



Business Insights

Consider acquisition in growth plans

Every business wants to build sales and profits, but not all take the same route. When some organizations bump up against the limits of “organic” growth, acquiring another company can be a path to future success.

Buying another business can be a quick and effective way to stake new market share or revenue. And the time could be right. The current economic slowdown may produce attractive buyout opportunities as merger and acquisition activity becomes less frenetic.

Could your company grow through acquisition? Consider some of the potential benefits:

- ▶ Increased revenue and profits.
- ▶ Instant growth of staff, capacity and customer base.
- ▶ Cost savings through increased efficiency.
- ▶ Increased shareholder value.

Improve your odds of success

However attractive the idea may be, buying a business can be rife with pitfalls. Here are some of the big questions to consider to improve the likelihood of success.

DOES GROWTH BY ACQUISITION MAKE SENSE? Many things can prompt a company to grow. The market may be changing. It may be time to expand your customer base, increase product range or reduce costs. You may want to move into new geographic areas. Define your goals to mount an effective acquisition campaign.

IS IT BETTER TO ACQUIRE OR GROW ORGANICALLY? If fast growth is important, acquisition can be a means to that end. The sudden appearance of an attractive target that fits with your company strategy may also be a catalyst.



Support your acquisition strategy by assembling an expert team and external advisors, as needed.

DO YOU WANT TO STICK TO THE CORE BUSINESS OR DIVERSIFY? Sometimes, there are good arguments for acquiring a business that operates outside your company’s main competencies. You may want to expand the product line. Or you might want to take advantage of distribution channels established by an unrelated business. Cross-selling may also be a possibility. But beware — mergers and acquisitions can fail to produce the intended results once a company strays from the products, markets and technologies it knows well.

HOW WILL YOU FIND AN ACQUISITION TARGET? An acquisition strategy requires the

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Consider acquisition in growth plans

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To identify the right opportunities for a merger, due diligence and expert knowledge are critical for success.

attention of talented staff and an adequate budget. Due diligence is critical in identifying the right opportunities. Your company may want to tap outside expertise such as management consultants and/or legal and tax advisors.

WHAT KIND OF FINANCING DO YOU HAVE?

Does your company have cash? Will you have to turn to capital markets for financing? Can you finance the acquisition with a loan? If your company is public, can you consider a stock offer?

ARE YOU PREPARED FOR POST-ACQUISITION CHALLENGES? Merging companies can be difficult. Both will have to deal with new strengths and weaknesses in assigning leadership, combining

systems, maximizing efficiency, managing customers and suppliers, and a host of other issues. Plus, it must be done quickly.

Avoid corporate culture clash

The downfall of many mergers has been a failure to anticipate the difficulties of combining corporate cultures. This can come at the cost of losing valuable employees, customers and, eventually, profits.

But by keeping acquisition plans in step with your corporate strategy, and assembling a knowledgeable team to research and manage the process, you boost the chances of a merger success. ●

INDUSTRY INSIDER

Make sure your cheques meet new standards by Sept. 2

The deadline for using new "image-friendly" business cheques in Canada is fast approaching. Businesses must have cheques designed for new standards by Sept. 2, 2008. "Old format" cheques will no longer be accepted through the financial clearing system after that date.

The new standards are part of the Canada-wide move to image-based chequing. In the future, physical cheques will no longer be used for clearing purposes by the Canadian banking system. Once a cheque is written, it will be replaced by an electronic image.

Standard '006' changes

All businesses must ensure their cheques meet the new requirements, known as "Standard 006." Those not already using the new format should order cheques that meet the specifications, or modify cheque-printing software to comply.

Key changes in the new format include:

- ▶ A numbers-only date field.
- ▶ Set positions for key fields.
- ▶ Serial numbers on the magnetic ink character recognition (MICR) line.



The new image-friendly cheque format includes features such as a numeric date field, standardized positions for key fields (such as the amount field), and mandatory serial numbers.

Also applies to some gift certificates

If your business uses gift certificates and coupons that are processed through the clearing system, you should also be aware of new specifications to make these items image-friendly. This applies to coupons and gift certificates deposited at financial institutions by businesses that accept them and then processed through the clearing system. These too must conform to "Standard 006" requirements by Sept. 2, 2008. Any coupons and gift certificates your business accepts and processes internally will not be affected.

For information on how to ensure that your cheques, gift certificates and coupons are compliant with the new standards, visit the Canadian Payments Association website at www.cdnpay.ca

Your company can play a role in the community

Business and community leadership go hand in hand. By sharing some of your corporate expertise and resources with groups in your community, you build lasting, mutually beneficial relationships — while helping others.

Increasingly, businesses are recognizing the tremendous impact they can make by taking a role in creating and maintaining more vibrant communities.

A developing trend

There are many ways for a corporation to be involved in the community. The most popular include cash donations, sponsorship, donating company resources or employee time for projects, and providing active leadership in community programs or associations.

In recent years, there's been a trend away from simply giving cash. Many corporations now aim for a higher profile by contributing business leadership and expertise.

The value of a corporate voice

On the business side, community involvement can:

- ▶ Improve corporate image and brand loyalty, in the community and among the broader customer base.
- ▶ Develop the company's reputation as a good corporate citizen.
- ▶ Establish partnerships that benefit the company.
- ▶ Build employee and management skills.
- ▶ Foster teamwork when employees from different areas of the company work together on outside projects.
- ▶ Help improve staff morale, loyalty and personal satisfaction.

Getting out there

If it's time for your company to step up its presence in the community, consider these possibilities:

PARTICIPATE IN LOCAL ASSOCIATIONS. Join local chambers of commerce, business improvement associations or similar organizations. These can be excellent springboards to more extensive community involvement.

SUPPORT EDUCATION.

Provide mentorship opportunities for people in local communities, through internships and other company programs.

CONTRIBUTE TO "NEIGHBOURHOOD"

INITIATIVES. Lend leadership, staff time and financial assistance to initiatives such as environmental cleanups, neighbourhood regeneration, crime prevention, and health and social programs.

PROVIDE SPECIALIZED ASSISTANCE. Your company is full of expertise. Make your legal, financial, technology or other experts available when help is needed.

SHARE YOUR FACILITIES.

Provide space for community meetings and other events.

MAKE "IN KIND" DONATIONS. Equipment, furniture or other items destined for landfill may be invaluable to cash-strapped community organizations and projects.

PITCH IN DURING A CRISIS. Provide expertise and manpower if a disaster strikes — such as a fire, flooding or storm damage.

Your corporate mission

Formalize your community ties by making community involvement part of your corporate mission. Set up a committee or working group to examine how your business can be more involved as a community leader. Promote involvement at the staff level by encouraging volunteer efforts and recognizing staff achievements in the community.

Once your company establishes ties with the community, you will discover plenty of opportunities to forge new relationships and become a more socially responsible corporate citizen. ●



Today, supporting local causes can mean much more than making a corporate donation, with more meaningful community involvement.

Examine how your business can become more involved as a community leader.

The Canadian economy needs a productivity boost

BY DON DRUMMOND, CHIEF ECONOMIST & SENIOR VICE PRESIDENT, TD BANK FINANCIAL GROUP¹

In reality, Canada's productivity has steadily shrunk over the last decade, relative to that of the U.S. economy.

Of late, economic news has focused on whether the beleaguered U.S. economy will bring the Canadian economy down with it. But the Canadian economy faces a greater, far more persistent problem. In recent years, Canada's productivity growth rate has been inferior to both its own historical record and most competing economies.

In the 1950s and 1960s, Canada's level of productivity was third among the 24 original members of the Organisation for Economic Co-operation and Development (OECD). It has now sunk to 17th. Canada's productivity has steadily shrunk this decade relative to that of the U.S. economy. The Canadian productivity shortfall means that most Canadian businesses are not competitive against U.S. rivals with the Canadian dollar around par.

A DECADE OF MEAGER GROWTH. So far this decade, Canadian productivity growth, as defined as the rate of increase in output per hour worked, has just barely exceeded 1% per annum. As Canada's labour force growth slows with an ageing population, our overall growth rate and standard of living will barely advance if this record is not turned around.

Government has a role to play. Canada has one of the world's highest rates of taxation on capital. The federal government has taken some positive steps, but some provinces need to reduce their high

corporate income tax rates, reform their retail sales taxes so they do not apply to capital, and eliminate their capital taxes.

HIGH TAXES STIFLE INCENTIVES. Federal and provincial governments need to reduce Canada's very high marginal effective tax rates on personal income that stifle incentives to work, save and invest. Internal barriers to trade have no place in a modern economy needing to be competitive with the rest of the world.

Canadian businesses also need to change their behaviour. Canada has a very poor record in relation to other developed countries on business research and development. While Canada is thought of as a trading nation, almost half of our exports come from just 50 companies, while four-fifths of the country's small and medium-sized businesses do not export at all.

CAPITAL SPENDING WOULD HELP. One of the main reasons why Canadian productivity is inferior to that in the U.S. is that Canadian businesses have much lower levels of capital, particularly in machinery and equipment. The rise in the Canadian dollar in recent years has presented an opportunity to address this as most machinery and equipment used by Canadian businesses is imported and the prices have been falling on the dollar's strength. Canadian businesses have very recently ramped up their capital spending, but much more will be required. ●

UNDERSTANDING - EXPERTISE - SOLUTIONS - COMMITMENT

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