

**Nova Scotia Business Inc.**  
**Business Plan**  
**April 1, 2007 – March 31, 2008**

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## **Mission**

“To deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.”

## **1. Link to Corporate Path**

Nova Scotia Business Inc. (NSBI) is a private-sector led agency, with a mandate to help existing businesses in Nova Scotia to grow and expand, and to attract new investment to the province.

Over the first five years of its existence, NSBI has prided itself on creating a healthy return on investment for Nova Scotia taxpayers by investing wisely in businesses that are export and growth-oriented, innovative and sustainable. This approach is consistent with the provincial Corporate Path. In particular it supports the priorities of “Creating Winning Conditions” and “Seizing New Economic Opportunities”.

Business development activities of the organization are driven by the following five strategic goals:

- Enable new and existing businesses in Nova Scotia to exploit business opportunities in local and export markets;
- Attract leading edge, sustainable business investment to Nova Scotia that will provide immediate and long-term economic benefits to the province;
- Provide access to capital for new/existing businesses in Nova Scotia, to enhance value-added growth for the province’s economy;
- Increase the visibility and recognition of Nova Scotia – its business climate, advantages, and capabilities – at home and abroad; and
- Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high-performance, entrepreneurial-thinking, and professionalism.

During FY2007-08, the organization will release its next 5-Year Strategic Plan that will cover the 2007-2012 time frame. This strategy will build on the accomplishments achieved over the past five years, and provide the direction for continued business growth in the province for the coming years.

## **2. Planning Context**

The overall planning context is heavily influenced by globalization and its associated impacts. Key issues shaping the planning context for FY2007-08 include:

- Labour force challenges – the hunt for skilled labour is a global issue.
- Exchange rate vis-à-vis the U.S. dollar and the impact on exporters.
- Energy and commodity prices that impact the goods producing sector.
- Transportation infrastructure.
- Business climate, including taxation and regulation.
- Alignment internally and among partners to successfully support the growth of businesses across the province.

## **2.1. Economic Update**

The U.S. remains the world's bellwether economy. Fears of slowing economic activity and a rapid cooling off of housing prices in the U.S. are identified as the main threats to global growth prospects in 2007. The prevailing sense is that the U.S. economy is heading for a soft landing, so a major slowdown, particularly in Europe, should be averted.

All said, the world economy performed reasonably well in 2006 and should continue to do so in 2007. The International Monetary Fund estimates global growth of just shy of 5% for 2007. Hot spots are expected to be China, India, Russia and other developing economies, particularly in Southeast Asia.

The Canadian economy is a well-documented study in contrasts – Alberta and the rest of the country. Alberta is riding the crest of an energy-fueled economy that is drawing skilled and unskilled labour from every other part of Canada. This trend is expected to continue at least for as long as energy prices remain strong.

The Nova Scotia economy turned in an estimated 2% GDP growth in 2006, following a tepid 1.1% performance last year. The bright spots in Nova Scotia's economy continue to be strong consumer spending and surprisingly robust housing starts. Recent building permits data (to the end of October 2006) point to continued strong performance in the construction sector. Export performance took a bit of a kicking this year, down a little more than 11% in value from 2005 (January to November). The Stora shutdown and lower natural gas production were the primary factors behind lagging exports in 2006. The slowdown in the U.S. housing market also had a direct impact on the Nova Scotia economy this past year as there was a reduced need for softwood lumber.

Nova Scotia labour market performance has not been particularly strong since the middle of 2004. Overall employment growth has been generally flat and reductions in unemployment rate have been partly due to a decrease in the labour force size. That said, the December 2006 labour force data showed positives, including a seasonally adjusted unemployment rate of 7.3%, one of the lowest rates in the past 30 years.

The outlook for the Nova Scotia economy next year calls for GDP to grow by slightly more than 2%. Positives in the forecast will again be relatively strong consumer spending and construction activity. The goods producing sector will continue to be challenged. This will weigh disproportionately on our rural economy.

## **2.2. Competition for Foreign Direct Investment (FDI)**

NSBI understands that for the province to prosper, new money must be brought into the economy. This occurs by exporting goods and services from Nova Scotia based businesses, and by attracting foreign direct investment (FDI) to the province that is export focused. FDI also benefits Nova Scotians through investments in technology, increased productivity, greater exports, employment opportunities, and increased tax revenues.

With emerging markets like India, China, and Brazil actively seeking to attract FDI as a means to grow their respective economies, the global competition for FDI remains extremely

competitive. For example, a recent United Nations report stated that total global FDI inflows in 2005 increased 29% over 2004 to a total value of US\$916 billion.

Closer to home, there are approximately 2,000 investment attraction agencies across North America, each of which is focused on increasing the level of FDI to its respective jurisdiction. In such a competitive environment, it is important for a jurisdiction to understand its strengths in an effort to target the desired types of FDI. With this in mind, NSBI remains committed to attracting businesses to the province that can take advantage of the province's key assets; namely its highly skilled and educated labour pool, cost competitiveness, market access and security, and world-class R&D facilities.

Owing to the competitive nature of attracting FDI, incentives remain a key part of investment attraction in all North American jurisdictions. Land, grants, forgivable loans, tax holidays, and new infrastructure like highways and buildings are common types of incentives. NSBI's experience is that incentives do not "make a deal", but are important once a jurisdiction has been short-listed for a potential expansion. In this situation, a potential project would be negatively impacted if an incentive package were not available as companies view incentives as an indication that a jurisdiction is willing to partner with them.

### **3. Core Business Areas**

NSBI is the business development agency for the province, and as such is the first point of contact for Nova Scotia businesses looking to grow and stay competitive in the global marketplace. NSBI also works with growth-oriented companies outside of Nova Scotia who are looking for a place to relocate or expand their business.

#### **3.1. Business Attraction**

Increasing foreign direct investment (FDI) in Nova Scotia, by bringing sustainable, export-oriented, and value-added businesses and/or investment from other jurisdictions to the province is the main objective of business attraction. To accomplish this, NSBI takes a targeted and aggressive approach to attract businesses to the province that have a strong "fit" with Nova Scotia's assets, thereby providing for long-term sustainability.

NSBI is the first point of contact for companies considering Nova Scotia as an option for relocation and expansion of their business. In this capacity, NSBI proactively promotes the competitive advantages of doing business from Nova Scotia, and works closely with partner organizations to provide a seamless delivery mechanism to prospective clients.

#### **3.2. Business Growth**

NSBI helps existing businesses in Nova Scotia to grow and expand, and is focused on the small to medium-size businesses across the province that are concentrating on sustainable growth. Customized, client-focused solutions are offered in three main areas: trade development, business advisory, and financial services.

NSBI's approach to trade development is designed to help small to medium-sized Nova Scotia companies increase sales revenues in markets outside of the province. Programs and services are designed to promote to Nova Scotia businesses the benefits of exporting; to provide information on new markets and growth opportunities; and to help exporters find qualified buyers, distributors and partners in export markets.

Business Advisory team members are located in six offices across the province. Their approach to business development is to proactively visit companies in order to identify business growth opportunities and to facilitate the growth of these companies. They also work closely with partner agencies in each region to meet the needs of businesses.

NSBI's financing solutions range from loans to equity financing, and are intended to help to fill financing gaps in the marketplace. They are often done in partnership with other financial institutions.

#### 4. Strategy & Priority Areas

During FY2007-08, NSBI will prepare and release the organization's next 5-Year Strategic Plan, which will guide the organization through the 2012 timeframe. As part of preparing the plan, consultations are underway with partner agencies, organizations, and businesses with the objective of understanding the key business challenges and opportunities that are currently affecting or are expected to impact the province in the future.

Increased exports from the province remain the common thread across all NSBI business units. This includes, for example, the trade development team assisting companies in reaching new markets, the financial services team financing businesses to help in their growth plans, the business advisory team advising clients in an effort to help them grow and expand through new export markets, and the investment attraction team bringing export-focused companies to the province. This export-focused approach is consistent with the province's new economic development strategy – Opportunities for Sustainable Prosperity – and is driven by a “new cash into the province” approach. This focus remains in place for FY2007-08. In addition, a further key theme for FY2007-08 includes the continued alignment of NSBI's business units in an effort to meet client needs more effectively. NSBI will also continue to take a more holistic approach to understanding the total financial return that NSBI's activities, and activities of its clients, have on the Province.

Goals	Indicator	Measure	Base Year Data 2004-05	Targets 2007-08	Strategies to Achieve Target
Overall performance	Total Payroll	Total payroll impact of NSBI clients	\$163 million	\$130 million	Attract companies to Nova Scotia

	Jobs within Nova Scotia	Number of jobs retained and created by clients	3,700 maintained and new	3,000 maintained and new	Help existing companies within Nova Scotia grow Provide financial solutions 5-year cumulative target of 18,000 jobs created and maintained
Develop an action-oriented, client-focused organizational culture that encourages, empowers and supports high-performance.	Business culture - deliver results within cost management structure	Operate within annual operating budget	\$7.3 million	\$9.9 million	Maximize operating efficiency and cost effectiveness

Specific priorities for each of NSBI’s client-facing business units are detailed below.

**4.1. Business Attraction**

**4.1.1 Strategic Sectors**

Over the past three years, the NSBI Business Attraction team has successfully focused on establishing the province as a nearshore destination for companies looking to establish a cost competitive North American operation. Initially, success occurred with the contact center industry. This was followed quickly by the IT sector, and in FY2006-07, the province successfully established itself as an international destination for financial services companies. In the coming year, NSBI will continue to pursue nearshore opportunities in targeted sectors. For example, in financial services, NSBI will continue to pursue opportunities that build on recent successes. Bermuda and the Caribbean remain targeted geographic areas.

In IT, NSBI will continue to take a targeted approach, focusing on attracting research and development components of companies to mesh with the province’s strong academic community. In addition, in FY2006-07, NSBI worked closely with partners and industry players to develop and implement an IT Labour program to ensure a skilled labour pool exists to continue to build the sector in the province. This included a high school component intended to educate high school students on the career opportunities that exist in IT, and a web-based job portal targeted at ex-patriots to assist them in understanding the current IT positions available in the province.

The federal government’s commitment to defense and aerospace has made this an important growth sector for the province, particularly given that 40% of the military’s assets are stationed

in Nova Scotia. NSBI will continue to work with major defense contractors to leverage these expenditures and increase the level of their investment in the province.

Nova Scotia as the Atlantic Gateway to the North American market is an opportunity that continues to gain considerable traction. NSBI is committed to helping make the province a major thoroughfare for Asian shipping traffic to reach the North American market via the Suez Canal. Over the coming year, NSBI will stay close to the Gateway Initiative, in an effort to better understand the investment attraction opportunities that will come as a result of this significant opportunity.

The life sciences industry has undertaken a review of its strategic assets and activity in this sector. NSBI will continue to remain close to the sector in an effort to understand how to best approach the sector from an investment attraction perspective. In energy, NSBI has worked for four years as the province's project manager for the proposed Bear Head LNG facility, and will continue in this capacity for FY2007-08.

For contact centres, NSBI's approach remains the same. The organization will continue to work with small to medium-size contact centres that have a willingness to be in rural locations. In addition, NSBI will continue its retention and growth strategy to create incremental payroll from businesses that have already committed to the province; for example, more higher-level work such as Business Process Outsourcing (BPO).

In FY2006-07, the NSBI investment attraction team broadened its geographic focus from the traditional targeted markets of Canada and the U.S., to include an investigation of the European and Asia markets. This market diversification is expected to take on greater prominence in FY2007-08.

While NSBI's plan has always been to take a targeted approach to investment attraction, the organization will also continue to be opportunistic. Investment prospects with a strong ROI and that represent a potential substantive benefit to Nova Scotia will be actively pursued.

#### **4.1.2 Strategic Investment Funds**

Strategic Investment Funds (SIFs) are an innovative financing tool used to attract businesses and foreign-direct investment to the province, and to retain existing Nova Scotia-based businesses. All proposed SIFs projects are evaluated rigorously to ensure that a positive Return on Investment (ROI) to the province can be demonstrated. By taking this approach, NSBI is able to demonstrate strong accountability to the taxpayers of the province and at the same time provide flexibility to meet each client's unique business needs.

The payroll rebate is the primary financing tool available under the SIF. It is a performance-based incentive vehicle intended to promote targeted creation or retention of employment and payroll generation. The rebate is only disbursed after pre-determined milestones are met (e.g. new jobs created, productivity improvements completed, etc) over a defined period of time (e.g. five years). Additional details on the payroll rebate can be found in Appendix 1.

In FY2006-07, NSBI gave greater consideration to projects that fit existing payroll rebate eligibility requirements, but that did not necessarily meet the minimum 50 FTE (full-time equivalent) job creation guideline. This approach will be expanded for FY2007-08, as the

minimum job creation threshold will be revised to 20 FTEs. This adjustment will better support business growth in areas of the province where the labour pool is smaller and business demands are different than in larger centers. In addition, modifications will also be made to the payroll rebate to encourage improvements in the competitiveness of businesses through, for example, productivity enhancements or investments in product development.

For FY2007-08, the Interest Rebate will be introduced. It is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to financial services clients below NSBI's cost of borrowing. Further details can be found in Appendix 2.

<b>Goals</b>	<b>Indicator</b>	<b>Measure</b>	<b>Base Year Data 2004-05</b>	<b>Targets 2007-08</b>	<b>Strategies to Achieve Target</b>
Attract leading edge, sustainable business investment to Nova Scotia	Foreign Direct Investment (FDI) in Nova Scotia	# of companies that relocate part or all of their operations in Nova Scotia	12 companies	15 companies	Seek new sustainable businesses to relocate or expand in Nova Scotia
	Economic benefit to Nova Scotia	Average gross salary of new jobs created through business attraction and reinvestment	\$53,000	\$40,000	Develop FDI strategies based on innovation
	Fiscally prudent financing	Average portfolio return on investments utilizing Payroll Rebates	83.6%	40-50%	Strategic utilization of payroll rebates to establish growth industries

#### **4.2. Business Growth**

NSBI's Business Growth team is made of professionals that seek to support export-led business growth from existing Nova Scotia-based companies – regardless of business size or location. Customized, client-focused solutions are offered in three key areas: trade development, business advisory, and financial services. The NSBI business growth team offers services that range from early stage client identification and project management, to export plan development and growth financing.

#### 4.2.1 Business Advisory Services

NSBI's business advisory team is located in six offices across Nova Scotia and is the frontline for much of NSBI's interaction with Nova Scotia companies. They work in tandem with NSBI's financial services and trade development teams to jointly meet client needs.

The Nova Scotia Association of Regional Development Authorities is currently piloting a provincial Business Retention and Expansion (BRE) initiative. NSBI has been a partner in this initiative, in addition to providing hands-on guidance throughout the piloting stage. For FY2007-08, the Business Advisory Team will continue to partner with the BRE initiative via Local Action Teams (LAT), which are made up of regional partner agencies. NSBI will also continue to provide assistance to the new BRE initiative while working with them through LAT meetings and encouraging these groups to refer appropriate business opportunities to NSBI for further investigation. The team also intends to increasingly work more in a one-on-one project management context with individual companies to assist them in reaching their growth potential.

For FY2007-08, the Business Advisory Team will continue to cement their working relationships with NSBI's other client-facing business units. This will be done in an effort to continue to create a more cohesive and client-focused organization. In this regard, the team intends to initiate a monitoring system for their time invested in client, corporate and collaborative business development projects as a form of measurement to the value they add.

Goals	Indicator	Measure	Base Year Data 2004-05	Targets 2007-08	Strategies to Achieve Target
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets	Nova Scotia companies expand business within Nova Scotia	# of qualified referrals for export development, investment or financing	140	120	Proactive business meetings  Continue to build awareness of NSBI in regional NS
		# of qualified referrals to external partner agencies	184	180	Proactive business meetings  Continue to build awareness of NSBI in regional NS

#### 4.2.2 Trade Development

"Opportunities for Sustainable Prosperity 2006", the Province's economic development strategy, strongly endorses the case for trade and the need for Nova Scotia to look to markets outside its borders. It concludes that our future prosperity is inexorably linked to our ability to

bring external dollars into our economy and it underscores the vital importance of international trade as a principal means to accomplish this.

NSBI Trade Development works within a collaborative environment of other agencies and organizations that share the common goals of increasing the value of our exports and expanding the base of Nova Scotia companies that are actively exporting. These organizations collectively deliver a broad range of trade development services to businesses of all sizes, sectors and exporting capabilities. NSBI fulfills an important coordinating function within this diverse group and also administers its own set of programs that are specifically directed at helping Nova Scotia exporters find and close new business in export markets.

### **Activities and Results**

In FY2006-07, NSBI Trade Development continued to focus on initiatives that took on the sometimes difficult task of “cold-calling” to put Nova Scotia companies face-to-face with qualified buyers, partners or distributors in foreign markets. Our flagship Trade Missions were all based on intensive, professional, business prospecting guided by the individual requirements of each participant. Our trade mission destination markets were selected to offer Nova Scotia companies a variety of strategic alternatives, but with a greater emphasis this past year on diversification opportunities in Western Europe and the Caribbean.

NSBI’s “Export Prospector” Program was also offered to companies with unique market or timing needs. And, over the past year, NSBI’s team of Trade Development Executives also led groups of Nova Scotia companies to several major international trade shows. The Service Export Program, delivered by NSBI and funded by the Department of Economic Development, supported a record number of applicants in their efforts to finalize projects in many far-flung parts of the world.

Overall, the companies participating in these trade development programs in FY2005-06 are reporting incremental sales that will exceed \$50 million. Many of them are also reporting that they were first-time exporters or have found market-based partners, agents or distributors. And, close to 100 have confirmed they have either penetrated a new market or are further advanced in an existing market.

### **Collaboration**

NSBI recognizes that partnerships and collaboration are vital to the efficient delivery of trade services, particularly in an environment of shared responsibilities and limited resources.

The release of the Provincial Trade Strategy, “Going Global, Staying Local”, in late 2006 was a significant milestone in the Nova Scotia trade development landscape. It set specific objectives and put practical plans in place to increase Nova Scotia’s global competitiveness. NSBI was pleased to support the development of this comprehensive document over the past three years and will play a significant role in its deployment, both as the delivery agent for its programs and as Coordinator of the Provincial Trade Committee that is charged with implementing many of its provisions.

NSBI is Co-chair of Trade Team Nova Scotia (TTNS), the principal coordinating mechanism for trade activities among partner organizations at all levels in the Province. TTNS expanded its membership in 2006, retained a Secretariat to help manage its activities and embarked on an outreach program to promote its key message of simple access to trade support through a single

point of contact. NSBI enthusiastically endorses the Trade Team's collaborative approach and will be a full participant in TTNS activities throughout the province in FY2007-08.

The \$10 million, pan-Atlantic, International Business Development Agreement (IBDA), with Nova Scotia funding supplied by DED, is in full operation. It is an important and effective vehicle for implementing a variety of trade development projects, many of which would not be otherwise possible. NSBI represents the Province on the Agreement's Management Committee and oversees the development, approval and delivery of all IBDA projects, the vast majority of which will benefit Nova Scotia exporters.

The Team Canada Atlantic (TCA) trade mission program is a partnership of the four Atlantic Provinces and ACOA. TCA staged two highly successful events in Florida in 2006 and, in the spring of 2007 it returns to Florida on a follow-up initiative. A major TCA mission is scheduled for Boston in November 2007. NSBI will coordinate the business-to-business component of these TCA missions, with responsibility for recruiting and supporting the Nova Scotia company contingent.

### **NSBI Trade Development Initiatives**

For FY2007-08, in addition to carrying out our partnering activities and our generic trade development responsibilities, NSBI will continue to support those industry sectors without clear line department responsibility for trade within the provincial government, such as aerospace and defence, information technology, life sciences and plastics.

We will maintain our focus on what we firmly believe is our key strength – putting business people together to do business in export markets. As such, outgoing trade missions will be the central plank in our FY2007-08 service offering, again supplemented by the Export Prospector Program.

A number of target markets that can potentially lead to realistic diversification opportunities for many Nova Scotia businesses will be offered in our mission calendar. To improve service delivery and communications, a pilot project is planned for the fall of 2007 in which a multi-market European trade mission will be organized and promoted as a single event, rather than as separate market initiatives. The launch of a new NSBI Trade Development microsite, [nsbitrade.com](http://nsbitrade.com), will also provide greater flexibility in promoting our Trade Event Calendar.

International Trade Shows are a widely used marketing tool by most exporters and will occupy a greater proportion of NSBI's trade development activities in the coming year.

Nova Scotia's new Provincial Trade Strategy underscored the importance of our service sector's exports and provided for the ongoing delivery of the popular Service Export Program (SEP). NSBI is also participating in the "Private Sector Liaison Officer" (PSLO) network to facilitate small and medium-sized enterprises' (SME) access to the World Bank Group's products and services. As a result, one of NSBI's Trade Development Executives is now assigned full-time to supporting our PSLO responsibilities, developing Nova Scotia's service sector exports and helping our businesses exploit the significant international opportunities that exist within it.

Our Trade Strategy also provided for the development of two entirely new trade programs to be delivered by Provincial Government departments' trade development staff; NSBI will support the development and administration of these programs. One of these, the Go-Ahead Program (GAP) will encourage Nova Scotia companies to take part in provincially-supported trade

programs by receiving a “go-ahead” (through pre-qualified funding) for them to return to market to pursue identified business leads. The second, “ExportAbility” can assist companies in pursuing export-related education and training for owners and employees.

NSBI places considerable emphasis on recording and evaluating the impact of its work in Trade Development. Activities are tracked as they occur, including a count of the number of business-to-business interactions that take place through each in-market initiative. Results are gathered from clients through a telephone interview six-months following each company’s market visit and are aggregated on a project-by-project basis. With this system in place and systematically updated, it is now possible to gauge the impact of all of NSBI’s trade development programs more accurately and comparatively.

<b>Goals</b>	<b>Indicator</b>	<b>Measure</b>	<b>Base Year Data 2004-05</b>	<b>Targets 2007-08</b>	<b>Strategies to Achieve Target</b>
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets	Volume and diversity of exports	# of clients introduced to new markets/ further advanced in existing markets	79 clients	120 clients	Delivery of tailored export development services including Export Prospector, Trade Missions
	Export sales	Incremental export sales of NSBI export development clients	\$30.3 million	\$35 million	

### **4.2.3. Financial Services**

NSBI’s financial services team offers a wide-range of flexible financial services for clients, from term debt to loan guarantees to venture capital, and works individually with companies to find the right financial solution to meet their unique needs. Financial solutions are intended to help fill financing gaps in the marketplace, and are often done in partnership with other financial institutions.

The Nova Scotia Business Fund is the source of capital for these flexible financial solutions. It is used to support growth-oriented companies operating in a wide variety of industry sectors – from manufacturing to knowledge-based – that demonstrate a solid and viable business case. The portfolio currently has approximately \$170 million outstanding to 100 companies located throughout the province. For FY2007-08, net new capital available for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be \$20 million, with repayments of current outstanding investments estimated to be in the \$7.5-15 million range.

The approach of the Financial Services Team for FY2007-08 is to build on many of the initiatives commenced in FY2006-07. For example, a broader net economic benefit model was introduced to assess individual financial transactions. This model considered the total incremental return to the province from a given transaction. This broader analysis will continue for the coming year.

NSBI will continue to pursue the delegation of authority to NSBI's senior management to adjudicate transactions up to a maximum of \$350,000. This will assist small business customers who deal with significant time pressures and will enable NSBI to more effectively meet the needs of business. With the delegation of authority in place, NSBI intends to develop a financing package that would provide pre-approved contract financing support to trade mission participants in advance of departure. This could come in the form of a pre-approved operating line of credit or a guarantee. With this in place, export clients can negotiate contracts while on a trade mission, with the comfort that their financing needs have been pre-arranged. In addition, the Financial Services team will also continue to look to identify export-focused, service-based companies that could be potential clients. This is consistent with the province's updated economic development strategy, which places increased emphasis on exports.

In FY2006-07, the overall structure of the Financial Services Team was reviewed. One change was to assign individual account executives to geographic regions of the province. This was done to help prospective clients better understand the first point of contact within NSBI.

In terms of NSBI's venture capital (VC) offering, NSBI intends to devote resources in FY2007-08 to rebrand the organization's role in providing equity, in order that clients and prospective clients better understand the role NSBI can play.

In FY2007-08, and as part of the development of NSBI's next 5-Year Plan, the organization will undertake a review of the NSBI Act and accompanying regulations. This will be done to determine whether changes may be warranted to better meet the needs of clients.

#### **4.2.3.1 Nova Scotia Business Fund**

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the make-up of the portfolio. These include the following:

- Annual sector investment targets:

- Foundation	18%
- Knowledge-based (IT & life sciences)	20%
- Manufacturing	48%
- Energy	9%
- Other	5%
- \$15 million maximum per company.
- 25% maximum available for working capital/ equity investments.
- Borrowing rates are established based on risk, term, and optionality (e.g. interest capitalization, principal holiday, extended amortization).

	<b>Indicator</b>	<b>Measure</b>	<b>Base Year Data 2004-05</b>	<b>Targets 2007-08</b>	<b>Strategies to Achieve Target</b>
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of financings with new/existing companies utilizing Nova Scotia Business Fund	13 financings	15 financings [20 including # of successful financial transactions using external partner agencies + material amendments ]	New product offerings  Sharpened business development focus  Development of partnerships with other financial agencies
	Quality Portfolio Management	Impaired Loan Ratio	New measure	10% or less	Portfolio management strategies
		Annual Client Review Completed	New measure	100% of clients reviewed	Portfolio management strategies
	Partner for financing solutions	Leverage ratio of Partner: NSBI	Ratio of 2.3:1	Ratio of 1:1	Maintain co-investment philosophy

### 4.3. Marketing and Communications

NSBI has successfully launched a redesigned website that offers a higher level of usability and functionality for current and prospective clients. With this enhanced tool in place, it has provided the basis from which to offer additional forms of e-communication. This is illustrated by the FY2005-06 Annual Report, which for the first time was offered in a full e-format.

For FY2007-08, NSBI intends to continue to take a more electronic, technology-focused approach to communications. By taking this approach, NSBI will be more readily able to adapt to the evolving opportunities that the global marketplace offers.

In addition, NSBI's Marketing and Communications team will also continue to support the communication needs of NSBI's customer-facing, front-line business units, including increasing the awareness of NSBI to potential Nova Scotia clients. This includes marketing collateral, event management, etc. This is in addition to the two major annual events that NSBI hosts - the Export Achievement Awards and the Geared for Growth Conference.

#### 4.4 Corporate Services

NSBI's corporate services team is responsible for the management of NSBI's inventory of property holdings across the province. This includes industrial parks, industrial malls, and other holdings such as undeveloped land. In NSBI's role as stewards of properties, the organization works with community agencies. In FY2006-07, NSBI undertook an evaluation of the existing portfolio. The industrial parks and malls are strategic as a driver of economic growth for the local communities and, therefore, for the Province. Discussions have commenced with a few regional partners to determine how the parks and malls can be controlled locally so these assets tie into regional growth plans.

In FY2007-08, NSBI intends to further discussions with local partners with respect to industrial parks and malls being controlled locally. NSBI will also undertake the required capital expenditures so these assets are positioned to continue to be able to provide their maximum economic potential. Other NSBI property, including port related assets, require additional assessment to ensure the provincial benefits are maximized.

#### 4.5 . Human Resources

Since its inception, NSBI has been committed to creating a results-oriented corporate culture. To this end, a results-based Corporate Scorecard is used to link activity to desired outcomes. NSBI's employees are highly motivated, professional, and experienced individuals, and are its greatest asset. NSBI encourages its employees to participate in professional development and training that benefit both the employee and the organization.

For FY2007-08, key Human Resources initiatives include evaluating and upgrading the existing job evaluation tool, focusing on management development training, targeting specific outcomes, and undertaking a review of key HR policies.

Goals	Indicator	Measure	Base Year Data 2004-05	Targets 2006-07	Strategies to Achieve Target
Develop an action-oriented, client-focused organizational culture that encourages, empowers and supports high-performance.	Employee training and development	% of employees participating in training and development programs	85% of employees	80% of employees	Provide and promote training and educational programs

## 4.6. Partners

In FY2007-08, NSBI intends to continue to work closely with partner organizations and agencies to assist with meeting its mandate. This includes working collaboratively with provincial departments like Economic Development, Immigration, and Education.

In addition, NSBI has successfully used a “Team Nova Scotia” approach to sell the merits of establishing an operation in the province to companies that NSBI has identified would be an appropriate “fit” with the province’s value proposition. This means bringing together the right organizations at the right time during the sales cycle. This team-based approach has served the province well and will continue to be used during FY2007-08.

## 5. Budget

Nova Scotia Business Inc. Budget Summary  
Fiscal Year 2007-2008

	<b>2006-07</b>	<b>2006-07</b>	<b>2007-08</b>
	<b>Estimate</b>	<b>Forecast</b>	<b>Estimate</b>
	(\$ thousands)	(\$ thousands)	(\$ thousands)
Operating Contribution:			
Recurring	9,381	9,381	9,881
Non-recurring	850	850	-
Total Operating Contribution	10,231	10,231	9,881
Loan Valuation Allowance	1,600	1,600	1,600
Strategic Investment Funds	20,240	11,700	15,134
Sub Total	32,071	23,531	26,615
Capital Grant (Industrial Properties)	2,000	2,000	0
Total	34,071	25,531	26,615

## **6. Outcomes and Performance Measures**

NSBI prides itself on being an accountable organization and holds itself to the highest standards of corporate governance and accountability. And as a results-driven organization, NSBI remains fully committed to measuring results that directly impact the goals of the organization.

Ultimately, the organization is driven by the desire for clients to create economic growth and prosperity throughout the province. This, in turn, creates new taxes for the province that can be used to fund government priorities like healthcare and education.

For FY2007-08, NSBI will continue to focus efforts on higher value opportunities. This is consistent with the province's economic strategy to create greater prosperity throughout the province.

The following are total financial requirements for FY2007-08.

1. Operating Contribution:	
Recurring	\$9,881,000
Non-recurring	<u>    \$0</u>
Total Operating	\$9,881,000
2. Loan Valuation Allowance	\$1,600,000
3. Strategic Investment Funds	<u>\$15,134,000</u>
Sub-Total	\$26,615,000
4. Capital Grant (Industrial Properties)	<u>    \$    0</u>
Total	\$26,615,000
5. Capital Allocation (Nova Scotia Business Fund):	
Advances	\$20,000,000
Repayments	\$7.5-15,000,000

## Appendix 1.

<b>STRATEGIC INVESTMENT FUNDS PURSUANT TO NSBI REGULATIONS            POLICIES AND GUIDELINES/PROCEDURES, NSBI 2007-2008 BUSINESS PLAN</b>	
	<b>PAYROLL REBATE</b>
Overview	<ul style="list-style-type: none"> <li>The Payroll Rebate is a discretionary, non-entitlement tool intended to promote targeted creation or retention of employment and payroll generation.</li> <li>This financial incentive may be used when it can be shown that an applicant's project generates an economic benefit to the Province, which may include export development, external investment in the Province, or improved competitiveness of existing businesses, in one or more of the Province's key economic sectors.</li> </ul>
Amount	<ul style="list-style-type: none"> <li>Rebates will be equivalent to between 5% and 10% of the applicant's gross payroll, depending on the applicant's strategic location or business sector and the economic benefit generated to the Province.</li> <li>In the case of payroll rebates primarily for employment retention, the total rebate will not exceed the lesser of \$500,000 or 50% of the project costs.</li> <li>All other Nova Scotia Provincial Government assistance with respect to the project must be disclosed and may influence the rebate amount.</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>The applicant's business must be considered eligible according to NSBI's operating regulations.</li> <li>Applications for assistance must be project-based. Projects are expected to create or retain sustainable long-term employment. Cyclical peaks in employment will not be considered for assistance.</li> <li>The project should result in the creation or retention of at least 20 jobs (FTEs) in Nova Scotia. Projects creating or retaining fewer than 20 FTEs will be considered when there is high strategic value or strong economic benefit.</li> <li>In the case of payroll rebates primarily for employment retention, the company must be undertaking a project to improve its competitiveness in export markets through either productivity improvements or investments in product development.</li> <li>In the case of payroll rebates primarily for employment retention, the company must contribute at least 20% of the total project costs.</li> <li>Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance.</li> <li>Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.</li> <li>The Applicant will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada).</li> </ul>
Application Requirements	<ul style="list-style-type: none"> <li>Historical and projected financial statements of the company and any additional</li> </ul>

	<p>financial information that may be required by NSBI to assess the financial viability of the company.</p> <ul style="list-style-type: none"> <li>• A business plan (or acceptable reports) providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk.</li> <li>• Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.</li> </ul>
Criteria	<ul style="list-style-type: none"> <li>• The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector.</li> </ul> <p>The company must also demonstrate:</p> <ul style="list-style-type: none"> <li>• Strong Management (corporate and local);</li> <li>• Compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia);</li> <li>• Economic benefit to the Province (e.g. estimated number of jobs created/retained, linkages with other sectors, improved competitiveness, non-competition with Nova Scotia industries, import substitution, etc.);</li> <li>• An acceptable credit history.</li> </ul>
Performance Conditions	<ul style="list-style-type: none"> <li>• Assistance is contingent on specific targets the company must achieve, which will typically be the creation of (x) jobs by (date) or retention of (x) jobs, with an average annual salary/wage of \$ (amount). These targets are expected to still be in place at the end of the rebate period.</li> <li>• In the case of payroll rebates primarily for employment retention, the company may be required to achieve additional targets with respect to project completion including expenditure targets.</li> <li>• The applicant must provide an annual report, which will typically be an auditor's report, certifying that the employment, wage and other targets have been achieved. The report must contain the following information: <ul style="list-style-type: none"> <li>○ Incremental and/or retained gross wage or payroll bill (including benefits) and the number of incremental and/or retained employees and hours worked according to the Company's records on each anniversary date from the project commencement;</li> <li>○ Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the project commencement.</li> </ul> </li> </ul>
Payment Terms	<ul style="list-style-type: none"> <li>• Rebates will be paid following provision by the company of all information required by NSBI to verify compliance with the terms and conditions of the payroll rebate agreement.</li> <li>• In most cases, rebates will be paid annually on each anniversary from the project commencement;</li> <li>• Payment term generally should not exceed five years.</li> </ul>

## Appendix 2

<b>STRATEGIC INVESTMENT FUNDS PURSUANT TO NSBI REGULATIONS POLICIES AND GUIDELINES/PROCEDURES, NSBI 2007-2008 BUSINESS PLAN</b>	
	<b>INTEREST REBATE</b>
Overview	<ul style="list-style-type: none"> <li>• The interest rebate is a discretionary tool designed to encourage employment creation and net economic benefit for the province.</li> <li>• This financial incentive may be used when it can be shown that an applicant's project generates a significant net economic benefit to the Province.</li> <li>• This interest rebate is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to NSBI's financial services clients to below NSBI's cost of borrowing.</li> </ul>
Amount	<ul style="list-style-type: none"> <li>• The amount (or rate percentage reduction) per project will be dependent upon the net economic benefit to be generated for the province as a direct result of the project. This will be determined on a project-by-project basis.</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>• The applicant's business must be considered eligible according to NSBI's operating regulations.</li> <li>• The project should result in the creation of at least twenty new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 20 FTEs may be considered when there is high strategic value or strong economic benefit.</li> <li>• Financings are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance.</li> <li>• Companies that have previously received interest rebate assistance will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance.</li> <li>• All other government assistance must be disclosed and may influence the level of contribution.</li> </ul>
Application Requirements	<ul style="list-style-type: none"> <li>• Completed application form including all supporting documentation as requested.</li> </ul>
Criteria	<ul style="list-style-type: none"> <li>• The company must have a solid business plan for continued growth and success.</li> </ul>
Performance Conditions	<ul style="list-style-type: none"> <li>• Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of \$ (amount), defining a job as 2000 hours of work per year.</li> <li>• The applicant must produce an auditor's report certifying that the employment and</li> </ul>

	<p>wage targets have been achieved and containing the following information:</p> <ul style="list-style-type: none"> <li>○ Incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the Company's records on each anniversary date from the actual project commencement;</li> <li>○ Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual project commencement.</li> </ul>
<p>Payment Terms</p>	<ul style="list-style-type: none"> <li>● Rebate to be provided on a continual basis for a term generally not to exceed seven years, or the maturity of the loan, whichever occurs earlier and provided all terms and conditions of the financial assistance agreement continue to be met during the period.</li> <li>● Failure to maintain all terms and conditions of the financial assistance agreement may result in an adjustment to or cancellation of the rebate entitlement.</li> </ul>