

FROM R & D TO TEN MILLION

SEMINAR ON MAY 25, 1994

FINANCING GROWTH IN THE HIGH-TECH INDUSTRY

Canada has for a long time been in the forefront of communication, high-tech and software. Our expertise is known and respected throughout the world, even though the evolution of the technology industry is progressing on an almost global scale; to some extent, it runs parallel to previous upheavals caused by ingenuity and inventions. Just to mention a few, think of the changes brought about by the railroads, the sewing machine and the Model T, and the difference shrewd Timothy Eaton made when he ruthlessly and successfully underbid the independent little shopkeepers across Canada; and where would Manhattan be without elevators?

Change and transformation continue, except that today, everything is happening a lot faster. A new design is no longer sent to a financier or to the factory by pony express, steamship or Morse Code; it is beamed around the world via satellite in a fraction of the time, increasing the speed of developments as well as competition.

In the high-tech and software field, Canada has the capabilities and the skills to keep up with the best. There are concentrations of high-techies in Kanata and in the Kitchener-Waterloo region, and we have Markham, with a remarkable cluster of computer and software related companies. Some of them are old enough to be considered teenagers by now, but many are still in their infancy.

Aside from the established and the fledgling firms, who knows how many gardenshed-wunderkinder are out there? They may just have given birth to what they consider the most beautiful baby, namely unique, new software, that will quickly become as important as sliced bread. Often it is not totally clear who the beneficiary of their brilliance would be; in their view, all that's required is the touch of Glenda, the Good Fairy from the Wizard of Oz, except that in their case, the benevolence of a serious investor or two would better serve the purpose.

With all those new ideas constantly emerging, a variety of problems keeps arising with equal regularity. Does this new product truly have a purpose and wide application? Has anyone else got anything similar? Is it worth anything, and if so, what is its value? How much capital could be raised on the idea, and where? From private venture capitalists, from a bank, or through R & D government grants? How does one go about getting it, and what are the available tax benefits? Without giving the whole shop away, how does one protect one's own interests while still keeping the investor interested?

The investors, on the other hand, may have successfully backed a few winners and wouldn't mind repeating the performance. Usually, they made their money in something concrete, such as real estate, construction or oil, and are not at all sure about the fast paced developments in the high-tech industry.

It is therefore difficult for them to judge if they are sitting across the desk from another Bill Gates, or if they are en route to merely becoming the gullible victim of a latter day snake oil salesman. They want to see a business plan, successful test-marketing, perhaps even contracts with prospective buyers; all those are things to which the single-minded techie has hardly given a thought.

This leads to a development process, almost a ritual, which calls for intermediaries with experience and a good reputation, savvy in the give-and-take of negotiation, and able to separate the wheat from the chaff. They also know many of the ways and means that are available to obtain funds, and could be looked upon as matchmakers, accommodators, Henry Kissingers on a smaller scale. If they are good advisors, they are also prepared to tell the enthusiastic inventor that what he envisages is totally unrealistic, even if that causes him to go away and sulk for a week.

It has often been said that the experts' role also includes a certain amount of hand-holding and reassurance, but this must not obscure the ultimate goal and the means to achieve it. Of great importance is the necessity to get across the fact that marketing efforts and the creation of a proper business plan must take place almost simultaneously with product development.

These advisors have one thing in common: they want you to succeed, because only if you succeed, will they succeed. All of which makes it quite clear that most of the speakers you'll hear in today's Seminar are not here for purely altruistic reasons, but want to work with you towards a common goal.

The seminar will be followed by a question and answer session.



"My wish is simple—to give something back to the community."

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MAY 25, 1994**

MODERATOR: DAVE KILLINS

**PRESIDENT AND CEO, LEGACY MANUFACTURING CORPORATION
FORMER PRESIDENT OF APPLE CANADA**

THE SPEAKERS

Dr. LOUIS L. ODETTE, Ph.D.

President and CEO of Acumen Financial, Inc., a leading supplier of financial counselling software and private label financial counselling services. After graduating from the University of Toronto and receiving his doctorate in Electrical Engineering from MIT, Dr. Odette became a founder and VP of Telphi Systems Inc., and VP of Canadian Operations for Acumen's predecessor.

In the six years to the establishment of Acumen in 1991, he oversaw the development of Acumen systems for the UK, the US, Australia and Canada, and managed the technology transfer accounts in Europe and Asia.

JOSEPH I. ETIGSON, LL.B.

Partner in the law firm Hughes Etigson, which was instrumental in obtaining the precedent-setting decision of the Supreme Court of Canada in *Macintosh Computers v. Apple Computer Inc.* Shortly after having been called to the bar, together with his future partner, Ivor Hughes, he was involved in the successful litigation by Bally Midway to protect their Pacman games.

Mr. Etigson has extensive experience in prosecuting and defending injunctions in relation to patents, trademarks, copyrights, trade secrets and industrial designs. For the past decade, he has devoted his full time to intellectual property issues.

GORDON R. BALL, BA, CFA

President of Arachnae Management Limited, a company specialising in financing software programmes for a variety of purposes; as President of Metacquest Inc., Mr. Ball has been actively involved in the reorganisation and refinancing of a number of public and private companies.

In his capacity at Citibank Canada, as VP in charge of mergers and acquisitions and divestitures, among his responsibilities were leveraged buyouts, venture capital, and proposals to firms in the telecommunications, high tech, medical electronics and geological instrumentation fields. He formerly held senior positions with Domtar Inc., Databank Systems of Canada Limited, Canavest House Limited and Denison Mines Limited.

HARRY QUART, BA, EC.

Senior Account Manager at the Kitchener-Waterloo branch of The Bank of Montreal, Mr. Quart has over 23 years of lending experience; he is responsible for the Bank's Account Management team which has launched the "Financing the Transforming Economy" programme in the Kitchener-Waterloo-Cambridge community.

Harry Quart is also the author of a series of articles on cash flow today, differentiating it from historical cash flow; this material has been used as a design model in the Bank's commercial lending analysis software programme, which is used extensively on a national basis.

JAMES P. CATTY, MA, CA, CBV, CFA

President, Corporate Valuation Services Limited. Mr. Catty has been valuing companies for 35 years; lately, the majority of Valuation Reports were in the field of software and high tech, but he did not ignore the down-to-earth needs of a cheese factory or a poultry farm.

In the process of gathering information and background, his experience and probing questions have often led to considerable re-thinking among his clients concerning their objectives and expectations, and their acceptance of what he believes to be realistic possibilities. In the majority of cases, this enabled them to gain access to the public market, or to the financing of an established company through a reverse takeover.

EVELYN SCHUSHEIM, BA, LL.B., LL.M. (TAX)

Partner, Goodman and Carr, Tax and Estate Section, was educated at McGill and the Faculte de Droit de l'Universite de Montreal; she received her LL.B. from the University of Toronto, followed by her admission to the Ontario bar in 1981. Five years later, she was granted her Masters of Law in Taxation from Osgoode Hall.

Ms. Schusheim has conducted courses at the University of Toronto, The Law Society of Upper Canada and Osgoode Hall Law School. She frequently lectures at trade and professional organisations, such as the Institute of Chartered Accountants of Ontario and the Centre for Professional Education, has written numerous articles for various publications and contributed to the sixth edition of Income Tax Law of Canada.

DAVE KILLINS, President & CEO, Legacy Manufacturing Corporation, is a graduate of the Southern Alberta Institute of Technology; recently, he announced his intention to take his company public by means of a reverse take-over of a Calgary shell. Formerly called Tense Lectronix Corporation, under the leadership of Mr. Killins, Legacy has grown at 25% a year since 1991, at a time when industry averages have remained fairly stagnant.

Mr. Killins was also the first management employee hired by Apple Canada in 1980, and became its president four years later. Over the next two years, until his move to Apple Computer Inc. in California, annual sales at Apple Canada grew from under \$500,000 to over \$135 million under his leadership.

**"ONE MAN THAT HAS A MIND AND KNOWS IT
CAN ALWAYS BEAT MEN WHO HAVEN'T AND DON'T." (GBS)**

