

**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 7, 2012	
<b>SUBJECT/REPORT NO:</b> Innovation Factory Funding Request (PED12023) (City Wide)	
<b>SUBMITTED BY:</b>  Tim McCabe General Manager Planning and Economic Development Department	<b>PREPARED BY:</b> Neil Everson (905) 546-2424 Ext. 2358 Norm Schleeahn (905) 546-2424 Ext. 2669
<b>SIGNATURE:</b>	

**RECOMMENDATION:**

- a) That Council approve funding of \$50,000 to the Innovation Factory as the City of Hamilton's 2012 community partnership contribution;
- b) That staff, in conjunction with Innovation Factory, develop a set of key performance measures to be presented and approved by Council prior to consideration for an additional \$50,000 community partnership contribution in 2013; and,
- c) That the \$50,000 contribution for the Innovation Factory be funded from the Economic Development Investment Reserve.

**EXECUTIVE SUMMARY**

At the January 9, 2012 General Issues Committee, Ron Neumann, Executive Director, Innovation Factory, requested that the City of Hamilton make a \$50,000 community partnership contribution to the Innovation Factory for 2012 and again in 2013.

General Issues Committee, in response, requested the following:

- 1) Source of Funding
- 2) Conflict of Interest Information
- 3) Provide Audited Financial Statements
- 4) Governance information, both with Innovation Factory and other jurisdictions with similar concepts
- 5) Annual Reports on outcomes and activities of Innovation Factory

***Alternatives for Consideration – See Page 3***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** This request can be accommodated through the Economic Development Investment Reserve with no impact on the Levy.

**Staffing:** None

**Legal:** None

**HISTORICAL BACKGROUND** (Chronology of events)

Innovation Factory is Hamilton's not-for-profit Regional Innovation Centre (RIC). It is a not-for-profit operation that has a formalized governance structure, attached as Appendix "A", along with a conflict of interest policy for its staff and board members, attached as Appendix "B". Also provided is a copy of the by-laws from the Research Innovation Commercialization Centre in Peel Region as a governance example from another jurisdiction, attached as Appendix "C".

Innovation Factory services a gap that currently exists in our community which is to help people commercialize intellectual property. Officially launched in November 2010, its core function is to accelerate the innovation process for technology-based companies and to amplify the economic and social impact of key ideas and discoveries. It is focused on strengthening Hamilton's next generation of job generators.

Innovation Factory is just completing its first full year of operation and has not yet issued their annual report for 2011. Neil Everson, Director Economic Development Division, is a board member of for Innovation Factory and is aware of their ongoing activities. The 2011 Annual Report will be brought back to General Issues Committee, once completed, in the second quarter of 2012.

To date, Innovation Factory has engaged and assisted over 212 technology-based companies and has organized over 20 events to engage Hamilton's emerging high-tech community.

Other accomplishments, to date, include:

- Securing over \$2.6 million in Cumulative Funding for their clients;
- Creation of a volunteer mentor network of 35 professionals;
- Recognition by Ministry of Economic Development and Innovation (MEDI) as the top new RIC in the Ontario Network of Excellence (ONE); and,
- Supported creation of Angel One Investment Network.

Innovation Factory is currently in year two of a three year funding commitment from the Ministry of Economic Development and Innovation. They will receive \$444,474 in 2012 and \$459,562 in 2013 which amounts to a 75% contribution to their budget on an annual basis.

The remaining 25%, or approximately \$150,000 per year, needs to be raised by community partners. For 2012, private sector and institutional partners have already committed to \$95,000 with additional monies expected in the first quarter of the year.

Innovation Factory is requesting that the City of Hamilton contribute \$50,000 in 2012 with a renewable option in 2013 to assist them in reaching their 25% community partnership contribution goal.

Audited financial statements for Innovation Factory, completed by Grant Thornton, are attached for the year ending March 31, 2011. (See Appendix D.)

#### **POLICY IMPLICATIONS**

None.

#### **RELEVANT CONSULTATION**

N/A

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

It is not uncommon for a municipality to be a contributing partner to an RIC. Waterloo Region's Communitech, receives an annual partnership contribution of \$100,000 from

the City of Waterloo, City of Kitchener and the Region of Waterloo. The TechAlliance in London receives \$200,000 per year from the City of London.

Staff recommends that the City of Hamilton provide the full funding request of \$50,000 for 2012. Staff also recommends that the 2013 funding request will need to be accompanied with a set of key performance measures developed jointly by staff and Innovation Factory and approved by Council. Innovation Factory must present these key performance measures to Council prior to any future funding being approved.

**ALTERNATIVES FOR CONSIDERATION:**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Provide a lesser amount than what is being requested or provide no funding whatsoever. Either option would require Innovation Factory to generate more revenue through the business community in order to meet their 25% community target or reduce their expenses accordingly. This could have a negative impact on their service delivery to their clientele.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Growing Our Economy***

- ◆ A skilled and creative labour pool that supports new employers

**APPENDICES / SCHEDULES**

Appendix "A" - Innovation Factory – By-law No. 1  
Appendix "B" - Innovation Factory – Conflict of Interest Policy  
Appendix "C" - Research Innovation Commercialization Centre By-law  
Appendix "D" - Innovation Factory – Audited Financial Statements

NS/dkm

**BY-LAW NO. 1**

Being a by-law relating generally to the conduct of the affairs of

**INNOVATION FACTORY**

(the "Centre")

BE IT ENACTED as a by-law of the Centre as follows:

**MISSION STATEMENT**

The Mission of the Centre is to foster development, growth and success of entrepreneurial and innovative talent in the region. The Centre will provide entrepreneurs with programs to access experienced business mentors, service firms, educational institutions and governments who will provide advice, training programs, facilities, professional and consulting services and mentorship in order to support the development and success of entrepreneurs and Small and Medium Enterprises (SMEs).

**OBJECTS**

The Centre's objects are:

- a. To devise, implement and monitor local training and education programs for members of the public requiring new knowledge, skills and technical training in the field of entrepreneurship, including:
  - i. Mentoring;
  - ii. Competitive Business Intelligence;
  - iii. Entrepreneurial Training;
  - iv. Knowledge Management System; and
  - v. Promotion/Networking Events.
- b. To develop, secure and provide advisory, consultative and other support services to and for local entrepreneurs.
- c. To provide space to and share facilities with new and existing businesses and local entrepreneurs to improve the survival rate of business start-ups and emerging companies.
- d. To promote the development of existing entrepreneurs and the establishment of new entrepreneurs.

**ARTICLE 1**

**INTERPRETATION**

1.1 **Definitions.** In this By-Law, unless the context otherwise specifies or requires:

- a) "Act" means the *Canada Corporations Act*, R.S.C. 1970, c. C 32 as from time to time amended and every statute that may be substituted therefor and, in the case of such substitution, any

references in the By-laws of the Centre to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or statutes.

- b) "Board of Directors" means the duly appointed Board of Directors of the Centre.
- c) "By-Law" means any by-law of the Centre from time to time in force and effect.
- d) "Centre" means the Innovation Factory, a not-for-profit corporation incorporated under Part II of the Act.
- e) "Centre Host" means the organization that houses the Centre.
- f) "Centre Corporate Plan" means a description of the proposed activities of the Centre and a description of how the center intends to implement them.
- g) "Letters Patent" means the Letters Patent of the Centre and any Supplementary Letters Patent of the Centre.
- h) "Managing Director" means the individual responsible for the general management of the Centre's day-to-day operations.
- i) "Members" means the members of the Board of Directors and any other person accepted for membership by majority vote of the Board of Directors.
- j) "Stakeholder" means a person who has made an investment in the Centre.
- k) "Unit" means one of the strategic areas of activity within the Centre.

1.2 **Interpretation.** In this By-Law and in all other By-Laws of the Centre hereafter passed, unless the context otherwise requires, words importing the singular number or the masculine gender shall include the plural number of the feminine gender, as the case may be and vice versa, and references to persons shall include firms and corporations.

1.3 **Operating Principles.** The Centre shall be governed and managed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

## **ARTICLE 2**

### **ORGANIZATION**

2.1 **Corporate Seal.** The seal, an impression whereof is Stamped in the margin hereof, shall be the seal of the Centre.

2.2 **Head Office.** Until changed in accordance with the Act, the head office of the Centre shall be in the City of Hamilton, in the Province of Ontario.

2.3 **Financial Year.** Unless otherwise ordered by the Board of Directors, the fiscal year end of the Centre shall be March 31<sup>st</sup>.

2.4 **Auditors.** The Members shall, at each annual meeting of Members, appoint an auditor to audit the accounts and annual financial statements of the Centre for report to the Members at the next annual meeting of Members. The remuneration of the auditor shall be fixed by the Board of Directors.

2.5 **Books and Records.** The Board of Directors shall see that all necessary books and records of the Centre required by the By-Laws of the Centre, the Act or by any applicable statute or law are regularly and properly kept.

- 2.6 **Wind-up or Dissolution.** In the event of the dissolution or winding-up of the Centre, all of its remaining assets after the payment of its liabilities shall be used for the benefit of carrying on or promoting entrepreneurial education and support in Canada, consistent with the Mission Statement and Objects of the Centre. Specific distribution to one or more not-for-profit corporations or entities will be determined by the Board of Directors.

### **ARTICLE 3**

#### **BOARD OF DIRECTORS**

- 3.1 **Duties and Number.** The Board of Directors shall have overall responsibility for the governance and management of the Centre. The Board of Directors shall be composed of a minimum of three (3) individuals with a right to cast votes (not including ex officio members). The precise number of directors of the Centre from time to time shall be determined by a resolution passed at a meeting of the Board of Directors, and confirmed by the Members at the next such meeting of Members following the meeting of the Board of Directors at which such resolution was passed.
- 3.2 **Composition.** Directors must be individuals, 21 years of age, with power under law to contract. The Board of Directors shall be composed as follows:
- a) a majority of the Board shall be employees of organizations from the industrial/commercial sector and/or the Centre's user community;
  - b) the Managing Director shall be a non-voting member of the Board.
- The Managing Director shall be an ex officio member of the Board of Directors and not be counted in the number of directors or in determining a quorum and shall not have the right to vote on any matter brought before the Board of Directors or any committee thereof.
- 3.3 **First Directors.** The applicants for incorporation shall become the provisional first directors of the Centre whose term of office on the Board of Directors shall continue until the Board of Directors is appointed by the applicants which appointment is to take place within sixty (60) days of issuance of the Letters Patent. The term of office of such appointed Board members shall continue until their successors are elected at the first annual meeting of Members.
- 3.4 **Term of Directors at Initial Election of Directors.** At the first annual meeting of Members at which directors are elected following the enactment of this By-Law by the Board of Directors, the ratification thereof by the Members, the Members shall elect:
- a) one-third (1/3) of the number of members of the Board of Directors to be elected for a term of one (1) year from the date of their election or until the first annual meeting after such date, whichever is later;
  - b) one-third (1/3) of the number of members of the Board of Directors to be elected for a term of two (2) years from the date of their election or until the second annual meeting after such date, whichever is later; and
  - c) the remainder of the members of the Board of Directors to be elected for a term of three (3) years from the date of their election or until the third annual meeting after such date, whichever is later.
- 3.5 **Designation of Term at Initial Election of Directors.** Prior to the meeting of Members referred to in Section 3.4, the Board of Directors shall designate each vacancy as having a term of one (1), two (2) or

three (3) years. Each nominee for election as a director shall indicate the term for which they are seeking election.

- 3.6 **Term for Subsequent Elections of Directors.** At each annual meeting of Members after the meeting of Members referred to in Section 3.4, the Members shall elect directors for a term of three (3) years, to fill the positions of all those directors whose terms have expired at such annual meeting of Members and those positions added by the Board, if any, to the maximum number of directors permitted hereby.
- 3.7 **Nominations for Elections of Directors.** For all subsequent elections following the meeting of Members referred to in Section 3.4, the Board of Directors, on the advice of the Nominating Committee, shall compile a list of nominees for directors, which shall be submitted to the Members no later than three (3) days before the meeting of Members at which directors are to be elected. In compiling such list, the Nominating Committee may consult with the nominees and the Members.
- 3.8 **Remuneration for Directors.** The members of the Board of Directors shall serve as such without remuneration and no director shall receive, directly or indirectly, any profit from his position as such, provided that a director may be paid reasonable expenses incurred by him in the performance of his duties. Nothing herein contained shall be construed to preclude any director from serving the Centre as an officer or in any other capacity and receiving compensation therefore.
- 3.9 **Rules and Procedures for the Activities of the Board of Directors.** The Board of Directors shall govern its actions and meetings according to such rules of procedure as the Board of Directors may adopt from time to time.
- 3.10 **Vacancies, Removal of Directors.** The office of a director shall be automatically vacated:
- a) if the director, by notice in writing to the Centre, resigns his office, which resignation shall be effective at the time it is received by the Chair of the Board of Directors or at the time specified in the notice, whichever is later;
  - b) if the director is found to be a mentally incompetent person or becomes of unsound mind;
  - c) if the director or the entity or organization which has appointed such director becomes bankrupt or suspends payment of debts generally or compounds with creditors or makes an authorized assignment or is declared insolvent;
  - d) if at a special meeting of Members a resolution is passed by at least two-thirds (2/3rds) of the votes cast by the Members present at the meeting removing the director before the expiration of the director's term of office, provided that the director who is the object of the removal is notified of the place, day and time of the meeting within the same delays as those which are provided for the calling of the meeting and is further given the opportunity to address the meeting and give the reasons of his opposition to the resolution proposing his removal;
  - e) if the director dies;
  - f) in the case of a director appointed in accordance with clauses (b) or (c) of Section 3.2, if the person or group having the right to appoint the director provides written notice to the Centre and the Chair of the Board of Directors of the removal of its appointee before the expiration of the director's term of office;
  - g) in the case of an ex officio director, in the event such director no longer holds the office or position which qualifies him or her as an ex officio director; or
  - h) if the Board of Directors determines by majority vote that the director has failed to act in the best interests of the Centre, or ceases to meet the criteria for, or otherwise be qualified as, a director hereunder.
- 3.11 **Filling Vacancies.** A vacancy occurring in the Board of Directors shall be filled as follows:



- a) if the vacancy occurs as a result of the removal of any director by the Members in accordance with Section 3.10(d), it shall, subject to Section 3.10(f), be filled upon the vote of a majority of the Members and any director elected to fill a removed director's place shall hold office for the remainder of the removed director's term;
- b) if the director was a representative described in clauses (b) or (c) of Section 3.2, it shall be filled by appointment in accordance with those clauses;
- c) if the director was an ex officio director who ceased to hold the position which qualifies the ex officio director, it shall be filled by the person who then holds the qualifying position;
- d) any other vacancy in the Board of Directors may be filled, by appointment, for the remainder of the term, by a majority vote of the directors then in office, provided there is a quorum. If there is not a quorum of directors, the remaining directors shall forthwith call a meeting of the Members to fill the vacancy, and, in default or if there are no directors then in office, the meeting may be called by any Member; and
- e) otherwise such vacancy shall be filled at the next annual meeting of the Members at which the directors for the ensuing year are elected.

If the number of directors is increased between the terms, a vacancy to the number of the authorized increase shall thereby be deemed to have occurred, which may be filled in the manner provided in Section 3.11(d).

- 3.12 **Retiring Directors.** A retiring director shall remain in office until the dissolution or adjournment of the meeting at which his retirement is accepted and his successor is elected.

#### **ARTICLE 4**

##### **MEETINGS OF THE BOARD OF DIRECTORS**

- 4.1 **Meetings.** Meetings of the Board of Directors may be held at any time and place within Canada.
- 4.2 **Notice.** A meeting of the Board of Directors may be convened by the Chair of the Board of Directors at any time. Notice of any meeting that is provided electronically shall be served in the manner provided in Section 13.5 of this By-Law, not less than seven (7) days before the meeting is to take place. Notice of any such meeting that is sent by mail shall be served in the manner provided in Section 13.5 of this By-Law, not less than fourteen (14) days before the meeting is to take place. There shall be at least two (2) meetings per year of the Board of Directors. If the first meeting of the Board of Directors following the election of directors by the Members is held immediately thereafter, then for such meeting or for a meeting of the Board of Directors at which a director is appointed to fill a vacancy in the Board, no notice shall be necessary to the newly elected or appointed directors or director in order to legally constitute the meeting, provided that a quorum of the directors is present.
- 4.3 **Waiver of Notice.** A director may in any manner or at any time waive notice of or otherwise consent to a meeting of the Board of Directors. Attendance of a director at a meeting of the Board of Directors shall constitute a waiver of notice of that meeting, except where a director attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called.
- 4.4 **Error or Omission in Giving Notice.** No error or omission in giving notice of any meeting of the Board of Directors or any adjourned meeting of the Board of Directors shall invalidate such meeting or make void any proceedings taken thereat and any director may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

- 4.5 **Telephone Participation.** The Board of Directors may meet by teleconference provided that either a majority of the Board of Directors consents to the meeting by teleconference or meetings by teleconference have been approved by resolution passed at a meeting of the Board of Directors.
- 4.6 **Meetings by Other Electronic Means.** The Board of Directors may meet by other electronic means that permits each director to communicate adequately with all of the other directors, provided that:
- a) the Board of Directors has passed a resolution addressing the mechanics of holding such a meeting and dealing specifically with how security issues should be handled, and the procedure for establishing a quorum and recording votes;
  - b) each director has equal access to the specific means of communication to be used; and
  - c) each director has consented in advance to meeting by electronic means using the specific means of communication proposed for the meeting.
- 4.7 **Directors May Call a Meeting.** Three (3) members of the Board of Directors may call a meeting of the Board of Directors in the event that the Chair of the Board of Directors is unable or unwilling to do so.
- 4.8 **No Proxy.** No director may send a representative to a meeting of the Board of Directors in such director's place, and no voting by proxy is permissible regarding any meeting of the Board of Directors.
- 4.9 **Quorum.** A majority of the directors shall form a quorum for the transaction of business and, notwithstanding any vacancy among the directors, a quorum of directors may exercise all the powers of directors.
- 4.10 **Voting at Meetings of Directors.** Each director, except the Managing Director, shall be entitled to one (1) vote on all questions arising at any meeting of the Board of Directors. Every question shall be decided by a majority of votes of the directors present at the meeting, unless the Act or any By-Law otherwise provides. In the event of a tie, the Chair shall not have a second or casting vote and any motion resulting in a tie vote shall be deemed to have been defeated.
- 4.11 **Adjournment.** Any meeting of the Board of Directors may be adjourned from time to time by the chairperson of the meeting, with the consent of the meeting, to a fixed time and place. No notice of each adjournment need be given to the directors. An adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

## **ARTICLE 5**

### **POWERS OF THE BOARD OF DIRECTORS**

- 5.1 **General.** The Board of Directors shall administer the affairs of the Centre in all things and make or cause to be made for the Centre, in its name, any kind of contract with the Centre may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Centre is by its Letters Patent, its By-Laws or otherwise authorized to exercise and do.
- 5.2 **Financial.** The Board of Directors shall have the power to authorize expenditures on behalf of the Centre and, from time to time, to delegate by resolution to an officer or officers of the Centre the right to employ

and pay salaries to officers and employees. The Board of Directors shall have the power to authorize amendments to agreements on behalf of the Centre and for the administration and disbursement of centre funds. The Board of Directors shall also have the power to enter into a trust arrangement with a trust company or financial institution for the purpose of creating a trust fund in which the capital and interest may be made available for the benefit of promoting the interests of the Centre in accordance with such terms as the Board of Directors may prescribe.

- 5.3 **Grants and Donations.** The Board of Directors shall take such steps as they may deem requisite to enable the Centre to acquire, accept, solicit or receive legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Centre.
- 5.4 **Borrowing.** The Board of Directors is hereby authorized, from time to time:
- a) to borrow money upon the credit of the Centre, from any bank, corporation, firm or person, upon such terms, covenants and conditions at such times, in such sums, to such an extent and in such manner as the Board of Directors in its discretion may deem expedient;
  - b) to limit or increase the amount to be borrowed;
  - c) to issue or cause to be issued bonds, debentures or other securities of the Centre and to pledge or sell the same for such sums, upon such terms, covenants and conditions and at such prices as may be deemed expedient by the Board of Directors; and
  - d) to secure any other debt or present or future borrowing or liability of the Centre, by mortgage, hypothec, charge or pledge of all of any currently owned or subsequently acquired real or personal, moveable or immoveable property of the Centre, including book debts, rights and the undertaking of the Centre.
- 5.5 **Agents and Employees.** The Board of Directors may appoint such agents and engage such employees (and may delegate this function to an officer or officers of the Centre) as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed at the time of or during such appointment. The remuneration of officers, agents, and employees shall, subject to the provisions of this By-Law, be fixed by the Board of Directors by resolution provided that the Board of Directors may delegate this function to an officer or officers of the Centre.
- 5.6 **Validity of Acts of Directors.** Any act done by the Board of Directors or by any person acting as a director shall, notwithstanding that some defect in the election or appointment of such director or person acting as such is subsequently discovered, or that they or any of them were disqualified, be as valid if every such person had been duly elected or appointed and was qualified to act as a director at the time of such act.

## **ARTICLE 6**

### **OFFICERS**

- 6.1 **Appointment of Officers and Committees.** The Board of Directors shall annually or more often as may be required, appoint from amongst their number a Chair of the Board and may appoint a Vice-Chair of the Board. The Board of Directors shall appoint a Managing Director. The Board of Directors may annually or more often as may be required, also appoint a Secretary and a Treasurer. Subject to the foregoing and Section 3.2, none of the said officers of the Centre need be a director or Member of the Centre. The Board of Directors may from time to time, in addition to those officers prescribed herein, appoint such other officers as it shall deem necessary who shall have such authority and shall perform such duties as may from time to time be prescribed by the Board of Directors.

- 6.2 **Chair of the Board of Directors.** At the first meeting of the Board of Directors after each annual meeting of Members, the Board of Directors, upon the advice of the Nominating Committee, shall elect from among themselves, a Chair of the Board of Directors who shall serve until the meeting of the Board of Directors following the next annual meeting of members. The Chair shall, when present, preside at all meetings of the Board of Directors and the Members. He shall possess and may exercise such powers and perform such other duties as may from time to time be specified or delegated to him by the Board of Directors, and shall be entitled to appoint a Vice-Chair.
- 6.3 **Vice-Chair of the Board of Directors.** A Vice-Chair shall serve until the meeting of the Board of Directors following the next annual meeting of Members following such Vice-Chair's appointment. The Vice-Chair of the Board shall be vested with all the powers and perform all the duties of the Chair of the Board in the absence of the Chair of the Board or upon the inability or refusal of the Chair to act.
- 6.4 [Intentionally Deleted]
- 6.5 [Intentionally Deleted]
- 6.6 **Managing Director.** The Board of Directors shall appoint a Managing Director for a term to be determined by the Board of Directors, subject to an annual performance review by the Board of Directors. The Managing Director shall be responsible for the general management of the Centre's operation. The terms and conditions of employment of the Managing Director shall be established by the Board of Directors. The Managing Director may also be referred to as the Executive Director and/or Chief Operating Officer of the Centre unless otherwise determined by the Board of Directors. The Managing Director shall serve on the Board of Directors as a non-voting member. The Managing Director will be responsible for all management issues associated with the overall administration of the Centre's activities in support of the Centre Corporate Plan, including:
- a) providing policy advice to the Board of Directors and any committees established by it;
  - b) recruiting and recommending to the Board the Unit Directors and other senior staff;
  - c) supervision of Centre personnel;
  - d) communicating and promoting the Centre's objectives and activities to the target communities and public and private sector organizations;
  - e) overseeing the preparation of financial and other reports;
  - f) overseeing communications and public affairs;
  - g) overseeing the planning and development of Centre space;
  - h) liaison with industry, government and other non-governmental organizations;
  - i) overseeing organization of general meetings;
  - j) overseeing preparation of annual reports;
  - k) overseeing preparation of supporting documents, meeting agendas and minutes of all meetings for the Board of Directors; and
  - l) performing other tasks as may be required.
- 6.7 **Secretary.** The Board of Directors may appoint a Secretary who need not be an employee of the Centre, provided that any individual so appointed who is not a full-time employee of the Centre, shall serve until the meeting of the Board of Directors following the next annual meeting of Members following such Secretary's appointment. The Secretary shall give or cause to be given as and when instructed all notices to directors, Members, auditors and members of committees of the Board of Directors and shall attend all meetings and act as clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. The Secretary shall be custodian of the seal of the Centre, which the Secretary shall deliver only when authorized by a resolution of the Board of Directors to do so and to such person or

persons as may be named in the resolution. The Secretary shall also perform such other duties as may from time to time be directed by the Board of Directors.

- 6.8 **Treasurer.** The Board of Directors may appoint a Treasurer who need not be an employee of the Centre, provided that any individual so appointed who is not a full-time employee of the Centre, shall serve until the meeting of the Board of Directors following the next annual meeting of Members following such Treasurer's appointment. The Treasurer shall have the custody of the funds and securities of the Centre and shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements of the Centre in the books belonging to the Centre and shall deposit all monies, securities and other valuable effects in the name and to the credit of the Centre in such chartered bank or trust company, or, in the case of securities, in such registered dealer in securities as may be designated by the Board of Directors from time to time. The Treasurer shall disburse the funds of the Centre as may be directed by proper authority taking proper vouchers for such disbursements, and shall render to the directors at the regular meeting of the Board of Directors, or whenever they may require it, an accounting of all the transactions and a statement of the financial position of the Centre. The Treasurer shall also perform such other duties as may from time to time be directed by the Board of Directors.
- 6.9 **Variation of Duties.** The Board of Directors may, from time to time, but always subject to the Act, vary, add or limit the powers and duties of the officers of the Centre. One person may hold more than one position.
- 6.10 **Office of Officers.** Except as otherwise expressly provided in this By-Law, the officers of the Centre shall hold office until their successors are appointed by the Board of Directors. Officers may resign by delivering a written resignation to the Chair of the Board and are subject to removal by the Board of Directors. If the office of any officer shall be or become vacant, the Board of Directors may, by resolution, appoint a person to fill such a vacancy.
- 6.11 **Remuneration of Officers.** The remuneration, if any, of officers appointed by the Board of Directors shall be determined from time to time by resolution of the Board of Directors. All officers shall be entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

## ARTICLE 7

### STANDING COMMITTEES

- 7.1 **Appointment of Committees.**
- a) The Board of Directors shall appoint standing committees as prescribed herein and such other standing or ad hoc committees as it shall deem necessary, which shall have such authority and perform such duties as may from time to time be prescribed by the Board of Directors. Unless otherwise established by the Board of Directors and/or the By-Laws of the Centre, each committee shall have the power to fix its quorum at not less than a majority of the committee members, to elect its chair and to regulate its procedure, subject to the provisions of 7.1(b).
  - b) Any committee so created shall meet and report to the Board at least one per year in writing, and upon completion of the purpose for which the committee was struck.
  - c) Notice of meetings of each committee shall be given in the manner provided in Section 13.5, and, subject to the Act, the provisions of Sections 4.1 to 4.6 inclusive shall apply with respect to notice of such meetings and the holdings of such meetings by teleconference or by other electronic means.

- 7.2 **Executive Committee.** The Executive Committee shall be composed of a minimum of two (2) and not more than five (5) members of the Board of Directors, one of whom shall be the chair of the Board of Directors. The Managing Director shall not be a member of the Executive Committee. The Executive Committee shall, inter alia, be responsible for providing fiduciary oversight, reviewing and, as appropriate, recommending that the Board of Directors approve the Centre's financial statements. It shall meet periodically with the management of the Centre and with the Centre's external auditors independently of management.
- 7.3 **Nominating Committee.** The Nominating Committee shall be composed of a minimum of three (3) members of the Board of Directors. The Nominating Committee shall have the responsibility to propose and recommend to the Board of Directors candidates for election or appointment to the Board of Directors as necessary and provide for the ongoing assessment by the Board of its own performance and effectiveness. The Nominating Committee shall consult with the Chair of the Board of Directors in these matters. To the extent possible, the Nominating Committee shall seek to identify candidates who have appropriate qualifications, background and expertise as well as the time available to devote to the Centre's business.
- 7.6 **Committee Members: Term and Remuneration.** The committee members of the Centre shall hold office until their successors are appointed by the Board of Directors. Committee members may resign by delivering a written resignation to the Chair of the Board and are subject to removal by a resolution passed at a meeting of the Board of Directors. If the office of any committee member of the Centre shall be or become vacant the Board of Directors may, by resolution, appoint a person to fill such a vacancy. Committee members shall receive no remuneration for serving as such, but are entitled to reasonable expenses incurred in the exercise of their duties.

## **ARTICLE 8**

### **MEMBERSHIP**

- 8.1 **Entitlement.** Membership in the Centre shall be comprised of (i) the members of the Board of Directors, and (ii) those Stakeholders and other persons who are interested in furthering the objectives of the Centre and whose application for admission as a Member has received the approval of the Board of Directors of the Centre. The Board of Directors may pass membership rules providing, among other things, for the admission of Members. Each Member (other than members of the Board of Directors) shall be promptly informed by the Centre of their admission as a Member of the Centre.
- 8.2 **Additional Classes of Members.** The Centre may, by amendment of this By-Law or by a separate By-Law, create additional classes of Members, and provide the rights and conditions, including voting rights, attaching to each class of membership.
- 8.3 **Application for Membership.**
- a) *Application.* Applicants may seek membership in the Centre by making application in accordance with directions and procedures established by the Board of Directors, which shall consider whether applicants have the ability to make a significant contribution to the objects undertaken by the Centre.
  - b) *Approval.* The Board of Directors (or a committee appointed by the Board) shall review applications for membership and consult with the Centre Host and other Members as appropriate, and consult with external references. The principal criteria for approval shall be the quality of the credentials of the

applicant and the proposed contribution to the Centre. The final approval for membership shall be made by the Board of Directors.

8.4 **Member Representatives.** Each Member (other than members of the Board of Directors) shall designate an individual representative who is authorized to represent such Member at meetings of Members and to be the contact person of the Member for all communications between the Centre and its Members and shall communicate such appointment in writing to the Centre. Such appointment may be revoked and replaced at any time upon written notice to the Centre. If a designated representative of a Member is unable to attend a meeting of Members, a proxy in written form may be delivered to the Secretary of the Centre, for purposes of such meeting.

8.5 **Voluntary Withdrawal.**

A Member that is not a member of the Board of Directors may withdraw from the Centre upon sixty (60) days prior written notice to the Chair of the Board of Directors (or upon such other notice expressly set out in any applicable agreement between the Centre and the Member), and in accordance with the Member's obligations pursuant to such applicable agreement. The Member shall co-operate with the Centre to ensure an orderly transfer of responsibilities and phase-out of activities.

8.6 **Termination of Membership.** The interest of a Member in the Centre is not transferable and lapses and ceases to exist:

- a) upon the Member who is a member of the Board of Directors ceasing to be a member of the Board of Directors;
- b) upon death, bankruptcy, insolvency, appointment of a receiver or receiver-manager or dissolution of the Member as the case may be;
- c) when the Member's period of membership, if any, expires;
- d) when the Member ceases to be a Member by voluntary withdrawal under Section 8.5 or otherwise in accordance with this By-Law or any other By-Law; and
- e) in the case of a Member having a contractual relationship with the Centre, if such contractual relationship expires or if at a meeting of the Board of Directors a resolution is passed by at least two-thirds (2/3) of the votes cast by the directors present at the meeting determining that the Member has failed to comply with its duties and responsibilities as outlined in any applicable agreement with the Centre and thereafter, the Centre gives written notice to the member stating the particulars of the failure or default and such failure is not remedied to the satisfaction of the Centre within thirty (30) days of such notice.

8.7 **Effect of Termination.** Upon the effective date of withdrawal or termination of the membership of a Member:

- a) the Member shall co-operate with the Centre to ensure an orderly transfer of responsibilities and phase-out of activities; and
- b) a Member shall honour any commitments to the Centre arising prior to the effective date of withdrawal or termination, including obligations with respect to any membership dues.

8.8 **Membership Dues.** The fees (if any) payable by Members or any class of Members shall from time to time be fixed by resolution of the Board of Directors. Members shall be notified in writing of the membership fees at any time payable by them and, if any are not paid within three (3) calendar months of

the due date or membership renewal date, as the case may be, any Member in default thereafter may be expelled by a simple majority vote of the Board of Directors.

## ARTICLE 9

### MEMBERS' MEETINGS

- 9.1 **Time and Place of Meetings.** Subject to compliance with the Act, the annual meeting of Members shall be held annually on such day in each year and at such time as the Board of Directors may determine, at any place within Canada or, if a majority of the Members so agree, outside Canada.
- 9.2 **Annual Meetings.** At every annual meeting of Members, in addition to any other business that may be transacted, the report of the Board of Directors, the financial statements and the report of the auditors shall be presented and the directors shall be elected, if necessary, and auditors appointed for the ensuing year. At the annual meeting of Members, the Members may consider and transact any business, either special or general.
- 9.3 **Special Meetings.** Other meetings of the Members may be convened by order of the Chair of the Board or by any three (3) members of the Board of Directors at any date and time and at any place within Canada or, if a majority of the Members so agree, outside Canada. The Board of Directors shall call a special meeting of the Members on written requisition of Members carrying in the aggregate not less than twenty-five percent (25%) of the total Member voting rights.
- 9.4 **Notice.**
- (a) Notice of any annual or special meeting of Members shall be provided to the Members of the Centre by any of the following means:
    - (i) by mail sent to each Member not less than fourteen (14) days (excluding the day on which the notice is sent but including the date on which it is received) before the meeting is to take place;
    - (ii) by electronic means such as e-mail or facsimile at least fourteen (14) days before the meeting, or
    - (iii) by notice published in a regular newsletter of the Centre which is sent to each Member of the Centre individually.
  - (b) Notice of any meeting where special business shall be transacted shall contain sufficient information to permit the Members to form a reasoned judgment on the decision to be taken.
  - (c) Notice of any annual meeting of Members shall list the individuals nominated by the Board of Directors for election to the Board of Directors. Such notice of meeting shall also state that a Member may propose any other person as a nominee for election to the Board of Directors and the form of nomination shall be attached to the notice. The name of such nominee shall be added to the list of individuals nominated by the Board of Directors, in the appropriate nominating category, provided that such nomination is delivered to the Centre no later than seven (7) days before the date of such meeting.



(d) Notice of each meeting of Members must remind each Member that the Member has the right to vote by proxy and shall contain a form of proxy as approved by the Board of Directors and in conformity with the Act.

9.5 **Waiver of Notice.** A Member and any other person entitled to attend a meeting of the Members may in any manner waive notice of a meeting of the Members and attendance of any such person at a meeting of the Members shall constitute a waiver of notice of the meeting, except where the Member or such person attends a meeting for the express purposes of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

9.6 **Error or Omission in Giving Notice.** No error or omission in giving notice of any annual meeting or special meeting or any adjourned meeting of the Members shall invalidate any resolution passed or any proceeding taken at any meeting of the Members.

9.7 **Telephone Participation.** The Members may meet by teleconference provide that either a majority of the Members consents to the meeting by teleconference or meetings by teleconference have been approved by resolution passed at a meeting of the Members.

9.8 **Meeting by Other Electronic Means.** The Members may meet by other electronic means that permits each Member to communicate adequately with all of the other Members, provided that:

(a) the Members have passed a resolution addressing the mechanics of holding such a meeting and dealing specifically with how security issues should be handled, and the procedure for establishing quorum and recording votes;

(b) each Member has equal access to specific means of communication to be used; and

(c) each Member has consented in advance to meeting by electronic means using the specific means of communication proposed for the meeting.

9.9 **Quorum.** A quorum at any meeting of the Members (unless a greater number of members and/or proxies are required to be present by the Act or by the Letters Patent or any other By-Law) shall be at least two (2) Members present at the meeting, representing at least one third (1/3) of the Members of the Centre. Members represented by a valid proxy or by teleconference or other electronic means in accordance with this By-Law and votes received by mail ballot in accordance with Section 10.7 shall be counted toward the quorum. No business shall be transacted at any meeting unless the requisite quorum is present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of the Members or within such reasonable time thereafter as the Members present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place not sooner than ten (10) days subsequent to the adjourned meeting, but may not transact any other business. The provisions of Section 13.5 with regard to notice shall apply to such adjournment. If a quorum is not achieved at such adjourned meeting, the persons present and entitled to vote thereat may transact the business for which the original meeting had been called.

9.10 **Chair of the Meeting.** In the event that the Chair of the Board is absent, the Members who are present shall choose another director as chair of the meeting. If no director is present or if all the directors present decline to act as chair, then the persons who are present and entitled to vote shall chose one of their members to be chair of the meeting.

- 9.11 **Resolutions in Lieu of Meeting.** Except for those matters required by the Act to be dealt with at a meeting of Members, a resolution in writing, signed by all the Members of the Centre, is as valid as if it had been passed at a meeting of the Members.
- 9.12 **Adjournment.** The chair of any meeting of the Members may, with the consent of the Members at the meeting, adjourn the same from time to time to a fixed time and place not sooner than ten (10) days subsequent to the adjourned meeting, and no notice of such adjournment need be given to the Members. Any business may be brought or dealt with at any adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

## **ARTICLE 10**

### **VOTING AT MEMBERS' MEETING**

- 10.1 **Voting of Members.** At all meetings of the Members, every question shall be determined on a show of hands by a majority of votes of the Members eligible to vote thereat, unless the Act or any By-Law otherwise provides. In the event that a Member attends a meeting by teleconference, the Member shall cast the Member's vote on each question by verbally identifying himself and voting on the question, and that vote shall immediately be recorded by the Secretary of the meeting. In the event of a vote by other electronic means or by mail, each vote cast in accordance with this By-Law and received by the Secretary of the Centre shall be recorded as such by the Secretary for that meeting. Each Member eligible to vote shall be entitled to one (1) vote on all questions arising at any meeting of Members.
- 10.2 **Good Standing.** No Member shall be entitled in person, by proxy or by mail ballot to vote at meetings of the Members unless such Member is a member in good standing.
- 10.3 **Declaration by Chair.** At any meeting, unless a poll is demanded, a declaration by the chair of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.
- 10.4 **Demand for a Poll.** A poll may be demanded either before or after any vote by show of hands by any person entitled to vote at the meeting. If at any meeting a poll is demanded on the election of a chair or on the question of adjournment it shall be taken forthwith without adjournment. If at any meeting a poll is demanded on any other question or as to the election of directors the vote shall be taken by ballot in such manner and at once, later in the meeting or after adjournment as the chair of the meeting directs. Upon a poll and subject to the provisions, if any, of the Letters Patent, every such Member and/or individual so authorized to represent a Member who is present in person shall have one (1) vote. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A demand for a poll may be withdrawn.
- 10.5 **Proxies.** Votes at any meeting of the Members may be given either personally, by proxy, by mail or by e-mail, or, in the case of a Member who is not a natural person, by an individual duly authorized in writing by such Member to represent it at meetings of Members generally or at the meeting in question, as described in Section 8.4. For the purposes of this By-Law, a "Proxyholder" means any individual duly authorized in writing by a Member to represent it at a meeting of Members. Every Proxyholder shall have one (1) vote for each Member who is entitled to vote at the meeting and who is represented by such Proxyholder. A proxy shall be in writing and shall be executed by the Member or the Member's attorney authorized in writing or, if the Member is a corporation or association, by an officer or attorney thereof duly authorized. A proxy may be provided, but is not mandatory, if a Member is represented at a meeting of Members by the Member's designated representative described in Section 8.4.
- 10.6 **Acceptance of Proxies.** The Board of Directors may from time to time make regulations regarding the lodging of proxies at some place or places other than the place at which a meeting or adjourned meeting of

Members is to be held and for particulars of such proxies to be in writing and sent by facsimile or other electronic means before the meeting or adjourned meeting to the Centre or any agent of the Centre for the purpose of receiving such particulars. The chair of any meeting of the Members may, subject to any regulations made as aforesaid, in the chair's discretion, accept facsimile or other written communication as to the authority of any person claiming to vote on behalf of and to represent a Member, notwithstanding that no proxy conferring such authority has been properly lodged with the Centre, and any votes given in accordance with such facsimile or other written communication accepted by the chair of the meeting shall be valid and shall be counted.

- 10.7 **Voting By Mail.** Unless otherwise required by the Act or by this By-Law, in lieu of physical attendance at a meeting of the Members of the Centre, a Member may vote on a resolution to be considered at the meeting by delivering a mail ballot (by physical mail, facsimile, or electronic mail) to the Secretary of the Centre, indicating his vote thereto, provided that the mail ballot is received by the Secretary of the Centre before the time and date of the meeting or the time specified in the notice, and that the motion to be voted upon at the meeting is identical to the motion in the mail ballot. Any vote so received shall result in the Member responsible therefore being counted toward the quorum of that meeting, and receipt of mail ballots constituting 51% or more of the Members shall constitute a quorum for meeting purposes.

## ARTICLE 11

### LIABILITY AND INDEMNITY, CONFLICT OF INTEREST

- 11.1 **Protection of Directors and Officers.** Except as otherwise provided in the Act, no director or officer for the time being of the Centre shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee; or for any loss, damages or expense happening to the Centre through the insufficiency or deficiency of title to any property acquired by the Centre or on behalf of the Centre or through insufficiency or deficiency or any security in or upon which any of the monies of or belonging to the Centre shall be placed out or invested; or for any loss or damages arising from the bankruptcy, insolvency, or tortious act of any person including any person with whom or which any monies, securities or property shall be lodged or deposited; or for any loss, conversion, misapplication or misappropriation of or any damages resulting from any dealings with any monies, securities or other assets belonging to the Centre for any loss, damages, or misfortune whatever which may happen in the execution of the duties of the director's or officer's respective office or trust or in relation thereto unless any of the same shall occur by or through the director's or officer's own willful neglect or default.
- 11.2 **Insurance.** Subject to the Act, the Centre may procure and maintain, as the Board may from time to time determine, insurance for a director or officer of the Centre against any liability incurred by the director or officer, in the capacity as a director or officer of the Centre, except where the liability relates to the person's failure to act honestly and in good faith with a view to the best interests of the Centre.
- 11.3 **Indemnities to Directors and Others.** Every director and officer of the Centre and every other person who has undertaken or is about to undertake any liability on behalf of the Centre, and their respective heirs, estate trustees and administrators, and estate and effects, shall from time to time and at all times; be indemnified and saved harmless out of the funds of the Centre, from and against:
- (a) all costs, charges and expenses whatsoever which such director, officer or such person sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against the director, officer or other person for or in respect of any act, deed, matter or thing whatever,

made, done for or permitted by them, in or about the execution of the duties of such office or in respect of any such liability, as the case may be; and

- (b) all other costs, charges and expenses which the director, officer or other person sustains or incurs in or about or in relation to the affairs thereof; except such costs, charges or expenses as are occasioned by their own willful neglect or default.

The Centre shall also indemnify such person in such other circumstances as the Act or law permits or requires. Nothing in this By-Law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this By-Law, to the extent permitted by the Act or law.

- 11.4 **Conflict of Interest.** Each director and officer shall declare in writing to the Centre, his or her interest in any contract or transaction or proposed contract or transaction with the Centre. In the case of a director, the required declaration shall be made at the time and in the manner required by the Act. Except as permitted by the Act, the director shall not be entitled to vote in respect of any contract or proposed contract in which he or she is so interested and if he or she does so vote, his or her vote shall not be counted. The Board of Directors shall also adopt a code of conduct for directors, officers, employees and committee members designed to prevent real or perceived conflicts of interest.

## **ARTICLE 12**

### **CUSTODY AND VOTING SHARES AND SECURITIES**

- 12.1 **Voting Shares and Securities.** All of the shares or other securities carrying voting rights of any company or corporation held from time to time by the Centre may be voted at any and all meetings of shareholders, bondholders, debenture holders or holders of other securities (as the case may be) of such company or corporation and in such manner and by such person or persons as the Board of Directors shall from time to time determine.
- 12.2 **Custody of Securities.** All shares and securities owned by the Centre shall be lodged (in the name of the Centre) with a chartered bank or a trust company or in a safety deposit box or, if so authorized by resolution of the Board of Directors, with such other depositories or in such other manner as may be determined from time to time by the Board of Directors. All share certificates, bonds, debentures, notes or other obligations belonging to the Centre may be issued or held in the name of a nominee or nominees for the Centre (and if issued or held in the names of more than one nominee shall be held in the names of the nominees jointly with the right of survivorship) and shall be endorsed in blank with endorsement guaranteed in order to enable transfer to be completed and registration to be effected.

## **ARTICLE 13**

### **EXECUTION OF INSTRUMENTS**

- 13.1 **Execution of instruments.** The Board of Directors shall have power from time to time by resolution to appoint any officer or officers or any person or persons on behalf of the Centre either to sign contracts, documents and instruments in writing made generally, or to sign specific contracts, documents or instruments in writing.
- 13.2 **Instruments in Writing.** The term "contracts, documents or instruments in writing" as used in this By-Law shall include but not be limited to deeds, mortgages, hypothecs, charges, conveyances, transfers and

assignments of property real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures or other securities and all paper writings.

- 13.3 **Seal.** The seal of the Centre, when required, may be affixed to any instruments in writing signed as aforesaid or by any officer or officers appointed by resolution of the Board of Directors.
- 13.4 **Cheques, Drafts, Notes, Etc.** All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or officers or person or persons, whether or not they are officers of the Centre including signing officers or the Centre and in such manner as the Board of Directors may from time to time designate by resolution.
- 13.5 **Sending Notices and Documents.** Subject to Section 9.4 of this By-Law regarding notices to Members of any annual or special meetings of members, any notice or other document required by the Act, the Letters Patent or the By-Laws to be sent to any Member or director or to the auditor shall be:
- (a) delivered personally;
  - (b) sent by prepaid mail; or
  - (c) sent by electronic means such as e-mail or facsimile,

at such person's latest mailing address, e-mail address or facsimile number (as the case may be, each hereafter called an "address") as shown in the records of the Centre and to the auditor at its business address, or if no address is given therein, then to the last address of such Member or director known to the Secretary; provided always that notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

- 13.6 **Signature to Notice.** The signature of any director or officer of the Centre to any notice or document to be given by the Centre may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

#### ARTICLE 14

##### AMENDMENT OF BY-LAWS AND RULES AND REGULATIONS

- 14.1 **Amendment of By-Laws.** The By-Laws of the Centre not embodied in the Letters Patent may be repealed or amended by By-Law enacted by a majority of the directors at a meeting of the Board of Directors and ratified by an affirmative vote of at least two-thirds (2/3) of the Members at a meeting of Members duly called for the purpose of considering the said By-Law. The repeal or amendment of By-laws or the enactment of a new By-Law shall be effective from the date of approval of the Board of Directors until the meeting of the Members called to duly ratify such amendment or repeal or enactment.
- 14.2 **Rules and Regulations.** The Board of Directors may prescribe such rules and regulations not inconsistent with the By-Laws relating to the management and operation of the centre and other matters provided for in this By-Law, provided that such rules and regulations shall have force and effect only until the next annual meeting of Members when they shall be confirmed.

Dated at Hamilton, Ontario this     day of             , 2010.

Approved by Resolution passed by the provisional first directors.



Draft 1/19/2012

## Innovation Factory: Conflict of Interest Policy

### I. POLICY OBJECTIVES

The objective of this policy is to broadly define principles and standards for ethical conduct, and promote the highest standard of trust among Innovation Factory ("iF") employees, members of the Board of Directors and its committees, contractors, volunteer mentors and other associates of the organization (hereinafter referred to as "Internal Stakeholders"). Furthermore, this policy is intended to protect Internal Stakeholders by providing the means to avoid or resolve situations that may result in ethically questionable situations or reflect negatively on the integrity of the Internal Stakeholder and/or iF.

Central to these guidelines is the belief that the declaration of a conflict of interest by the Internal Stakeholder is the single most important step required in its resolution.

### II. POLICY STATEMENT

The iF Conflict of Interest Policy (hereinafter referred to as the "Policy") defines the broad principles and behaviour standards that call for a high level of ethical conduct on the part of the iF Internal Stakeholders.

The Policy provides a framework for defining conduct that may give rise to conflict of interest situations and therefore should not be construed as all-inclusive. Issues that are not addressed will be resolved in accordance with the general principles advanced in this Policy. It is recognized that the Policy does not replace the roles that professional bodies play in regulating ethical conduct.

### III. DEFINITION

#### **Conflict of Interest:**

A conflict of interest is a situation in which an Internal Stakeholder has personal or private interests that may compete with iF's interests as an organization or the interests of its clients. Such competing interests can make it difficult for the Internal Stakeholder to fulfill his or her

duties impartially. A conflict of interest can create an appearance of impropriety or a perception of bias that can undermine confidence in the person's ability to represent iF and its clients appropriately and may reflect poorly on the organization.

A conflict exists even if no unethical or improper act results from it. A conflict of interest can either be an apparent conflict or a real conflict.

**Apparent Conflict:** An apparent conflict of interest exists where an informed and reasonable person reviewing the matter and having thought the matter through could conclude that a conflict of interest exists.

**Real Conflict:** A real conflict of interest exists where a personal interest exists and that interest:

1. is known to the Internal Stakeholder; and
2. has a connection to the Internal Stakeholder's duties that is sufficient to influence the exercise of those duties.

For instance, a conflict of interest may exist where an Internal Stakeholder:

- (a) Has an outside interest that materially impacts on time or attention that should be devoted to the affairs of iF;
- (b) Has an outside interest that diminishes in any way the full loyalty, diligence, objectivity, judgment, due care and effort owed to iF and/or its clients;
- (c) Has a direct or indirect interest in or relationship with an arm's-length party, whether individual or business, that is inherently unethical or that might be implied or construed to be, or might make possible personal gain due to an ability to influence business dealings, or might result in proffering of preferential consideration for personal reasons or otherwise inhibit the impartiality of the individual's business judgment, or would place the individual or iF in an equivocal, embarrassing or ethically questionable position, or reflect poorly on the integrity of the organization;
- (d) Takes personal advantage of an opportunity that properly belongs to iF;
- (e) Uses company property without prior approval;
- (f) Discloses confidential or proprietary information to unauthorized persons, whether that confidential information pertains to iF, its clients, any member organization or



any other organization or individual with whom iF or a representative of iF is engaged for any purpose.

#### **IV. PRINCIPLES:**

The general principles set out below comprise the Conflict of Interest Policy. The principles provide a framework for guiding decision-making that has common sense as its foundation. iF recognizes that Internal Stakeholders will be engaged in other financial, business, charitable, and other activities, but any conflicts of interests raised by those activities vis-à-vis iF or any of its clients must be promptly disclosed, where appropriate, to management, iF's clients and/or the Board of Directors. Specifically, it is in the interests of the organization that Internal Stakeholders shall:

1. Perform their duties and functions impartially, responsibly, diligently, efficiently, with integrity and in a manner that will bear scrutiny by those affiliated with the organization, as well as members of the public generally.
2. Arrange their private interests in a manner that will prevent a conflict of interest or its apparentness by remaining free of interests or relationships that are actually or potentially detrimental to the best interests of iF or its clients.
3. Not solicit or accept directly or indirectly for personal benefit, a fee, gift or benefit from a person or an organization that deals with iF where the fee, gift or benefit could influence the performance of official duties and functions.
4. Disclose to the appropriate level of authority the solicitation or acceptance of donations, gifts or other benefits for the use by iF from a person or an organization that conducts business with the organization where such solicitation or acceptance could be perceived to influence the performance of official duties and functions.
5. Not grant preferential treatment in relation to any official matter to a partner, family member, close friend, or to organizations in which an Internal Stakeholder or his/her family member has an interest to the detriment of iF or those having dealings with it.

6. Not benefit from information that is obtained in the course of performing official duties, to the detriment of iF, its clients or those having dealings with it.
7. Not participate in any commercial transactions involving iF in which they have an undisclosed financial interest.
8. Not benefit from the use of iF property for anything except in the course of official duties or functions, unless such use has been reviewed and approved by the appropriate level of authority.
9. Maintain appropriate confidences to avoid conflicts of interest.

## **V. PROCEDURES FOR DECLARING AND RESOLVING CONFLICTS OF INTEREST**

### **(i) Employees, Contractors and Volunteer Mentors**

iF employees, contractors and volunteer mentors in the course of their relationship with and on behalf of iF have a duty to abide by this Policy.

Where conflicts, real or apparent, do arise vis-à-vis a client during the course of their relationship with and on behalf of iF, it is the responsibility of the employee, contractor or volunteer mentor to declare the conflict immediately to the client's appropriate authority. The decision to waive the conflict of interest is left solely to the discretion of the client. If the conflict of interest is not waived, iF must undertake and maintain all proper measures to erect a wall between the conflicted parties, such that the employee, contractor or volunteer mentor is not in a position to take advantage of any sensitive information shared by the client.

Conflicts of interest that develop vis-à-vis iF must be reported at the first possible opportunity to the Executive Director. In such a case, it is in the Executive Director's sole discretion to waive the conflict of interest. If it is the Executive Director that is involved in a conflict, the matter must be reported to the Board Chair.

Employees, contractors and volunteer mentors are required to report to the Executive Director and/or his or her immediate supervisor if he or she learns of or has reason to believe that any other iF employee, contractor or volunteer mentor is engaged in any activity and/or relationship that would create a real or apparent conflict of interest vis-à-vis iF and/or any of its clients.

Where an employee, contractor or volunteer mentor reports a conflict of interest, the conflict shall be documented with a forwarded copy to the Board Chair. It is the responsibility of the Executive Director, in consultation with the Board (where appropriate), to determine whether a conflict exists and resolve it as is appropriate.

Any employee engaged in purchasing or financially or otherwise committing iF to a business relationship that might involve a conflict of interest must immediately inform his or her supervisor of the circumstances involved. The information will be reviewed at an appropriate level to determine if a conflict is present and, if so, what course of action is to be taken.

Where it has been determined that an employee, contractor or volunteer mentor has not declared or satisfactorily resolved a conflict of interest situation, the most appropriate level of authority in consultation with the Chair of the Board of Directors will consider the extent to which the duty of honest, loyal and faithful service has been breached in considering the need for redress. Breaches deemed by the Executive Director and/or the Board of Directors to be severe may result in the termination of the employment or contractual agreement.

**(ii) Board of Directors and Members of Committees of the Board:**

Members who sit on the Board of Directors or Committees of the Board who believe themselves to be in conflict with respect to items before the Board or any of its committees must declare the conflict to the Board Chair before the items are dealt with by the Board. Each properly constituted meeting of the Board or any of its Committees will contain a standing provision for such declarations. Where a member has declared a conflict, that person may at the discretion of the Board or Committee be permitted to participate in the discussion or, instructed to be absent from the room during the discussion. In either case, the person will not vote on the matter under consideration and, for the purposes of that matter, not be included in the count for a quorum.

Where procurement may involve dealing with a member company that is represented through participation on iF's Board of Directors, the matter is to be reviewed by either the Executive Committee or the full Board, as deemed appropriate.

In recognition of the fact that the identification of conflict of interest situations is sometimes difficult, any Board Member that has a reason to believe that any other Board Member is engaged in any activity and/or relationship that would create a real or apparent conflict of interest vis-à-vis iF and/or any of its clients must report the potential conflict to the Board Chair. It is the sole discretion of the Board Chair or full Board (where appropriate) to waive the conflict of interest by resolution.

Where it has been determined that a Member of the Board or a Committee has not declared and/or satisfactorily resolved a conflict of interest situation, the Board will consider the extent to which the duty of honest, loyal and faithful service has been breached in its consideration of the need for redress. Breaches that are deemed by the Board to be severe may result in the removal of the Member from the Board.

**(iv) Board Chair**

A Board Chair who believe himself or herself to be in conflict with respect to items before the Board or any of its Committees must declare the conflict to the Board Secretary, who must convene a Special Committee of the Board (comprising the Board Secretary and members of the Executive Committee [minus the Board Chair], and who all shall be entitled to one [1] vote) as soon as he or she reasonably believes that such a conflict has arisen. Where the Board Chair has declared a conflict, that person may at the discretion of the convened Special Committee be permitted to participate in the discussion or instructed to be absent from the room during the discussion. In either case, the person will not vote on the matter under consideration and, for the purposes of that matter, not be included in the count for a quorum.

In recognition of the fact that the identification of conflict of interest situations is sometimes difficult, any Board Member that has a reason to believe that the Board Chair is engaged in any activity and/or relationship that would create a real or apparent conflict of interest vis-à-vis iF and/or any of its clients must report the potential conflict to the Board Secretary. It is the sole

discretion of the Special Committee to waive the conflict of interest by resolution.

Where it has been determined that the Board Chair has not declared and/or satisfactorily resolved a conflict of interest situation, the designated Special Committee will consider the extent to which the duty of honest, loyal and faithful service has been breached in its consideration of the need for redress. Breaches that are deemed by the Special Committee to be severe may result in the removal of the Board Chair from his or her position as such.

## **VI. UNDERSTANDING CONFLICT OF INTEREST**

### **Conflict of Interest Situations**

In most instances, a conflict of interest can be easily resolved through disclosure and implementation of the necessary corrective action. Attached, as Schedule A, are some examples of potential conflict of interest situations and circumstances. These examples are intended as illustrations to assist with the understanding and application of this Policy but are not intended to be the only examples that might apply. Schedule A shall be amended from time-to-time to illustrate other possible conflict of interest situations as they have arisen or could be imagined to arise. An individual in doubt about the existence of a conflict or its apparentness is required to make a declaration to the appropriate authority within iF.

## **VII. CONFLICT OF INTEREST BOOK**

As each conflict of interest arises, it is the duty of the person to whom the conflict is reported to document the matter (and any actions taken as a result) in a Conflict of Interest Book that shall be maintained and periodically updated by the iF Office Manager. In simple cases, a print out of an email communication will suffice, but more complex matters may require a special report with full documentation affixed. At least once each year, the Board of Directors will receive a list and briefing of the active and inactive conflicts of interest managed by the organization in the preceding year.

**Schedule A: Potential Conflict of Interest Scenarios**

Scenario A

There may be a potential conflict of interest where Board Members or the Executive Director of iF also sit on the Executive Boards of one or more of Innovation Factory's client corporations (e.g. Weever Apps). Any compensation received for these duties must be disclosed.

Scenario B

There may be a potential conflict of interest where an iF Internal Stakeholder brings in one of his/her own outside corporations or businesses to engage with, and in essence become a client of iF. The potential conflict should be disclosed, day-to-day management should be delegated to a third party and a point person should be engaged in an independent review of the situation to ensure no breach of this Policy takes place.

Scenario C

There may be a potential conflict of interest where iF Internal Stakeholders provide remunerative or other formal services to an iF client. That person should step away from the role that the Internal Stakeholder was performing on behalf of iF and a new representative should be appointed.

Scenario D

There may be a potential conflict of interest where iF Internal Stakeholders consider investing in client corporations. In addition to disclosing the conflict, should the Internal Stakeholder be heavily involved in mentoring the client corporation, the Internal Stakeholder should step away from that role and a new representative should be appointed.

Scenario E

There may be a potential conflict of interest where iF is acting for two competing clients. iF has a duty to act in the best interests of both of the clients and also remain transparent in their dealings. A possible approach is to give the client who first retained iF the right to waive the conflict. If the conflict is not waived, the procedure should be to create a wall separating the two clients whereby iF has separate representatives acting for each corporation and no information is shared.

Scenario F

There is a conflict of interest where an iF Internal Stakeholder is providing remunerative services to iF, in which case the contract must be approved by the Board of Directors.

Scenario G

There is an apparent conflict of interest where an iF Internal Stakeholder invests money (or "sweat" in exchange for equity) in an iF client. In such cases, the Internal Stakeholder must promptly disclose the relationship to the Board Chair. Any investments made by the Board Chair in an iF client should be disclosed to the Board of Directors.

# RESEARCH INNOVATION COMMERCIALIZATION CENTRE

## BY-LAW NUMBER 2010 - 1

A By-Law relating generally  
to the conduct of the affairs of  
**RESEARCH INNOVATION COMMERCIALIZATION CENTRE**

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BY-LAW NUMBER 2010-1

A By-Law relating generally to the conduct of the affairs of  
**RESEARCH INNOVATION COMMERCIALIZATION CENTRE**

**WHEREAS** the Corporation was incorporated by Letters Patent issued under the Act and dated the 31<sup>st</sup> day of December, 2009.

**AND WHEREAS** it is considered expedient to enact a General By-Law relating generally to the conduct of the affairs of the Corporation;

**BE IT THEREFORE ENACTED** as a By-Law of the Corporation as follows:

**1. INTERPRETATION**

1.1 Meaning of Words

In this By-Law and all other By-Laws and resolutions of the Corporation unless the context otherwise requires:

- 1.1.1 the singular includes the plural;
- 1.1.2 the masculine gender includes the feminine;
- 1.1.3 "Act" means the *Corporations Act*, R.S.O. 1990, Chapter C.38, and any statute amending or enacted in substitution therefor, from time to time;
- 1.1.4 "Board" means the Board of Directors of the Corporation;
- 1.1.5 "By-Law" or "By-Laws" means this By-Law and any other By-Law of the Corporation that may be in force;
- 1.1.6 "Committee" means any Committee established by the Board pursuant to Article 10;
- 1.1.7 "Corporation" means **RESEARCH INNOVATION COMMERCIALIZATION CENTRE**;
- 1.1.8 "Director" means a person who has been named to the office of Director in accordance with Article 5;
- 1.1.9 "documents", includes deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, bonds, debentures or other securities and all paper writings;
- 1.1.10 "EC of MBOT", means those persons who have been appointed to the Executive Committee of MBOT from time to time;
- 1.1.11 "Executive Officers" means the persons who hold the offices enumerated in section 8.1;
- 1.1.12 "MBOT" means Mississauga Board of Trade, a corporation formed under the laws of Canada by Certificate of Formation and Memorandum of Agreement dated July 11, 1961, pursuant to the *Board of Trade Act*, R.S.C. 1985, c.B-6 (formerly the *Board of Trade Act*, R.S.C. 1952, c.18);
- 1.1.13 "Member" means a person who has been named as a Member in accordance with section 4.1;

1.1.14 "Special Resolution" means a resolution passed by the Directors and confirmed with or without variation by at least two-thirds (2/3) of the votes cast at a General Meeting of the Members of the Corporation called for that purpose.

## 1.2 Corporations Act Terms

All terms defined in the Act have the same meanings in this By-Law and all other By-Laws and resolutions of the Corporation.

## 2. HEAD OFFICE

The head office of the Corporation shall be in the Regional Municipality of Peel, in the Province of Ontario, and at such place therein as the Board may from time to time determine.

## 3. SEAL

The seal which is impressed in the margin hereon shall be the corporate seal of the Corporation.

## 4. MEMBERSHIP

### 4.1 Composition

Membership in the Corporation shall consist of the following individuals:

- 4.1.1 the members of the EC of MBOT from time to time, each of whom shall cease to be a Member of the Corporation immediately upon ceasing to be a member of the EC of MBOT;
- 4.1.2 the Chair of the Board of the Corporation from time to time, who shall cease to be a Member of the Corporation immediately upon ceasing to be the Chair of the Board of the Corporation.

### 4.2 Voting

No person who is not a Member shall be entitled to vote in proceedings of the Corporation.

### 4.3 Revocation of Membership

Any Member may be expelled from the Corporation for cause by a two-thirds (2/3) vote taken by ballot of the Members present and eligible to vote at an Annual Meeting or other General Meeting of Members.

### 4.4 Termination of Membership

A membership in the Corporation automatically terminates upon the happening of any of the following events:

- 4.4.1 if the person ceases to be a member of the EC of MBOT or the Chair of the Board of the Corporation, as applicable;
- 4.4.2 if a Member dies; or
- 4.4.3 if a Member is expelled from the Corporation pursuant to section 4.3.

#### 4.5 Liability of Members

Members shall not, as such, be held answerable or responsible for any act, default, obligation or liability of the Corporation or for any engagement, claim, payment, loss, injury, transaction, matter or thing relating to or connected with the Corporation.

### 5. **BOARD OF DIRECTORS**

#### 5.1 Board

Subject to the provisions of any By-Law creating, or any Special Resolution changing one or both number or identification of, offices of *ex officio* Directors, the affairs of the Corporation shall be managed by a Board composed of nine (9) *ex officio* Directors, consisting of:

- 5.1.1 the members of the EC of MBOT from time to time, each of whom shall cease to be a Director immediately upon ceasing to be a member of the EC of MBOT;
- 5.1.2 the Chair of the Board of the Corporation from time to time, who shall cease to be a Director immediately upon ceasing to be the Chair of the Board of Corporation.

#### 5.2 Qualifications

Each Director shall:

- 5.2.1 be at least eighteen (18) years of age; and
- 5.2.2 not be an undischarged bankrupt or a mentally incompetent person.

If a person ceases to be qualified by the terms of this section 5.2 to hold office, the person thereupon ceases to be a Director.

#### 5.3 Quorum

A quorum for the transaction of business at meetings of the Board shall be a majority of the number of members of the Board, and no business shall be transacted at any meeting unless the requisite quorum is present at the commencement of such business.

#### 5.4 Removal of Directors

The Members entitled to vote may, by resolution passed by at least two-thirds (2/3) of the votes cast at a General Meeting of which notice specifying the intention to pass the resolution has been given, remove any Director before the expiration of the term of office, and may, by a majority of the votes cast at that meeting, elect any person in the place and stead of the person removed for the remainder of term of the removed Director.

#### 5.5 Responsibility for Acts

The Directors of the Corporation, while in office, shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the Board.

### 6. **MEETING OF DIRECTORS**

#### 6.1 Calling Meetings

Meetings of the Board may be held at any place within or outside Ontario, as designated in the notice calling the meeting. Meetings of Board may be called by the Chair of the Board, President, Secretary (or Secretary-Treasurer) or any two (2) Directors.

## 6.2 Notice of Meetings

Subject to the provisions of section 6.3, notice of Board meetings shall be given to each Director by one of the following methods:

- 6.2.1 By telephone, facsimile, email or other electronic method not less than two (2) days before the meeting is to take place; or
- 6.2.2 By prepaid letter post not less than five (5) days before the meeting is to take place, the giving of which shall be in accordance with section 17.1.

The statutory declaration of the Secretary or President that notice has been given pursuant to this By-Law shall be sufficient and conclusive evidence of the giving of such notice. No formal notice of a meeting is necessary if all the Directors are present or if those absent have signified their consent to the meeting being held without notice and in their absence.

## 6.3 Regular Meetings

The Board may appoint one or more days in each year for regular meetings of the Board at a place and time named; no further notice of the regular meetings need be given. The Board shall hold a meeting within seven (7) days following the Annual Meeting of the Corporation for the purpose of organization, the election and appointment of Officers and the transaction of any other business.

## 6.4 Meetings by Electronic Conference

If all persons who are members of the Board or a Committee (as the case requires) consent thereto generally or in respect of a particular meeting and each has adequate access, such persons may participate in a meeting of the Board or Committee by means of such conference telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by such means is deemed to be present at the meeting.

Provided that at the outset of each such meeting, and whenever votes are required, the chair of the meeting shall call roll to establish quorum, and shall, whenever not satisfied that the proceedings of the meeting may proceed with adequate security and confidentiality, unless a majority of the persons present at such meeting otherwise require, adjourn the meeting to a predetermined date, time and place.

## 6.5 Voting

Each Director shall have one (1) vote on all questions arising at any meeting of the Board. Questions arising at any meeting of the Board shall be decided by a majority vote. In the case of an equality of votes, the question shall be deemed to have been lost. At all meetings of the Board, every question shall be decided by a show of hands unless a poll on the question is required by the chair or requested by any Director. A declaration by the chair that a resolution has been carried and an entry to that effect in the minutes is conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the resolution.

## 6.6 Written Resolutions

Subject to the Act, a resolution in writing, signed by all the Directors entitled to vote on that resolution at a meeting of Directors or Committee of Directors, is as valid as if it had been passed at a meeting of Directors or Committee of Directors called, constituted and held for that purpose.

# 7. MEETINGS OF THE MEMBERS

## 7.1 Annual Meeting

The Annual Meeting of the Members shall be held each year within Ontario, at a time, place and date determined by the Board, for the purpose of:

- 7.1.1 hearing and receiving the reports and statements required by the Act to be read at and laid before the Corporation at an Annual Meeting;
- 7.1.2 electing such Directors as are to be elected at such Annual Meeting;
- 7.1.3 appointing the auditor and fixing or authorizing the Board to fix the remuneration therefor; and
- 7.1.4 the transaction of any other business properly brought before the meeting.

## 7.2 General Meeting

The Board may at any time call a General Meeting of Members for the transaction of any business, the general nature of which is specified in the notice calling the meeting. A General Meeting of Members may also be called by the Members as provided in the Act.

## 7.3 Notice of Meetings

Notice of the time, place and date of meetings of Members and the general nature of the business to be transacted shall be given at least ten (10) days before the date of the meeting to each Member (and in the case of an Annual Meeting to the auditor of the Corporation) by sending notice by any one of the methods set out in section 17.1.

## 7.4 Quorum

A quorum for the transaction of business at meetings of the Members shall be a majority of the Members present in person or represented by proxy (with at least two persons present in person) and no business shall be transacted at any such meeting unless the requisite quorum is present at the commencement of such business.

## 7.5 Voting by Members

Each Member entitled to vote on any matter proposed for consideration shall have one (1) vote on all questions arising at any meeting of the Members. Unless otherwise required by the provisions of the Act or the By-Laws of the Corporation, all questions proposed for consideration at a meeting of Members shall be determined by a majority of the votes cast by Members entitled to vote. In the case of an equality of votes, the question shall be deemed to have been lost.

## 7.6 Proxies

Every Member entitled to vote at meetings of Members may by means of a proxy appoint a person who need not be a Member, as nominee for the Member, to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. A proxy shall be in writing, and any notice calling a meeting of Members shall include a form of proxy, or a reminder of a voting Member's right to use a proxy. A proxy shall be executed by the Member entitled to vote or the attorney of the Member authorized in writing, and ceases to be valid one year from its date. Subject to the requirements of the Act, a proxy may be in such form as the Board from time to time prescribes or in such other form as the chair of the meeting may accept as sufficient, and shall be deposited with the secretary of the meeting before any vote is called under its authority, or at such earlier time and in such manner as the Board may prescribe.

## 7.7 Show of Hands

At all meetings of Members every question shall be decided by a show of hands unless otherwise required by a By-Law of the Corporation or unless a poll is required by the chair or requested by any Member entitled to vote. Upon a show of hands, every Member entitled to vote, or proxyholder for a Member entitled to vote, present in person shall have one (1) vote. Whenever a vote by show of hands has been taken upon a question, unless a poll is requested, a declaration by the chair that a resolution has been carried or lost by a particular majority and an entry to that effect in the minutes of the Corporation is conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the motion.

## 7.8 Chair

In the absence of the Chair of the Board, the Members entitled to vote present at any meeting of Members shall choose another Director as chair and if no Director is present or if all the Directors present decline to act as chair, the Members present shall choose one of their number to be chair.

## 7.9 Polls

If at any meeting a poll is requested on the election of a chair or on the question of adjournment, it must be taken forthwith without adjournment. If a poll is requested on any other question, it shall be taken in the manner and either at once or later at the meeting or after adjournment as the chair directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was requested. A request for a poll may be withdrawn at any time prior to the taking of the poll.

## 7.10 Adjournments

Any meeting of Members may be adjourned to any time and from time to time, and any business may be transacted at any adjourned meeting that might have been transacted at the original meeting from which the adjournment took place. No notice is required of any adjourned meeting.

## 7.11 Written Resolutions

Subject to the Act, a resolution in writing, signed by all the Members entitled to vote on that resolution at a meeting of Members or Committee of Members, is as valid as if it had been passed at a meeting of Members or Committee of Members called, constituted and held for that purpose.

# 8. OFFICERS

## 8.1 Executive Officers Named

There shall be the following Executive Officers:

- 8.1.1 a Chair of the Board, who shall be elected annually by the Members at the Annual Meeting of Members;
- 8.1.2 a President, elected by and from among the members of the Board for a term of one (1) year;
- 8.1.3 a Secretary and a Treasurer (or Secretary-Treasurer), who may but need not be Directors, appointed by the Board for a term of one (1) year;
- 8.1.4 such other Officers as are provided in this Article 8.

## 8.2 Chair of the Board

The Chair of the Board shall, when present, preside at all meetings of the Board and of the Members. The Chair of the Board shall have the other powers and duties from time to time prescribed by the Board or incident to the office.

## 8.3 President

The President shall, if there shall be no Executive Director in office, supervise and control the operations of the Corporation. The President shall also perform such other duties from time to time prescribed by the Board or incident to the office.

## 8.4 Secretary

The Secretary shall act as secretary of each meeting of the Corporation, the Board; (or delegate those duties to another person); shall attend all meetings of the Board to record all facts and minutes of those proceedings in the books kept for that purpose; shall give all notices required to be given to Members and to

Directors; shall be the custodian of the corporate seal of the Corporation and of all books, papers, records, correspondence and documents belonging to the Corporation; and shall perform the other duties from time to time prescribed by the Board or incident to the office.

#### 8.5 Treasurer

The Treasurer shall keep full and accurate accounts of all receipts and disbursements of the Corporation in proper books of account; shall deposit all moneys or other valuable effects in the name and to the credit of the Corporation in the bank or banks from time to time designated by the Board; shall disburse the funds of the Corporation under the direction of the Board, taking proper vouchers therefor; shall render to the Board, whenever required, an account of all transactions as Treasurer and of the financial position of the Corporation; shall co-operate with the auditors of the Corporation during any audit of the accounts of the Corporation; and shall perform the other duties from time to time prescribed by the Board or incident to the office.

#### 8.6 Executive Director

The Board may appoint an Executive Director who shall be the Chief Executive Officer of the Corporation, and who shall, subject to the direction of the Board and/or the Chair of the Board or the President supervise and control the operations of the Corporation. The Executive Director shall have the right to receive notice of, to attend, to speak (but not to vote) at all meetings of the Board, any Committee of the Board (including the ) and the Members of the Corporation, except those meetings where the terms of employment, compensation or disciplinary action of the Executive Director are discussed.

#### 8.7 Board Appoint Other Officers

The Board may from time to time appoint such other Officers as it considers expedient, to hold office at the pleasure of the Board, the duties and remuneration of whom shall be such as the terms of their engagement call for or the Board prescribes.

#### 8.8 Holding More Than One Office

A person may be nominated or selected for, elected or appointed to, and hold, more than one office (in particular and without limitation, the offices of Secretary and Treasurer).

#### 8.9 Removal from Office

Any Officer may be removed by resolution of the Board at a meeting of which notice of intention to present such resolution has been given to all Directors.

### 9. **ADVISORY BOARD**

#### 9.1 Purpose

The Advisory Board shall act in an advisory capacity to the Board on such matters as the Board deems advisable.

#### 9.2 Composition

The Advisory Board shall be appointed annually (at the time of the Annual Meeting) by the Board. The number of members of the Advisory Board shall be as determined from time to time by the Board.

#### 9.3 Removal of member of Advisory Board

Any member of the Advisory Board may be removed by a majority of the votes cast at a meeting of the Board.

#### 9.4 Remuneration

No member of the Advisory Board shall be entitled to receive any remuneration for acting as such.



## 9.5 Meetings of the Advisory Board

Meetings of the Advisory Board shall be held at the will of the Board and shall be called and held in accordance with the same procedures for calling and holding a meeting of the Board as set out in Article 6.

## 9.6 Quorum

The quorum for any meeting of the Advisory Board shall be a majority of the members of the Advisory Board present in person or by telephone conference in the same manner as provided in section 6.4.

## 9.7 Others Entitled to Be Present

Any Director shall be entitled to notice of, to attend, to speak at, but not to vote at any meeting of the Advisory Board.

## 9.8 Records

The Advisory Board shall keep a record of its proceedings, which shall be available to the Board on request.

# 10. COMMITTEES

## 10.1 Standing Committees

There may be such Standing Committees and for such purposes as the Board or the Advisory Board, if authorized by the Board, may determine from time to time by resolution.

## 10.2 Combined and Inactive Committees

From time to time by resolution the Board or the Advisory Board may combine the work of two or more Standing Committees under such name as the Board shall select; and may permit any Standing Committee to be inactive.

## 10.3 Ad Hoc Committees

There may be such Ad Hoc Committees and for such purposes as the Board or the Advisory Board may determine from time to time by resolution. The existence of each such Ad Hoc Committee shall be terminated automatically upon:

10.3.1 the delivery of its report;

10.3.2 the completion of its assigned task;

10.3.3 a change in the membership of the Board or the Advisory Board by which it was constituted;  
or

10.3.4 a resolution to that effect of the Board or the Advisory Board by which it was constituted;

whichever first occurs.

10.3.5 Provided however that, in the case of termination pursuant to subsection 10.3.2, the Board or the Advisory Board may by resolution continue such Ad Hoc Committee.

## 10.4 Rules Governing Committees

Except as otherwise provided by By-Law of the Corporation, all Committees are subject to the following:

10.4.1 the chair and members shall be appointed by the Board or the Advisory Board;

10.4.2 the Board or the Advisory Board, if authorized by the Board, may appoint to any Committee, persons who are neither Directors nor Members of the Corporation;

- 10.4.3 a member of a Committee shall serve for a term ending at the commencement of the Annual Meeting of Members following appointment, and is eligible for reappointment for one or more additional terms;
- 10.4.4 each Committee shall meet at least annually, and more frequently at the will of its chair or as required by its terms of reference, and as requested by the Board or the Advisory Board;
- 10.4.5 each Committee shall be responsible to, and report after each meeting to the Board or the Advisory Board;
- 10.4.6 subject to any rules established by the Board or the Advisory Board, each Committee may establish its own rules of procedure and may appoint subcommittees.

## 11. **INSURANCE AND PROTECTION OF DIRECTORS AND OFFICERS**

### 11.1 Insurance

The Corporation shall purchase and maintain appropriate liability insurance for the benefit of the Corporation and each person acting or having previously acted in the capacity of a Director, Officer or any other capacity at the request of or on behalf of the Corporation, which insurance shall include:

- 11.1.1 property and public liability insurance;
- 11.1.2 Directors' and Officers' insurance;

and may include

- 11.1.3 such other insurance as the Board sees fit from time to time;

with coverage limits in amounts per occurrence, with an aggregate maximum limits and with insurers, all as deemed appropriate by the Board from time to time.

The Corporation shall ensure that each Director and Officer is added as a named insured to any policy of Directors and Officers insurance maintained by the Corporation.

No coverage shall be provided for any liability relating to a failure to act honestly and in good faith with a view to the best interests of the Corporation.

It shall be the obligation of any person seeking insurance coverage or indemnity from the Corporation to cooperate fully with the Corporation in the defence of any demand, claim or suit made against such person, and to make no admission of responsibility or liability to any third party without the prior agreement of the Corporation.

### 11.2 Directors and Officers Liability Exclusion

Absent the failure to act honestly and in good faith in the performance of the duties of office, and save as may be otherwise provided in any legislation or law, no present or past Director or Officer of the Corporation shall be personally liable for any loss or damage or expense to the Corporation arising out of the acts (including wilful, negligent or accidental conduct), receipts, neglects, omissions or defaults of such Director or Officer or of any other Director or Officer or employee, servant, agent, volunteer or independent contractor arising from any of the following.

- 11.2.1 insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation;
- 11.2.2 insufficiency or deficiency of any security in or upon which any of the monies of or belonging to the Corporation shall be placed out or invested;

- 11.2.3 loss or damage arising from the bankruptcy or insolvency of any person, firm or corporation including any person, firm or corporation with whom or which any monies, securities or effects shall be lodged or deposited;
- 11.2.4 loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with monies, securities or other assets belonging to the Corporation;
- 11.2.5 loss, damage or misfortune whatever which may occur in the execution of the duties of the Director's or Officer's respective office or trust or in relation thereto; and
- 11.2.6 loss or damage arising from any wilful act, assault, act of negligence, breach of fiduciary or other duty or failure to render aid of any sort.

#### 11.1 Pre-Indemnity Considerations

Before giving approval to the indemnities provided in section 11.2 herein, or purchasing insurance provided in section 11.1 herein, the Board shall consider:

- 11.1.1 the degree of risk to which the Director or Officer is or may be exposed;
- 11.1.2 whether, in practice, the risk cannot be eliminated or significantly reduced by means other than the indemnity or insurance;
- 11.1.3 whether the amount or cost of the insurance is reasonable in relation to the risk;
- 11.1.4 whether the cost of the insurance is reasonable in relation to the revenue available; and
- 11.1.5 whether it advances the administration and management of the property to give the indemnity or purchase the insurance.

#### 11.2 Indemnification of Directors and Officers

Every person (in this section referred to as a "protected person"), including the respective heirs, executors and administrators, estate, successors and assigns of the person, who:

- 11.2.1 is a Director; or,
- 11.2.2 is an Officer of the Corporation; or
- 11.2.3 is a member of a Committee; or
- 11.2.4 has undertaken, or, with the direction of the Corporation is about to undertake, any liability on behalf of the Corporation or any Corporation controlled by the Corporation, whether in the person's personal capacity or as a Director or Officer or employee or volunteer of such corporation;

shall be indemnified and saved harmless (including, for greater certainty, the right to receive the first dollar payout, and without deduction or any co-payment requirement) to a maximum limit per claim made as established by the Board of Directors from time to time, from and against all costs, charges and expenses which such protected person sustains or incurs:

- 11.2.5 in or in relation to any demand, action, suit or proceeding which is brought, commenced or prosecuted against such protected person in respect of any act, deed, matter or thing whatsoever, made, done or permitted or not permitted by such protected person, in or in relation to the execution of the duties of such office or in respect of any such liability; or,
- 11.2.6 in relation to the affairs of the Corporation generally,

save and except such costs, charges or expenses as are occasioned by the failure of such protected person to act honestly and in good faith in the performance of the duties of office.

Such indemnity will only be effective:

- 11.2.7 upon the exhaustion of all available and collectible insurance provided to Directors by the Corporation inclusive of whatever valid and collectible insurance has been collected; and
- 11.2.8 providing the Director has carried out all duties assigned to him which are subject of the claim in complete good faith so as to comply with the conditions of the insurance policy concerning entitlement to coverage.

The Corporation shall also, upon approval by the Board from time to time, indemnify any such protected person, firm or corporation in such other circumstances as any legislation or laws permit or require.

Nothing in this By-Law shall limit the right of any person, firm or corporation entitled to indemnity to claim indemnity apart from the provisions of this By-Law to the extent permitted by any legislation or law.

## **12. EXECUTION OF DOCUMENTS**

### **12.1 Cheques, Drafts, Notes, Etc.**

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by the Officer or Officers or person or persons and in the manner from time to time prescribed by the Board.

### **12.2 Execution of Documents**

Documents requiring execution by the Corporation may be signed by any two (2) of the President, Executive Director, if any, the Secretary, the Treasurer (or Secretary-Treasurer) or any one (1) of the foregoing together with any one (1) Director, and all documents so signed are binding upon the Corporation without any further authorization or formality. The Board may from time to time appoint any Officer or Officers or any person or persons on behalf of the Corporation, either to sign documents generally or to sign specific documents. The corporate seal of the Corporation shall, when required, be affixed to documents executed in accordance with the foregoing.

### **12.3 Books and Records**

The Board shall see that all necessary books and records of the Corporation required by the By-Laws of the Corporation or by any applicable statute are regularly and properly kept.

## **13. BANKING ARRANGEMENTS**

### **13.1 Board Designate Bankers**

The Board shall designate, by resolution, the Officers and other persons authorized to transact the banking business of the Corporation, or any part thereof, with the bank, trust company, or other corporation carrying on a banking business that the Board has designated as the Corporation's banker, to have the authority set out in the resolution, including, unless otherwise restricted, the power to,

- 13.1.1 operate the Corporation's accounts with the banker;
- 13.1.2 make, sign, draw, accept, endorse, negotiate, lodge, deposit or transfer any of the cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money;
- 13.1.3 issue receipts for and orders relating to any property of the Corporation;
- 13.1.4 execute any agreement relating to any banking business and defining the rights and powers of the parties thereto; and
- 13.1.5 authorize any Officer of the banker to do any act or thing on the Corporation's behalf to facilitate the banking business.

### 13.2 Deposit of Securities

The securities of the Corporation shall be deposited for safe keeping with one or more bankers, trust companies or other financial institutions to be selected by the Board. Any and all securities so deposited may be withdrawn, from time to time, only upon the written order of the Corporation signed by such Officer or Officers, agent or agents of the Corporation, and in such manner, as shall from time to time be determined by resolution of the Board and such authority may be general or confined to specific instances. The institutions which may be so selected as custodians of the Board shall be fully protected in acting in accordance with the directions of the Board and shall in no event be liable for the due application of the securities so withdrawn from deposit or the proceeds thereof.

## 14. BORROWING BY THE CORPORATION

### 14.1 Board May Borrow

Subject to the limitations set out in the By-Laws or in the Letters Patent of the Corporation, the Board may,

14.1.1 borrow money on the credit of the Corporation;

14.1.2 issue, sell or pledge securities of the Corporation; or

14.1.3 charge, mortgage, hypothecate or pledge all or any of the real or personal property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any securities or any money borrowed, or other debt, or any other obligation or liability of the Corporation,

14.1.4 Provided that, except where the Corporation borrows on the security of its real or personal property, its borrowing power shall be limited to borrowing money for current operating expenses.

### 14.2 Specific Borrowing Authority

From time to time the Board may authorize any Director, Officer or employee of the Corporation or any other person to make arrangements with reference to the money so borrowed or to be borrowed and as to the terms and conditions of the loan thereof, and as to the security to be given therefor, with power to vary or modify such arrangements, terms and conditions and to give such additional security as the Board may authorize, and generally to manage, transact and settle the borrowing of money by the Corporation.

## 15. FINANCIAL YEAR

### 15.1 Financial Year Determined

The financial year of the Corporation shall terminate on the 31<sup>st</sup> day of December in each year or on such other date as the Board may from time to time by resolution determine.

## 16. AUDITOR

### 16.1 Appointed by Members

The Members entitled to vote shall at each Annual Meeting appoint an auditor to audit the books of the Corporation, to hold office until the next Annual Meeting, provided that the Directors may fill any casual vacancy in the office of the auditor. The remuneration of the auditor shall be fixed by the Members entitled to vote or by the Board, if authorized to do so by the Members entitled to vote.

**17. NOTICE****17.1 Method of Notice**

Except where otherwise provided in this By-law, notice shall be validly given if given by telephone, or if in writing:

- 17.1.1 by prepaid letter post;
- 17.1.2 by facsimile;
- 17.1.3 by e-mail; or
- 17.1.4 by other electronic method.

addressed to the person for whom intended at the last address shown on the Corporation's records; or in lieu of the foregoing whenever the number of Members is not less than one hundred (100);

- 17.1.5 by posting such notice on the Web Site maintained by the Corporation.

Any such notice shall be deemed given:

- 17.1.6 in the case of telephone, at the time of the telephone call;
- 17.1.7 in the case of letter post, on the third day after mailing;
- 17.1.8 in the case of posting on the Web Site, on the date of posting; and
- 17.1.9 in all other cases, when transmitted.

**17.2 Computation of Time**

In computing the date when notice must be given under any provision of the By-Laws requiring a specified number of days' notice of any meeting or other event, the date of giving the notice is, unless otherwise provided, not included.

**17.3 Omissions and Errors**

The accidental omission to give notice of any meeting of the Board, a Committee or Members or the non-receipt of any notice by any Director or Member or by the auditor of the Corporation or any error in any notice not affecting its substance does not invalidate any resolution passed or any proceedings taken at the meeting. Any Director, Member or the auditor of the Corporation may at any time waive notice of any meeting and may ratify and approve any or all proceedings taken thereat.

**18. BY-LAWS AND AMENDMENTS, ETC.****18.1 Enactment**

By-Laws of the Corporation may be enacted, repealed, amended, altered, added to or re-enacted in the manner contemplated in, and subject to the provisions of, the Act and this By-Law.

**19. EFFECTIVE DATE****19.1 Effective on Passing**

This By-Law shall come into force when enacted by the Board in accordance with the Act.

**ENACTED** as a By-Law of the **RESEARCH INNOVATION COMMERCIALIZATION CENTRE** and sealed with the corporate seal this 26<sup>th</sup> day of January, 2010.

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President

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Secretary

**CONFIRMED** by the Members in accordance with the *Corporations Act* on the 26<sup>th</sup> day of January, 2010.

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President

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Secretary



## Financial Statements

Innovation Factory

March 31, 2011



Innovation Factory

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## Independent Auditors' Report

Grant Thornton LLP  
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To the Board of Directors of  
Innovation Factory

We have audited the accompanying financial statements of Innovation Factory, which comprise the statement of financial position as at March 31, 2011, and the statements of revenue, expenses and fund balances and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report, cont'd.

### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2011 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Hamilton, Ontario  
July 4, 2011

*Grant Thornton LLP*

Chartered Accountants  
Licensed Public Accountants

**INNOVATION FACTORY**

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STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011

	<i>MRI Fund</i>	<i>BAP Fund</i>	<i>Total 2011</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 308,461	\$ -	\$ 308,461
Accounts receivable	14,807	-	14,807
Grants receivable	-	154,000	154,000
Due from BAP Fund	<u>62,283</u>	<u>-</u>	<u>62,283</u>
	385,551	154,000	539,551
<b>Property and Equipment (note 3)</b>	<u>18,004</u>	<u>-</u>	<u>18,004</u>
	<u>\$ 403,555</u>	<u>\$ 154,000</u>	<u>\$ 557,555</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 89,829	\$ -	\$ 89,829
Due to MRI Fund	-	62,283	62,283
Deferred revenue	<u>277,689</u>	<u>-</u>	<u>277,689</u>
	<u>367,518</u>	<u>62,283</u>	<u>429,801</u>
<b>Commitments (note 6)</b>			
<b>Fund Balances</b>			
Invested in property and equipment	18,004	-	18,004
Externally restricted	-	91,717	91,717
Unrestricted	<u>18,033</u>	<u>-</u>	<u>18,033</u>
	<u>36,037</u>	<u>91,717</u>	<u>127,754</u>
	<u>\$ 403,555</u>	<u>\$ 154,000</u>	<u>\$ 557,555</u>

Approved on behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

*See accompanying Notes to the Financial Statements*

**INNOVATION FACTORY**

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## STATEMENT OF REVENUE, EXPENSES AND FUND BALANCES

FOR THE PERIOD ENDED MARCH 31, 2011

	<i>MRI Fund</i>	<i>BAP Fund</i>	<i>Total 2011</i>
<b>Revenue</b>			
Government grants	\$ 120,689	\$ 154,000	\$ 274,689
Sponsorships	92,250	-	92,250
Sponsorships in-kind	<u>39,100</u>	<u>-</u>	<u>39,100</u>
	<u>252,039</u>	<u>154,000</u>	<u>406,039</u>
<b>Expenses</b>			
Salaries and employee benefits	138,827	55,719	194,546
Marketing and outreach in-kind	26,200	-	26,200
Marketing and outreach	21,616	-	21,616
Rent in-kind	7,900	-	7,900
Office	6,917	-	6,917
Program	-	6,564	6,564
Professional fees in-kind	5,000	-	5,000
Sponsorship	3,410	-	3,410
Insurance	3,367	-	3,367
Travel and conference	1,564	-	1,564
Memberships	698	-	698
Amortization	<u>503</u>	<u>-</u>	<u>503</u>
	<u>216,002</u>	<u>62,283</u>	<u>278,285</u>
<b>Excess of Revenue over Expenses and Fund Balances - End of period</b>	<u>\$ 36,037</u>	<u>\$ 91,717</u>	<u>\$ 127,754</u>

See accompanying Notes to the Financial Statements

**INNOVATION FACTORY**

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STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2011

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	<i>2011</i>
<b>Cash Flows from Operating Activities</b>	
Excess of revenue over expenses for the period	\$ 127,754
Adjustment for non-cash item	
Amortization	<u>503</u>
	128,257
Changes in non-cash working capital ( <i>note 4</i> )	<u>198,711</u>
	<u>326,968</u>
 <b>Cash Flows from Investing Activities</b>	
Purchase of property and equipment	<u>(18,507)</u>
 <b>Increase in Cash and Cash - End of period</b>	 <b>\$ <u>308,461</u></b>

*See accompanying Notes to the Financial Statements*

## INNOVATION FACTORY

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### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

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#### 1. NATURE OF OPERATIONS

Innovation Factory is committed to helping entrepreneurs commercialize their creative and innovative ideas by providing support services, executives in residence, and community connections to their clients. The organization is incorporated by Letters Patent as a corporation without share capital under the Canada Corporations Act. It is a not-for-profit organization and is exempt from income taxes.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The organization follows Canadian generally accepted accounting principles in preparing its financial statements. The significant accounting policies used are as follows:

##### (a) Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The revenue and expenses related to grants and sponsorships received under the organization's Core Funding Contract with the Ministry of Research and Innovation are reported in the MRI Fund. The BAP Fund reports amounts for which the use is restricted by the Business Acceleration Program Funding Agreement.

Government grants are recorded as earned as per the related funding agreements. Sponsorship revenue is recorded when the cash or in-kind services exchanged are received.

##### (b) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

Computer equipment	3 years straight-line
Office furniture and equipment	5 years straight-line

The estimated useful lives of assets are reviewed by management and adjusted, if necessary.

##### (c) Financial Instruments

The organization has chosen to apply Canadian Institute of Chartered Accountants' Handbook section 3861: Financial Instruments - Disclosure and Presentation in place of sections 3862: Financial Instruments - Disclosure and 3863: Financial Instruments - Presentation.

**INNOVATION FACTORY**

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to revenue and expenses in the year in which they become known.

3. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value 2011</i>
Computer equipment	\$ 17,505	\$ 486	\$ 17,019
Office furniture and equipment	<u>1,002</u>	<u>17</u>	<u>985</u>
	<u>\$ 18,507</u>	<u>\$ 503</u>	<u>\$ 18,004</u>

4. STATEMENT OF CASH FLOWS

Changes in Non-Cash Working Capital

	<i>2011</i>
Accounts receivable	\$ (14,807)
Grants receivable	(154,000)
Accounts payable and accrued liabilities	89,829
Deferred revenue	<u>277,689</u>
	<u>\$ 198,711</u>

5. FINANCIAL INSTRUMENTS

Fair Value

The organization's financial instruments consist of cash, accounts receivable, grants receivable and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

6. COMMITMENTS

The organization has the following annual operating lease commitment with respect to premises:

Fiscal years ending March 31, 2012	\$ 8,000
2013	19,000
2014	11,000



## INNOVATION FACTORY

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### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

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#### 7. CAPITAL DISCLOSURES

In managing capital, the organization focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating in accordance with its mission despite adverse financial events and to provide it with the flexibility to take advantage of opportunities. The need for sufficient liquid resources is considered in the preparation of an annual budget, the monitoring of cash flows, and the comparison of actual operating results to budget.

#### 8. INCORPORATION

These financial statements are for the period from incorporation on February 8, 2010 to March 31, 2011. As a result, no comparative figures have been presented.