time, while ensuring both operational and financial sustainability.

### *Ensure Globally Competitive Go-to-Market Expertise*

**Current State:** Knowledge-based companies seeking to compete globally require globally competitive business building expertise. The required expertise ranges from finance to product management and business development to 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 majority of local early stage knowledge-based companies possess relevant technical expertise, and most 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 2010-2011, Innovacorp will:**

1. Position itself as a willing broker and matchmaker for business building talent.
2. Identify educational partners that can address specific skills gaps. Partner to develop skill strategies.
3. Develop and execute a talent building initiative to leverage experience within regional industry leaders.
4. Leverage university and Nova Scotia Community College relationships to guide the creation and development of regional skills gap programs and strategies.
5. Implement a talent requirement tracking tool within Client Relationship Management 2.0 to attract, retain and develop talent prospects.
6. Prioritize skills gap requirements for all clients and assist them with acquisition of their top two requirements.

**Desired State:** Nova Scotia companies have access to world-class go-to-market talent, and are able to leverage this talent to build and capitalize their ventures. People with such talent see Nova Scotia as a place where they can fulfill their careers.

### *Engage University and College System to Maximize Commercialization Potential of Applied Research*

**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 across these institutions each year. While the local economy certainly benefits from the education of students, 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. Innovacorp has systematically intensified its engagement with post-secondary institutions over the past four years and is now supporting and tracking 68 active projects with high commercialization potential.

#### **In 2010-2011, Innovacorp will:**

1. Develop and implement the Early Stage Commercialization Fund (ESCF) 4.0, implementing refinements to also attract hospital-based medical applied research.

2. Proactively secure guest speaker opportunities to share with students the innovative Nova Scotia knowledge-based businesses and support infrastructure.
3. Increase collaboration with universities to deliver and strengthen the entrepreneurial curriculum.
4. Leverage database of research projects in post-secondary institutions and proactively reach out to those involved in highly commercializable projects.
5. Collaborate with co-op program managers to place students in client company environments.
6. Publish two additional Atlantic Canada oriented business case studies.
7. Create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus.

**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.

### *Implement Innovacorp Organizational Continuous Improvements*

**Current State:** Innovacorp is well on its way to being a high performance organization that measures itself internally and externally to ensure it understands its strengths, weaknesses, opportunities and threats. The organization will continually look for areas to improve its operations.

#### **In 2010-2011, Innovacorp will:**

1. Design and implement a refined performance management system.
2. Operationalize risk management through assigning risk management areas to functional areas through performance management.
3. Operationalize the top two recommended outputs from the employee survey.
4. Operationalize the top two recommended outputs from the client survey.
5. Develop and execute an IT service marketing plan to maximize the leverage of the information technology infrastructure and services, including the server room, back-up power, back-up services, and IT support staff.
6. Manage operations efficiently to the approved 2010-2011 operational budget within -2 per cent.
7. Implement Innovacorp's carbon footprint reduction plan.
8. Ensure appropriate brand visibility and credibility with key stakeholders.
9. Ensure the completion of the Highway 111 interchange and related services to Mount Hope Drive.

**Desired State:** Innovacorp will identify and refine those operational areas that have the highest potential to improve customer and supplier satisfaction, while reducing costs.

## Performance Measures

This section outlines the performance measures Innovacorp will track in 2010-2011. 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 2010-2011*.

Measure	Base Year 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Target 2009-10	Estimate 2009-10	Target 2010-11
<b><i>Economic Impact Metrics</i></b>							
<p><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.</p>	\$120M	\$174M	\$225M	\$278M	\$275M	\$279M	\$300M
<p><i>Employment generated by client companies:</i> This measure tracks the annual employment generated by current and graduate client companies.</p>	860	1183	1500	1447	1600	1467	1600
Total employment payroll of current and graduate client companies.	\$40M	\$52M	\$62M	\$62M	\$70M	\$64M	\$70M
<p><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.</p>	\$83.8M	\$93.0M	\$96.3M	\$101.3M	\$106M	\$105M	\$110M

Measure	Base Year 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Target 2009-10	Estimate 2009-10	Target 2010-11
<b>Client Satisfaction Metrics</b>							
<p><i>Percentage of clients satisfied with Innovacorp services overall:</i></p> <p>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.</p>	89%	92%	92%	96%	91%	96%	91%
<p><i>Percentage of clients that would recommend Innovacorp to a business colleague:</i></p> <p>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.</p>	90%	93%	88%	96%	91%	89%	91%
<b>Leading Indicator Metrics</b>							
Number of early stage Nova Scotia-based companies Innovacorp engaged during the fiscal year.	85	106	158	198	175	184	175
In addition to the companies referenced above, Innovacorp provided value added guidance to a number of companies that made submissions to the provincial I-3 competition.			121		100	133	
Number of new clients	12	15	11	9	15	11	13

Number of active HPi™ clients	30	38	43	45	50	48	55
Incubation occupancy levels	85%	91%	87%	90%	90%	88%	90%
Number of clients exporting products/services internationally	42	47	46	51	51	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.

	<b>Estimate 2009-2010(\$)</b>	<b>Forecast 2009-2010 (\$)</b>	<b>Estimate 2010-2011 (\$)</b>
<b>Revenues</b>			
Provincial Funding	4,535,000	4,535,000	4,592,000
NS Funding Recognized (deferred) re capital assets acquired	110,000	110,000	125,000
Incubation	1,614,000	1,520,000	1,522,000
Mentoring	125,000	148,500	175,000
Investment	0	52,500	12,000
Product Engineering	255,000	255,000	0
Software Sales and Services	530,000	530,000	0
	<u>7,169,000</u>	<u>7,151,000</u>	<u>6,426,000</u>
<b>Expenses</b>			
Incubation	1,731,000	1,620,000	1,572,000
Mentoring	1,363,000	1,283,800	1,383,000
Investment	623,000	490,000	506,000
Product Engineering	227,000	226,139	0
Software Sales and Services	457,000	436,220	0
Corporate Services	1,809,000	2,010,840	2,015,000
	<u>6,210,000</u>	<u>6,066,999</u>	<u>5,476,000</u>
<b>EBITDA</b>			
Provincial Funding	4,535,000	4,535,000	4,592,000
NS Funding Recognized (deferred) re capital assets acquired	110,000	110,000	125,000
Incubation	(117,000)	(100,000)	(50,000)
Mentoring	(1,238,000)	(1,135,300)	(1,208,000)
Investment	(623,000)	(437,500)	(494,000)
Product Engineering	28,000	28,861	0
Software Sales and Services	73,000	93,780	0
Corporate Services	(1,809,000)	(2,010,840)	(2,015,000)
	<u>959,000</u>	<u>1,084,001</u>	<u>950,000</u>
<b>Non Operating Items</b>			
NSFF Total Return	(151,000)	(1,232,000)	(128,000)
Post Retirement Benefits & Long Service Award	(216,000)	(216,000)	(235,000)
Amortization	(491,000)	(486,000)	(479,000)
Interest Income (expense), dividends & capital gains (losses)	(376,000)	(376,000)	(383,000)
	<u>(1,234,000)</u>	<u>2,310,000</u>	<u>(1,225,000)</u>
<b>Surplus (Deficit)</b>	<u>(275,000)</u>	<u>(1,225,999)</u>	<u>(275,000)</u>

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

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