

2004

MIKE.

Millennium Issues *for the* Knowledge Economy

Venture Capital: Fueling Nova Scotia's future growth

Gold Sponsor

Aliant 

Silver Sponsors

COOPERATION
Economic Diversification Agreement
Entente Diversification Économique



**Saint Mary's
University**
Halifax, Nova Scotia, Canada

*Nova*Knowledge 

Canada 

NOVA SCOTIA 

"I have a message for entrepreneurs attempting to grow their business by obtaining capital: You are not the problem. You are likely better than most entrepreneurs and investment-ready, but there is a shadow hanging over the region that makes you appear less than you are. The shadow is a lack of indigenous venture capital funding."

Wayne Bussey,
President & CEO, TARA
Telecom Applications
Research Alliance

Venture Capital: Fueling Nova Scotia's future growth

M.I.K.E. dialogue allows leaders in business, government and education to exchange opinions and explore ideas among the province's sharpest minds. The provocative input received from our M.I.K.E. debates is the foundation upon which *NovaKnowledge* is building an action plan and setting targets to grow Nova Scotia's economy.

In June 2004, *NovaKnowledge* held two public debates to discuss hot issues: venture capital and immigration — issues critical to moving Nova Scotia forward and expanding our economy. Participants articulated the need to take a leadership role and we've turned the talk into action. This input provided materials for our annual Knowledge Economy Report Card and has stimulated CALL to Action activity. The following is a summary of issues raised in the debate:



MIKE Debate Results

With its high quality universities, post-secondary institutions, and close proximity to major markets, Nova Scotia has the necessary ingredients to be a prime business location. Yet, many businesses here encounter considerable barriers to success, chief among them being access to capital through the start-up and growth phases.

Given the significance of this challenge, *NovaKnowledge* invited leaders from all sectors — government to business — to participate in a public debate on venture capital and address why we lack an indigenous venture capital industry and what we can do to build it.

How do we develop an indigenous venture capital industry in Nova Scotia?

Local sources of capital are critical

The largest sources of capital are Labour Sponsored Venture Capital Companies (LSVCCs) and the pension funds. In most provinces, local venture capital industries have been developed using these two sources: enabling the creation of LSVCCs that are locally managed and invest their funds locally (Nova Scotia has recently taken action on the LSVCC front); and investing a small percentage of public sector pension funds in private sector equity placements in the province. In Ontario, for example, pension funds allocate around 4% of their assets to private sector equity investments in firms within the province. If local funds matched that level of investment, Nova Scotia would have \$200 million annually injected into its economy, and

it would encourage additional venture capital investment here.

Take a regional approach

Nova Scotia's economy may not have the critical mass to successfully support a large venture capital fund. So, our region must work together toward a solution; bringing together the capital and the management expertise to develop one or more homegrown funds. Without venture capital, we risk losing opportunities for growth and prosperity to other provinces that can offer new and growing businesses funding and expertise.

Find the leaders

Knowledge economies are characterized by their capacity to develop new products and services and bring them quickly to market. Atlantic Canada has the location, ideas, resources and critical mass to establish this capacity and continually create highly skilled, well-paying jobs. What we lack is the vision and energy to resolve the issue of venture capital and ensure that great ideas continue to be transformed into great businesses that contribute to the growth of our economy.

Seed capital is essential, and so is life cycle funding

Investment funds have shifted focus to later stage investment where the risk is low and they can maximize profit. Many were burned by early stage investments when they mistimed the investment cycle. However, venture capital must involve equity investments in new and expanding companies. We can resolve this issue by creating a strong venture capital industry that focuses on seed investment and continues through every stage until the companies turn a profit for investors.

Management expertise behind the money

Funds alone are not the solution. Strong management expertise is also necessary to guide the company from start up to exit – where it is turning a profit and no longer requires venture capital funding. An indigenous venture capital industry helps to address this need. Domain experience managers are essential because they have the contacts to help fledgling companies develop markets and get established.

The bottom line

A well-developed capital market is essential to creating and expanding innovative businesses. If Nova Scotia is to develop a vibrant venture capital industry, it will need a concerted effort with dedicated leadership. It will require regional labour sponsored funds and investment from the province's public sector pension funds, which have not traditionally been involved in such investments. Leaders should consider a regional solution, developed in partnership with the other Atlantic Provinces, as the province may lack the critical mass of available funds and investment opportunities to do this alone.

"Our fund has met with representatives in Toronto for support. People like our management team, and the idea of Atlantic Canada as a niche... but they... question where the local venture capital sources are."

Peter Forton,
President & CEO,
ACF Equity Atlantic Inc.

"If I were located in Ottawa, I would not be at a session like this talking about access to indigenous venture capital."

Harold Nied,
President & CEO,
WebCentrex.



Join *Nova*Knowledge

To become a member of *Nova*Knowledge:

Register online at www.novaknowledge.ns.ca

Call us at (902) 494-1510, ext. 11

Fax this form to (902) 428-8002

Mail this form to *Nova*Knowledge,
304-1959 Upper Water St., Halifax, NS B3J 3N2

Please check your selected membership category:

Knowledge Leader — \$1,000 + HST

Associate Member — \$ 250 + HST

Individual Supporter — \$ 80 + HST

Name _____ Title _____

Organization _____

Address _____

Postal Code _____

Phone _____ Fax _____

E-mail _____

Please Invoice Cheque Master Card Visa Amex

Card Number _____ Expiry _____

Card Holder _____

Total Payable _____ Signature _____

2004 Knowledge Economy Summit

The 2004 Knowledge Economy Summit will be held on November 1, 2004. This event also launches our 7th annual Nova Scotia Knowledge Economy Report Card. Join in as our province's leaders from business, government and academia examine the hot issues — Venture Capital and Immigration — and find out surprising data on where Nova Scotia ranks on a national scale!

Knowledge Economy Summit

Monday, November 1, 2004

8:00 am - 2:00 pm

World Trade and Convention Centre

Port Royal Room

1800 Argyle Street, Halifax, Nova Scotia

To confirm your attendance please register online at www.novaknowledge.ns.ca

or contact Dawn at (902) 494-1510 ext. 17

or e-mail events@novaknowledge.ns.ca by October 18, 2004