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THE Ontario BUSINESS REPORT

November 2002

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Ontario's progress showcased for royals

Ontario

Her Majesty Queen Elizabeth II and His Royal Highness, the Duke of Edinburgh were unable to visit all of Ontario during their Golden Jubilee visit to Canada, so the government of Ontario brought the province to them. Celebrating 50 years of growth and development in Ontario during the Queen's reign, the Festival of Ontario was held at the National Trade Centre in Toronto.

"Much has changed in our province since the royal couple's first visit here in 1951," said Premier Ernie Eves. "The Festival of Ontario was an opportunity to showcase our progress as a province." Resembling a giant street party along Main Street Ontario, dozens of colourful displays celebrated innovation, the growth of key business sectors and the cultural diversity of the province. Approximately 8,000 Ontarians were on hand to welcome the Queen and Prince Philip.

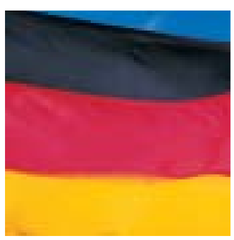
Other highlights of the royal visit to Ontario included a tour of journalism and animation programs at Sheridan College in Oakville, the presentation of new colours to the Argyll and Sutherland Highlanders of Canada (Princess Louise's) in Hamilton and a gala performance at Roy Thomson Hall in Toronto.

Her Majesty Queen Elizabeth II signs guest book at the Festival of Ontario with Premier Ernie Eves

Photo by Tom Sandler

Flaherty and Turnbull sell Ontario abroad

This summer, Enterprise, Opportunity and Innovation Minister Jim Flaherty and Associate Minister David Turnbull traveled to Europe to encourage international investment in Ontario. Meetings were conducted in England, Ireland, France, Germany and Switzerland to promote investment and expand trade opportunities for Ontario firms in the automotive, pharma/biotechnology and aerospace sectors.



A primary focus of the trip was Ontario's participation at Farnborough International 2002, a leading trade and air show held biennially in England. The ministers joined a contingent of Ontario aerospace companies that attended the event from across the province, including EMS Technologies of Ottawa, Interfast Inc. of Rexdale and Valcom Limited of Guelph. The government hosted a booth at the air show to support Ontario's aerospace industry, which employs more than 28,000 people. In 2000, industry sales in Ontario were $6.3 billion.

Flaherty and Turnbull met with numerous global aerospace companies while at Farnborough and in England (including Boeing, Bombardier and Thales) to increase awareness of Ontario as a preferred investment location. Said Flaherty, "It's important that Ontario promote partnerships and direct investment from aerospace companies in the United Kingdom, France and other international markets." In France, Flaherty met with a select group of senior business writers and highlighted Ontario's strengths and successes. His schedule also included meetings with pharmaceutical giant Aventis Pasteur and Alcatel, which, following its purchase of Newbridge, is now the largest French investor in Canada.

"Global corporations value low corporate income taxes, a well-trained workforce, state-of-the-art infrastructure and wide consumer access. Ontario offers all of these and more," said Turnbull, who promoted these attributes during corporate meetings in Switzerland and Germany, including with automaker BMW. Turnbull also attended an event in Munich, during which German-based Landshuter Werkzeugbau Alfred Steinl GmbH & Co., which produces rubber injection presses used in the auto industry, announced that it would expand its operations in Ontario. "Landshuter is a valued partner in an industry that is extremely important to Ontario," said Turnbull. One out of every six jobs in Ontario is generated by the automotive sector.

A key address by Minister Turnbull to business leaders and the media in Stuttgart emphasized Ontario's commitment to a thriving Germany-Ontario relationship. Germany is Ontario's sixth-largest trading partner and the province's fourth-largest source of direct investment.

Work locally, export globally

In-market consultants are helping Ontario Export Inc.'s clients crack into markets in Mexico, Europe and South America.

In today's export environment, offering the best product or service at a competitive price no longer ensures success. Market intelligence, familiarity with local business practices and an early awareness of new opportunities are just a few of the factors that often determine which exporters gain market share overseas.

Local support is especially valuable in markets in which language and cultural barriers could hold back Ontario exporters.

Recognizing the need for in-market support, Ontario Exports Inc. (OEI) recently added local consultants to its roster of services for Ontario exporters.

"Our exporter clients told us they needed support in certain local markets, and we've responded," said Bonnie Winchester, president and CEO of OEI, the Ontario government's trade agency. "Our in-market consultants provide Ontario exporters with business leads, make corporate sales calls in specific industry sectors and gather market intelligence."

OEI is now working directly with four leading-edge consulting firms to help promote the province in key international locations. In-market consultants are operating in Chile, Mexico, Brazil and Germany in targeted sectors that include information and communications technology, mining and the automotive and environmental industries.

"The service has been really helpful," said Ron Trent, vice-president of Pegasus Industrial Specialties Inc. in Guelph, Ontario. "We've just lined up a dealer to handle the Mexican market for us, and without the help we got from Ontario Exports and their in-market consultant, we'd still be floundering around."

A manufacturer of industrial and scientific glass products, rapidly growing Pegasus has increased its export sales to the U.S. by 600 per cent in the past three years. When the company targeted Mexico as its next export market, it took advantage of the services of OEI's in-market consultant in Mexico City, North-South Trade & Investment, S.A. de C.V.

"North-South checked out several potential dealers for us," said Trent, "and helped us narrow the list down for our final choice. They also helped us line up a freight carrier for Mexico, which solved another potential problem."

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VIEWPOINT

How important are young, aggressive firms to the growth of Ontario's economy? Consider this: emerging growth firms represent just two per cent of all businesses in Ontario yet they create 35 per cent of all new jobs.

With lower taxes, reduced red tape, research and development incentives and more, Ontario's government actively supports this growth. We know that the leading growth firms of today can become the provincial pillars – and the international giants – of tomorrow. We also know that many of these businesses owe their start to an angel investor.

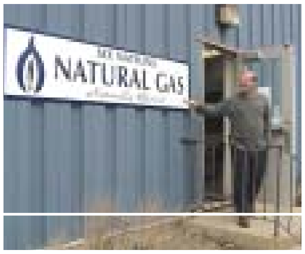
Angel investors are individuals who invest their own funds into businesses owned by other people. They are valued mentors, offering guidance and contacts to a young business. They promote Ontario's economic growth, competitiveness, innovation and jobs through their business investment and support. In this issue, *The Ontario Business Report* examines the role of angel investors. We look at how entrepreneurs find angel investors and the factors angels consider when seeking investment opportunities. We also look at how the Ontario government is working to create the best possible environment for angel investment to flourish.

In fact, our government actively promotes business investment in Ontario in all areas. Associate Minister David Turnbull and I recently met with business leaders in the United Kingdom and Europe to promote Ontario as a preferred international investment location and to encourage investment and trade opportunities for Ontario firms. We want the world to know that Ontario is open for business. We will continue to pull out all the stops to help Ontario businesses – from the newest to the most established – gain the investment they need to grow, compete and succeed.

Certainly, there is already a proud tradition of success. Last month, Ontario welcomed Her Majesty Queen Elizabeth II and His Royal Highness, the Duke of Edinburgh as part of Her Majesty's Golden Jubilee celebration and Canadian tour. A great deal has changed in our province since the royal couple's first visit in 1951. This was highlighted during their visit to the Festival of Ontario, which celebrated 50 years of growth and development in Ontario during the Queen's reign. I am confident the next 50 years will be even more innovative, progressive and exciting.

Jim Flaherty
Minister of Enterprise, Opportunity and Innovation

Gas companies win Ontario Aboriginal Partnerships Award



Many people don't think twice when they hear their forced-air furnace start on a cold winter's night. Yet people at the Mississaugas of the New Credit First Nation are comforted by the knowledge that they now have natural gas heating available to them, thanks to a dynamic partnership between the Six Nations Natural Gas Company Limited and Union Gas Limited.

These companies have developed an expanded gas-distribution network design for the community, using Union Gas engineering resources and network modeling software. Today, Six Nations Natural Gas distributes and sells more than 4.5 million cubic metres of natural gas to more than 1,700 customers, including those in adjacent communities.

This partnership between the Six Nations Natural Gas Company Limited and Union Gas Limited has won the second annual Ontario Aboriginal Partnerships Recognition Award at a celebration hosted by RBC Financial Group.

"Ontario is working with aboriginal communities and the corporate sector to build market-driven partnerships to support our mutual goal of aboriginal self-reliance, entrepreneurship and the creation of long-term employment," says David Young, attorney general and minister responsible for native affairs.

The Ontario Aboriginal Partnerships Recognition Award is one initiative of the Working Partnerships program, part of Ontario's Building Aboriginal Economies Strategy. The strategy is a co-ordinated framework of more than 35 programs designed to promote aboriginal economic development in Ontario.

The Six Nations Natural Gas Company Limited is the first natural gas utility built and owned by a First Nations community in Canada.

"The need to sell the most efficient and, at the same time, most environmentally friendly fuel source, natural gas, is what brought the partnership into being. The partnership is a successful venture for both firms, as we not only achieved our goals but surpassed them in unexpected ways," says Nick Petruzzella, president and general manager of Six Nations Natural Gas Company Limited.

Since the founding of the partnership, Union Gas has developed their Aboriginal Business Development Program. "The partnership between Union Gas and Six Nations has been a valuable partnership for both of us. Partnerships do work – they are a win-win situation for both sides – and I encourage others to follow our lead. Partnerships make excellent business sense," says Jeff Wesley, manager of aboriginal business development at Union Gas Limited.

This partnership has had a very positive ripple effect throughout the neighbouring community. Six Nations Natural Gas is able to meet its mandate to provide service to community members, and Union Gas has been able to expand its market and gas-line network.

To promote more partnerships between aboriginal businesses and the broader corporate sector, Ontario has produced a user-friendly resource kit, *The Power of Partnerships: New Opportunities for Aboriginal Peoples and Ontario Business*. The kit is available at **www.aboriginalbusiness.on.ca** or by calling (416) 326-2839.

Aboriginal economic developers meet in online portal: EcDev.ca

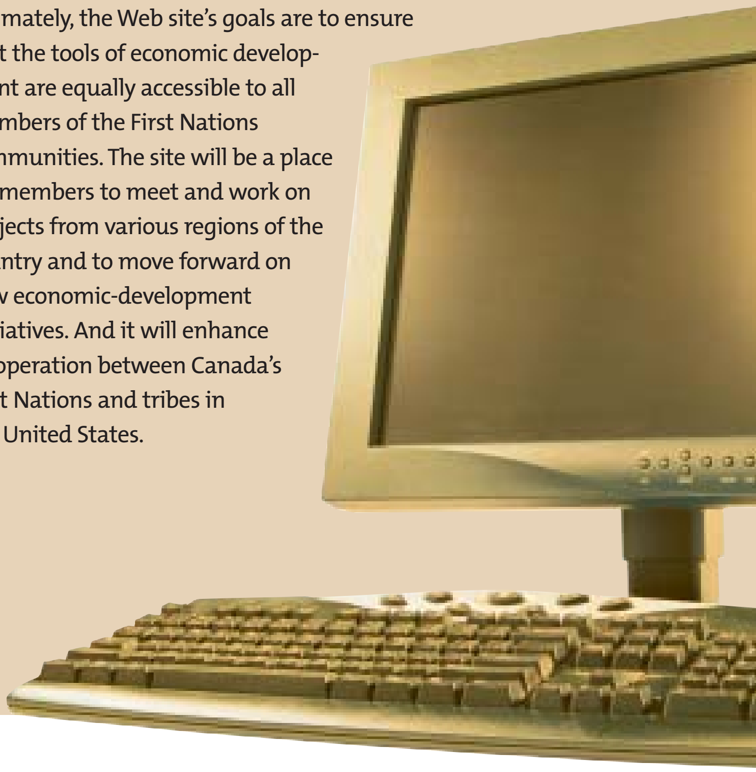
The concept was simple: develop a Web site that would be a practical and interactive tool to support aboriginal economic development.

After extensive research into the needs of today's aboriginal economic developers and other stakeholders, **EcDev.ca** was created. Today **EcDev.ca**'s mandate is to provide Canada's aboriginal economic-development community with an innovative and usable online resource. **EcDev.ca** combines interactive features and functions that enable anyone who is interested in economic development to access relevant information, share valuable ideas and resources and gain exposure to new markets. The Web site fills a void for relevant, timely and accessible information.

EcDev.ca supports economic development success by sharing information, ideas, perspectives and experiences at a national and international level; by providing exposure to diverse markets, opportunities, contacts and partnerships; and by fostering synergy within the aboriginal community.

Its many interactive tools include business-planning templates, financial statements and community profiling; all relevant funding sources (including government) in one key location; a central database that contains relevant, timely and member-rated economic-development information; and valuable professional-development material.

A comprehensive member-recruitment drive is now underway. Ultimately, the Web site's goals are to ensure that the tools of economic development are equally accessible to all members of the First Nations communities. The site will be a place for members to meet and work on projects from various regions of the country and to move forward on new economic-development initiatives. And it will enhance co-operation between Canada's First Nations and tribes in the United States.



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Work locally, export globally

"We're growing very quickly, and when we move into Central America and South America we'll use this service again."

OEI's in-market consultant in Santiago, Chile, is Asesorias y Servicios Trade Chile Ltda. A Sudbury-based mining equipment manufacturer recently worked with Trade Chile as part of a new marketing effort in South America.

"We started with a virtual trade mission that Ontario Exports Inc. held here in Sudbury last winter," said André Ruest, general manager of B&D Manufacturing. "Based on what we learned there, we decided to make the trip to Chile for a mining show. The consultants gave us the tools we needed, as far as looking for potential customers and checking them out financially. They also helped us manage the booth at the show. It was well organized and definitely worth our time and effort."

OEI's international marketing consultants report similar success stories from the in-market reps based in Brazil and Germany.

To locate contacts and obtain detailed information on how to use the services of Ontario's in-market consultants, visit the Ontario Abroad section at **www.ontarioexportsinc.com** or call toll-free 1 (877) 468-7233.

Accufor:

From start-up to success story in two years

Wentworth Marshall has taken his young Ottawa-based company on a remarkable journey of growth and success. Eight months after start-up in April 2000, 65 employees were on board, and just 11 months after hiring its first employee, the company achieved ISO 9002 certification. Recorded sales have exceeded all expectations. Local recognition has followed: Accufor Industries Ltd. won the 2000 Nepean Chamber of Commerce New Business Award and, in 2001, was a finalist in the Ottawa-Carleton Business Achievement Awards.

Company: Accufor Industries Ltd.
Location: Ottawa
Sector: Precision manufacturing/precision-machined parts
Contact: www.accufor.com

Marshall has a simple business philosophy: "You don't do business with companies; you do business with people."

Accufor specializes in precision parts machining for high-tech, aerospace, defence and transportation customers. There is a growing need in the photonics industry for precision-machined parts. Other Silicon Valley-style industries require precision machining that demands defect-free parts and exact detailing to the 1/100th degree or higher.

Accufor's approach means putting the customer's needs first. Unlike most of their competitors, the company operates on a 24/7 basis. Marshall feels many companies would argue that this approach is not cost-effective; he sees it as an opportunity to meet customer needs. "Success is based on customer service. We want to be known as nice people to do business with," he says.

> "You don't do business with companies, you do business with people."

He attributes the company's success to a simple three-step process – fast turnaround, competitive prices and quality parts. Marshall is not offended when a part is returned: "We deal with customers on a business basis, not an emotional basis."

Marshall believes that a good working environment enables his employees to perform to their best of their ability. He speaks highly of the calibre of all staff: "Accufor has the best programmer and the best foreman in the city of Ottawa."

He is confident that the company's reputation for skilled workers and intricate machining is reaching the right people. Just since October, Accufor has picked up 30 new customers. Marshall actively markets to the U.S.; few, if any, other local machine shops have gone this far afield looking for new markets.

As sales increase, plans include more than doubling the number of milling machines, from the 23 currently on site, and adding at least five new employees.

One of Marshall's favourite expressions is "Whatever it takes." The company's success is a testament to that philosophy.

Angel investors give wings to growth companies

When Alexander Graham Bell invented the telephone, his speculative activities were financed by two individuals who invested their own personal fortunes. Out of that commitment came arguably the most profound invention of our time – and an early example of angel investment.

Angel investment is the largest, oldest and most frequently used source of external equity financing for growth-oriented small businesses, explains Allan Riding, a leading Canadian expert on angel investing and professor at Carleton University. Angels (who derive their name from the term given historically to investors who backed new plays on Broadway) are individuals who invest their own funds into businesses owned by other people.

Their impact is enormous. "Research shows that angels provide about $18 billion in investment per year in Canada, which is three times the investment rate of institutional venture capital," says Riding.

Angels typically invest in a business after capital raised from family and friends has been exhausted but before the firm has reached a stage at which it will be eligible for venture-capital investment. "An angel is generally a high-net-worth individual who has successfully built his or her own company. Now he or she wants to repeat the process, whether for the adrenaline rush of creating a new enterprise, for financial gain or for altruistic reasons," says Riding. He emphasizes that angels offer much more than financing, which averages $100,000 per venture. Many become highly involved in the new company, offering mentoring, expertise, contacts and management skills, and providing credibility to venture capitalists.

Currently, the technology sector attracts the majority of angel investments reported in Ontario. Other leading sectors include general manufacturing, construction and real estate. Angels look for companies with growth and export potential and they are "in it for the long haul," understanding that it may take several years before their investment will pay off. They also expect to be well compensated for their risk. "For every dollar that an angel puts into a company, he or she would like to take seven dollars out, after taxes, in seven years," Riding notes.

In Ontario, many aggressive young companies have benefited from angel investment and guidance. As these companies grow and succeed, the benefits to the economy, competitiveness and job growth can be enormous. Research indicates that in the mid-1990s, Ontario's leading growth firms represented less than two per cent of all the firms in the province and 35 per cent of all new jobs created. "Statistics say that 50 per cent of the jobs that will be available in Ontario in 2015 don't even exist today," says Ted Chudleigh, MPP for Halton and parliamentary assistant to the minister of finance. "It is vital that we nurture and encourage the angel investors that support our entrepreneurs and promote this type of growth."

Chudleigh recently spearheaded a report entitled *Keeping Ontario Industries Competitive in a Global Marketplace* that focused, in part, on improving access to risk capital for emerging growth firms in Ontario. Recommendations were made in terms of tax incentives to improve the risk-to-reward ratio for angel investors, improving the process of matching investors to opportunities and ensuring that investors and young companies are aware of new Ontario Securities Commission private placement rules. These new rules remove unnecessary barriers to young companies seeking capital and lower the cost of raising financing. "There has been very positive reaction to the recommendations," says Chudleigh.

"As a government, our goal is to create the best possible environment for angel investment in Ontario, then get out of the way and let it roll."

Note: *Allan Riding has provided all data on conditions of confidentiality. He does not divulge sources of angel investment, nor will he refer any individuals to these sources.*

Profile

Band of Scoundrels:
Profile of an angel investor

Rainer Paduch reads aloud the definition of *scoundrel*. "'Audacious, rascal, adventurous, rash, unprincipled, mischievous' – all the words seem to fit," he says with a laugh. "So we called ourselves the Band of Scoundrels. There were too many angels out there anyway."

A 20-year veteran of the Ottawa high-tech scene and founder of iSTAR Internet Inc., Paduch established the Band of Scoundrels, an Ottawa-based group of 10 angel investors.

"Our primary purpose is to build strong Canadian companies," explains Paduch. "The Band of Scoundrels wants to help the next generation get their businesses up and running, because that brings benefits all around. We also, of course, want a good return for our money and effort." The Scoundrels have a collective background in senior management, product management and technology. Each contributed $150,000 for a total investment fund of $1.5 million, and the group plans to invest $150,000 in 10 separate start-up companies. "We specifically decided on 10 investments," says Paduch. "That makes our portfolio a little larger and spreads the risk."

Paduch has invested as an individual angel in the past, but prefers operating as part of a group. "It's incredibly difficult to do proper due diligence as a lone investor, and it's also hard to understand the opportunity if you don't have the right background," he says. "More people bring more knowledge. Also, group decisions are generally better than individual ones."

So far, the Band of Scoundrels has closed four investment deals. One investee company is designing a Web-based service to assist human-resource professionals. The second is developing software to help manage the IT structure in medium-sized enterprises. Two more deals are pending. "Our group meets once a month, and we typically listen to two presentations," says Paduch. "We tend to lean toward the high-tech area, because that's what we understand best."

The Scoundrels prefer to "sniff around" and find their own investment opportunities. "We network, provide contacts, call in favours and assist the company if there are difficulties," says Paduch. "It's hard work, but you have to do it. If you don't, you are putting your whole investment at risk."

Paduch is confident in the success of the investee companies and is certain that the Band of Scoundrels will help build some important new Canadian companies. He is also committed to making the local angel market more efficient. Paduch sits on the advisory board for The Entrepreneurship Centre, an initiative of the Ottawa Centre for Research and Innovation. "The centre has done a lot of work with venture-capital groups and is now focusing on the angel community," he says. "Our goal is to create a strong angel network in Ottawa and help many more entrepreneurs build successful businesses."

Finding an angel investor

You own a young business that has high potential for growth. You require equity capital, do not yet qualify for venture capital and need to attract investment to take your business to the next level. It's time to look for an angel. How do you find one?

"Individual angel investors typically keep a very low profile. Therefore, finding one often depends upon networking," explains Allan Riding, a professor at Carleton University and a Canadian expert on angel investing. "There's a much higher success rate if a business approaches an angel through a trusted individual, such as a family friend, rather than through a cold call." Angels can also be found by approaching business owners, who can often provide a contact name. In many communities, the local economic-development agency or Small Business Enterprise Centre can provide leads. They often know local angels and they know which angel is interested in what type of opportunity.

While many angels prefer to act solo, others operate as part of a syndicate. Typically, a syndicate has one lead investor and several other members; together, they combine on a variety of investments. This is often an informal, fluid group, with investors opting in or out of each particular venture, and leadership is passed around. Again, networking is crucial to gaining access to syndicates.

Emerging angel groups in Ontario are being organized. They screen proposals and arrange for entrepreneurs to present investment opportunities to their investor members. This makes it easier for young companies to access angel capital, since entrepreneurs can present to several angels at once and significantly improve their chances of a successful matchup. Angel groups also make it easier for angels to co-invest with one another, allowing them to amass more capital for a deal and spread their risks by sharing the evaluation and monitoring of investee companies.

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Could you be an angel?

Angels are business owners, bankers, doctors, lawyers, retired executives, entrepreneurs – people from all walks of life. They have decided to use a small part of their net worth to seed early companies. Could you be one?

How do you become an angel investor? A good place to start is through an organized angel group, where experienced angels can answer your questions and act as mentors.

Contact your local office of the Ministry of Enterprise, Opportunity and Innovation for more information on local angel groups or angel investors.

- Central region: (416) 235-4278
- Eastern region: (800) 267-6592
- Southwestern region: (800) 265-2428

In northern Ontario, the Ministry of Northern Development and Mines operates a network of area teams, which provide a focal point for economic development in the North. For more information, visit the ministry's Web site, **www.mndm.gov.on.ca**.

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Finding an angel investor

The government of Ontario is actively encouraging the growth of angel groups across the province and recently hosted the forum, *Angel Groups: Benefits to You*. The dozens of investors who attended learned about angel groups and were encouraged to form angel groups in their own communities. In October, 2002 the Government was a sponsor of the second annual Angel Investor Summit, a networking event for angel investors. The Summit launched the National Angel Organization. The NAO will encourage best practice among angels and emerging regional angel groups.

Angel groups in Ontario include the Kingston Angels Network and the Toronto Angel Group, each of which is organized by and for angel investors. Community-based organizations that work with angels include the Ottawa Capital Network, Tech Alliance Venture Group and Communitech, based in Waterloo.

"Businesses should be aware that angels are very discriminating in the projects they select," says Riding. "Business owners must do their homework before they approach an angel. They need a solid business plan. Their product must have significant market potential, and they must have the ability to commercialize the product."

"It's important that the company have the management skills in place that will lead to growth and exporting – or developing these skills must be feasible. The founder must be willing to accept the angel as part of the team. And, of course, the integrity and openness of the founder is a given."

Riding sums up with a quotation from an investor in British Columbia: "He said, 'I invest in the jockey, not the horse.'"

Spotlight on angels

- According to a 2001 Industry Canada survey, angel investors concentrate their investments on the very early stages of a company's development: 53 per cent of respondents made investments during the seed stage, and 64 per cent during the start-up stage.
- The average angel investment is $100,000 per venture. Venture-capital firms seldom invest less than $1 million in a venture.
- Angels expect returns in the range of 30 per cent.
- A survey of Ottawa firms found that approximately 57 per cent of angel-funded companies go on to secure venture-capital funding. Only 10 per cent of firms that have not received angel investment subsequently receive venture-capital funding.
- According to a 1998 survey commissioned by the Canadian Bankers Association, there is an average of more than $1 million of available funds for each active Ontario angel investor.
- The same survey indicates that subsequent to investing in a company, 37 per cent of investors expect to serve on the company's board of directors, 28 per cent expect to serve on a company's board of advisers, and 25 per cent expect to be involved in all major issues.
- The 2001 Industry Canada survey found that 91 per cent of angel investors are either current business owners or have owned a business previously.
- Historically, most angel investors seek to invest close to home. More than two-thirds of angels invest in companies within 50 km of their home or office.
- Angel investors are extremely discerning; they reject, on average, 97 per cent of the proposals submitted to them.

Giesecke & Devrient:

From paper to plastic in 150 years

Company: Giesecke & Devrient
Sector: International Technology
Location: Markham
Contact: www.gdai.com

If you have a wallet, chances are you have a Giesecke & Devrient product in it.

Bank-machine and credit cards, employee-identification cards, transit passes, health cards, driver's licences, prepaid phone cards, even real money – as in the Canadian five-dollar bill and the Euro banknote – Giesecke & Devrient makes these high-security items.

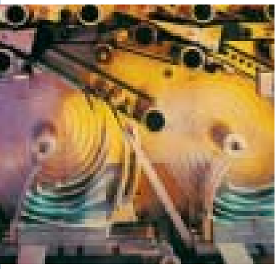
"G & D," as it's more easily referred to, is the international leader in supplying security and currency products around the world. Founded in Germany in 1852, G & D employs more than 7,000 people worldwide, with 60 per cent of its business outside of Germany. In Canada, it has employees in branch offices in Ottawa and Markham.

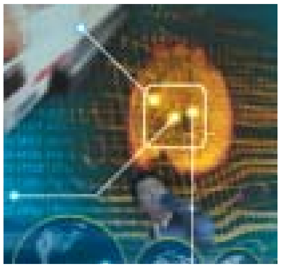
"We play a dominant role in the card-solutions business, in part because we are innovative and customer-centric," says Anna Rossetti, senior vice-president and general manager for Canada. Banking and financial services account for the majority of G & D's client base, with business in other areas such as retail, transit, government and telecommunications.

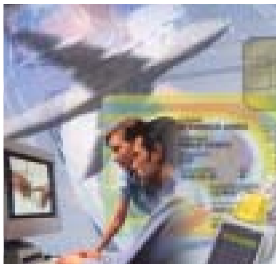
Magnetic-stripe cards and "smart cards" with embedded microchips that can store data are a big part of the business. Jerome McNevitts, vice-president of operations, Canada, estimates that G & D produces more than 50 million cards a year at the Markham headquarters. This number will grow further as personal documentation, such as ID cards, becomes more widely accepted. The Dutch ministry of defence, for example, replaced all paper identification for military personnel with G & D-manufactured smart cards in 1999.

The company's founders invented completely new ways of producing banknotes that were extremely difficult to forge. To date, G & D has printed currencies for more than 80 countries, including some of the new Euro banknotes. G & D's systems for checking and processing banknotes are used all over the world.

The future, though, lies in cards, and the company has made significant investments in research and development. "At G & D we take our leadership position seriously," says Rossetti. "We recognize we have a responsibility to our clients and to the marketplace to ensure that we are always working on innovative solutions and the next generation of cards. We are well placed to help usher in the future for card solutions in Canada."







A new law for franchising in Ontario

Whether you're just thinking about operating a franchise business or have been an established franchisee for years, you need to know about Ontario's new Arthur Wishart Act (Franchise Disclosure), 2000.

The act is named in honour of Arthur Wishart, MPP for Sault Ste. Marie from 1963 to 1971, who devoted much effort to the franchise issue when he served as minister of financial and consumer affairs. The act was developed to provide more complete business information to potential buyers and help them make better-informed investment decisions. In doing so, the legislation supports a strong, competitive franchising sector that will help to create and preserve jobs.

The act protects all franchisees by providing the right to associate with other franchisees and imposing a "duty of fair dealing" on each party to a franchise agreement.

This means every franchisee has the right to associate with other franchisees regardless of any provisions that may exist in the contract.

The duty of fair dealing requires all parties to a franchise agreement to act in good faith and in accordance with reasonable commercial standards. It provides the right of legal action for damages where these provisions are breached (the right to sue or be sued).

The new act also requires franchisors to provide a disclosure document at least 14 days before you sign an agreement or pay for a franchise. This document includes information about the franchisor, including business background, litigation history, bankruptcy or insolvency information and financial statements.

Be aware, though, that some large, established franchisors are exempt from providing financial statements.

You should also be aware that the government is not involved in the review or approval of franchisors or their disclosure documents; parties to a franchise agreement settle any disputes under the act in the courts.

The Arthur Wishart Act (Franchise Disclosure), 2000, and regulations are available online at the Web site **www.e-laws.gov.on.ca**.

For more information on starting and running your business, contact:

- The Canada-Ontario Business Service Centre:
  Phone: (416) 954-4636 in Toronto;
  toll-free (800) 567-2345
  Web site: **www.cbsc.org/ontario**
- The Ministry of Consumer and Business Services
  Phone: (416) 326-8800 in Toronto;
  toll-free (800) 889-9768
  E-mail: **cbsinfo@cbs.gov.on.ca**

Auntie Anne's **rolls** into Ontario

No matter what their product or service, companies investing in foreign markets share a common need: timely and accurate information on local business conditions and procedures. When partners Mike Cox and Richard Root decided to bring Auntie Anne's Hand-Rolled Soft Pretzels to Ontario, they embarked on a three-year learning experience that resulted in the opening of the first Canadian store in suburban Toronto last May.

Company: Auntie Anne's
Sector: Retail
Location: Scarborough
Contact: www.auntieannes.com

"My partner is a long-time franchise holder in the U.S., and I've got an extensive background in business planning and consulting," says Cox, president and CEO of Long Pond Food Services, which owns the Canadian rights to Auntie Anne's. "But that's not necessarily enough. I took a very thorough look at the market here and wrote a detailed business plan. Auntie Anne's has over 700 stores around the world, and one of the reasons they are so successful is that they are very selective about who they do business with. They'd been approached several times for the Canadian franchise rights, but this time they liked what they saw."

The company started in 1988 at a farmer's-market stand in Pennsylvania, where founder Anne Beiler first produced the hand-rolled pretzels that have since proved popular from Hong Kong to Caracas. The company mixes and bakes all its pretzels on-site in view of customers and offers a 30-minute freshness guarantee. For Cox, the only thing needed was detailed information on doing business in Ontario. Enter the Ministry of Enterprise, Opportunity and Innovation's Investment Branch. Branch staff provided information about business taxation, licensing, the North American Free Trade Agreement (NAFTA), import regulations and more.

The careful preparation by Cox and his partners is paying off. Long Pond has opened a second Auntie Anne's location in a Hamilton mall and will open additional outlets this fall in Cambridge and Kitchener. The company plans to open 20 stores across Ontario by 2005 and is already exploring expansion into the western provinces and the Maritimes.

Auntie Anne's first Canadian store, in Scarborough Town Centre, served more than 13,000 customers in its first month of operations.

Open for business:

Bruce-Grey communities poised for growth

Take a tour around the counties of Grey and Bruce and you'll see more than spectacular scenery – including the best sunsets to be seen in the province – and a setting that provides an appealing and enviable quality of life. This area of Ontario, situated along the eastern shores of Lake Huron, is a growing centre of economic activity with infrastructure ready to accommodate new business and industries.

Travel north along the shoreline on Highway 21, and you'll reach Kincardine, a town that has made a commitment to providing investment opportunities to business and industries. An example of that commitment is a 50-acre fully serviced business park that can accommodate high-tech or small manu-

Downtown Owen Sound

facturing companies. Nearby is the Bruce Energy Centre's eco-industrial park.

A must-see is a visit to the Bruce Energy Centre's wind farm. Each of its windmills can generate up to 1,800 kW in power; that's enough energy to power about 600 homes. Five windmills will be added to provide a "green" alternative source of power to customers.

Follow Highway 21 north until it turns east, and you will come to picturesque Owen Sound. Nestled in a remarkable setting along the Georgian Bay, Owen Sound is a regional hub of activity, quickly adapting to international and local markets. With a population of 35,000 and a diverse economy that includes manufacturing and retail – not to mention grain shipping and pleasure cruising – it also has well-preserved historically significant buildings.

A side trip northward up the Bruce Peninsula to Tobermory is well worth the drive up Highway 6. Tourism is quickly becoming an important part of the economy of this part of the county. The Bruce Peninsula National Park, with its distinctive Flowerpot Island and other natural formations, and the Fathom Five National Marine Park, which provides many water-related activities, are attracting recreationists of all types, including birders, scuba divers and boaters.

Returning south, you reach the heart of "Saugeen Country" when you get to Hanover. Less than 200 kilometres from urban centres such as Toronto, Kitchener and Hamilton, its central location makes Hanover an ideal place for a local or international business. The town is approximately one day's truck transport to and from major American destinations such as Chicago, Detroit, New York and Pittsburgh – an ideal situation for business and industries where just-in-time delivery is a crucial element of business.

A short drive to the west is Walkerton, the most-populated town in the municipality of Brockton and a significant industrial regional centre. Walkerton, along with Minto, Palmerston and Clifford, have industrial parks ready for development.

"Grey and Bruce counties offer business opportunities that are second to none," says Bill Murdoch, the MPP for Bruce-Grey-Owen Sound. "We offer a highly developed area with a well-trained workforce, access to international markets within a day's drive, all the services of a big city but maintaining a strong regional and family focus."

There are plenty of business opportunities in all these communities. But even if your goal is not to start a business but to find a comfortable place with a high quality of life to call home for you and your family, the counties that lie between Lake Huron and Georgian Bay deserve consideration.

From sea to sea, ODIM Spectrum specializes in marine-industry solutions for global clients

Company: ODIM Spectrum Ltd.
Sector: engineered undersea sonar systems
Location: Peterborough
Contact: www.odim-spectrum.com

Even though the city is located on the picturesque Trent-Severn waterway, it's still surprising to learn that Peterborough is home to a world leader in ocean equipment and marine sonar systems.

ODIM Spectrum specializes in engineered product and system solutions for marine industries, such as oceanography and naval and seismic (oil and gas) applications. The company designs complex "end-to-end" towed sensor handling systems. In recent years, it has expanded its capabilities to develop unique product solutions for an impressive array of clients, including the Canadian and U.S. navies. In 2001, 100 per cent of the company's sales were to international clients.

Spectrum's origins date back to the 1960s, with Fleet Industries of Fort Erie. Several Fleet engineers went on to form their own Toronto-based company, Fathom Oceanology. While Fathom no longer exists, a number of senior employees relocated to Peterborough, where Spectrum was founded in the mid-1980s.

Andrew Roy, Spectrum's president, is a former Fathom employee. "After a busy period during the 1990s, the seismic market matured, and we are shifting back to our roots [in defence], where there seem to be more significant opportunities," says Roy. After years of spending cutbacks, many navies are now playing catch-up. The end result is that technology advancements are producing quieter submarines and "smarter" torpedoes and mines, which, in turn, require more – advanced towed undersea detection systems. "This is where our expertise comes in."

Spectrum currently supplies different versions of a complete undersea sonar handling system (nicknamed LTARS for Launch, Tow and Retrieve System) to the U.S., Singapore and Swedish navies; new contracts are expected from two other navies later this year.

Systems of this nature help detect submarines or submerged mines from ships and naval helicopters. They also help detect and decoy incoming torpedoes.

The company has been a front-runner in developing innovative products, including its Fairlead Mechanism, which has become the standard in marine oil and gas exploration. This elliptical wheel mechanism is used to guide and tow sensitive fibre-optic cables that locate oil and gas reserves under the ocean floor.

Until recently, Spectrum has regarded itself as primarily an engineering firm. But larger production contracts are leading to expansion on its production side, says Roy. Of 40 employees, approximately 70 per cent are professional engineers, designers and technologists with hands-on experience in mechanical, hydrodynamic, hydraulic and electrical disciplines. The remaining 30 per cent hold production, marketing and administrative roles. Because of the confidentiality of its contracts, some employees must be cleared to NATO-classified levels.

The availability of a highly skilled workforce in the Peterborough area "has proven to be an advantage for us," says Roy. The company has also established a network of nearby subcontractors and suppliers. "Since we assemble and test our products, we rely heavily on our vendor network for fabrication and other subcontract components."

In 1999, Spectrum acquired a 20,000-square-foot facility to house its production, engineering and administrative offices. Spectrum's goals are to continue to develop new marine technologies and unique products for its growing list of worldwide clients.

It's a complex business for this architectural firm

Headwaters Health Care Centre, Orangeville

Company: Dunlop Architects Inc.
Sector: Architecture
Location: Toronto
Contact: www.dunloparchitects.com

Designing a building complex is a complicated business. Dunlop Architects Inc. knows the truth in that statement better than most. Established in 1953, this award-winning Toronto architectural firm is a recognized leader in the design of health-care facilities. It has an equally solid reputation for developing such multiple-use structures as police headquarters, casinos, university and college facilities, museums and medical/research laboratories.

"Our work requires a great deal of specialized knowledge," says George Bitsakakis, a principal of Dunlop Architects Inc. "We have to be familiar with applicable systems and current trends. We must also be able to manage a massive amount of data."

The effective use of this data has led Dunlop to develop a Web-enabled database application that is unique in North America. "A few years ago, we began examining how we could better preserve the information specific to each type of building, promote best practices and ensure a corporate memory that could be easily accessed by our architects working on similar but new projects. We developed a database that performs these functions and more," says Bitsakakis.

As an example, he explains that most hospitals have up to 40 clinical departments (e.g., surgery, emergency, ambulatory care) and each department is broken down into room types (e.g., operating rooms, recovery area, nursing station, patient rooms). For each of these, the firm has assembled research data, related requirements and best practices for details such as critical dimensions, finishes, lighting and mechanical systems. The database stores this information and provides three-dimensional computer-aided design (CAD) templates. These templates then serve as a starting point to discuss project needs with each new client. As the project progresses, the database also ensures an accurate record of each element of the building and its standards. The database is Web accessible, so project partners and consultants can link in and enter their own information, which greatly reduces the total time required to manage data. "In the past, data management might comprise 15 per cent of our project time," says Bitsakakis. "Through this system, it is down to 10 per cent and could conceivably drop to five per cent. That allows us to devote more time to actual design."

Dunlop Architects believes its system is unique in an industry where most firms use manual processes or standard software programs to manage complex information. The firm is planning to offer parts of the tentatively named Dunlop Database System to clients for facilities management, among other marketing possibilities.

"We are making some final adjustments to the program and hope to have it available in the near future," says Bitsakakis.

OBR THE Ontario BUSINESS REPORT

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La version française du *The Ontario Business Report* est disponible sous le titre *Cahier des affaires de l'Ontario*.

We want to hear from you.

Comments and contributions are welcomed.
Please write to us by mail, fax or e-mail.

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