

Deh Cho Business Development Center

“A Bridge to Success ”



*Annual Report
2000 - 2001*

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Board of Directors 2000/2001

John Hazenberg	Chairperson	Fort Simpson
Mr. Les Christopher	Treasurer / Vice Chair	Wrigley
Ruby Jumbo	Director	Trout Lake
Pauline Campbell	Director	Nahanni Butte
Ernest Hardisty	Director	Jean Marie River
Alison de Pelham	Director	Fort Simpson

Introduction

The Deh Cho Business Development Center is a non-profit Corporation governed by a Board of Directors from the communities it serves and funded by the Territorial Government through the Department of Resources, Wildlife & Economic Development (RWED), using funds from the Community Futures Program and the GNWT.

The Center's Mandate is to enhance the economy and stimulate employment through business development in the Deh Cho Region. The business development services are provided to clients from the six communities in the Deh Cho region, namely Nahanni Butte, Trout Lake, Fort Liard, Fort Simpson, Wrigley and Jean Marie River. By providing assistance at all stages of business start-up and expansion, we hope to improve the client's chances of success. The level of assistance required varies from client to client. Sometimes putting a person in touch with the right contact may be all that is necessary. Other times they may require general advice regarding the type of business they want to start, assistance with a business plan and perhaps even financing.

Some may question why another lender is necessary when conventional sources such as the banks and government sources such as RWED already exist. The BDC differs from some or all of these existing lenders in at least three major ways. Firstly, we often provide assistance (financial and other) to people or businesses that are not yet bankable or, because of circumstances, cannot access any more financing from conventional sources. Businesses are able to access funding for projects or businesses that require the lender to take more risk without being charged outrageous interest rates. Secondly, the decisions as to who receives assistance rests with people from the communities of our region. The Investment Review Committee is made up of two Board members and three people from the communities that have knowledge and/or experience that enable them to make the lending decisions. Finally, the Deh Cho BDC goes a step further than just financing the project. The staff will assist clients with problems they may encounter after the project has been implemented as well. These services and others enable the BDC to fulfill its unique role in business development throughout the region. As our logo depicts and states, the BDC is a bridge between clients' ideas and their success.

Time Line of Significant Events

- June 1997 - Idea Presented To Communities
- September 1997 - Temporary Board Put In Place
- April 1998 - Application For BDC Submitted
- April 1998 - Application Approved
- September 1998 - General Manager Hired
- October 1999 - First Board Meeting
- November 1998 - First Official Board Ratified And Officers Elected
- November 1998 - BDC Incorporated
- January 1999 - Move Into Premises
- January 1999 - Business Development / Loans Officer Hired
- January 1999 - Operating And Loan Funds (\$550,000) Received
- January 1999 - First Loan Approved and Advanced
- March 2000 - Received funding for Service Canada Pilot Project
(Service Canada Agent Hired)
- October 2000 - Funding Approved For Youth Development Officer
Project
- January 2001 - Hired Executive Assistant
- Fort Simpson Economic Development Officer
Position Transferred to Deh Cho BDC

Lending Parameters

- The maximum amount that can be borrowed by any one entity is \$75,000. If loans are repaid more can be borrowed.
- The maximum term and amortization that a loan can have is five years.
- The interest rate can be from the bank's prime + 1% to prime +4%, depending upon the length of the term and the risk of the proposed venture.
- We cannot lend to Bands but we can lend to wholly owned incorporated companies of the Bands.

Factors Considered During Loan Application Assessment

- **The equity contributed by the applicant** - There are no firm equity requirements that all applications are measured against. However, the Investment Review Committee (IRC) will still assess the amount of money and sweat equity that the applicant is willing to contribute to the project relative to what he/she is able to contribute.
- **Creditworthiness of the applicant** - Since the applications we consider are usually high risk, the character (which includes his/her willingness to honor his/her indebtedness) of the applicant is very important. Each applicant will have their credit history examined to determine their desire to maintain good credit with all creditors.
- **Ability to repay the loan** - A person's willingness to repay is measured above. The ability to repay is a separate issue. To assess this factor we must look at the income of the applicant and the proposed business to determine if funds are sufficient to repay the amount requested.
- **Competition** - Although the Business Development Center is separate from government, we still use funds given to us by government to provide loans to new and existing businesses. Therefore, we must be careful when assessing the competitive impact, or market disruption, that a new business will have on those that already exist. Competition will also come into play when assessing the company's ability to generate enough revenue to repay the loan.
- **Viability** - Viability is really a combination of all factors combined. This factor considers the proposed revenue and expenses of the business and attempts to discern whether the numbers are actually achievable in the business's market area. Financial projections can easily be manipulated to show large profits. Unrealistic projections, however, reflect badly upon management. They are either unable to correctly estimate the level of expected business or have a good idea of the expected levels and yet intentionally inflate the figures to increase the chances of success of the loan application.
- **Impact on the Community** - Competitive impact as mentioned above, is one undesirable effect that new business may have upon the communities they provide services to. However, there are many positive effects a business can have as well, such as new jobs, more services in the community, more infrastructure and sometimes even improve the standard of living in the community. All of the anticipated effects upon the community are considered when an application is being assessed.

Services and 2000 - 2001 Utilization

The Deh Cho BDC received inquiries from approximately 66 people as to the services we could and would provide to clients in our region. Most, if not all, of these were new clients. Not all of the support provided to the clients can be easily counted statistically but, when possible, the services provided are included as one of the following.

General Business Advice / Counseling

Most clients, especially those in the very early stages of business start-up or expansion, need advice in many areas. Difficulties are encountered when attempting to assess the viability / feasibility of an idea, trying to identify the steps to follow to get started, looking for financing, registering with various government departments and so on. The service is provided free of cost to clients of the BDC on an as needed basis.

Since this service is closely tied to other services, the numbers will increase as the demand for financial assistance and other services increase.

Training

Training is always included when the services provided by the BDC are outlined. To date, we have not provided any formal training. However, it is still believed that basic training improves the chance of success for businesses. Financial training enables clients to keep better records and to recognize problems earlier. Training in other areas will help them sell their product or service and become more aware of the general requirements of a business at start-up.

Some of the ideas for we have discussed and in some cases, have begun to develop outlines for, are Understanding Financial Statements, Marketing, Marketing Research, and How to Do a Business Plan. Other sessions we hope to offer include Web Page Editing, E-Commerce, and Bookkeeping. Anyone that is interested in having a workshop delivered in their community should contact us so we can make arrangements to do so.

If requests are high, we may have to approach other organizations, such as the Local Training Authorities in the communities, for assistance to help cover the costs of delivery.

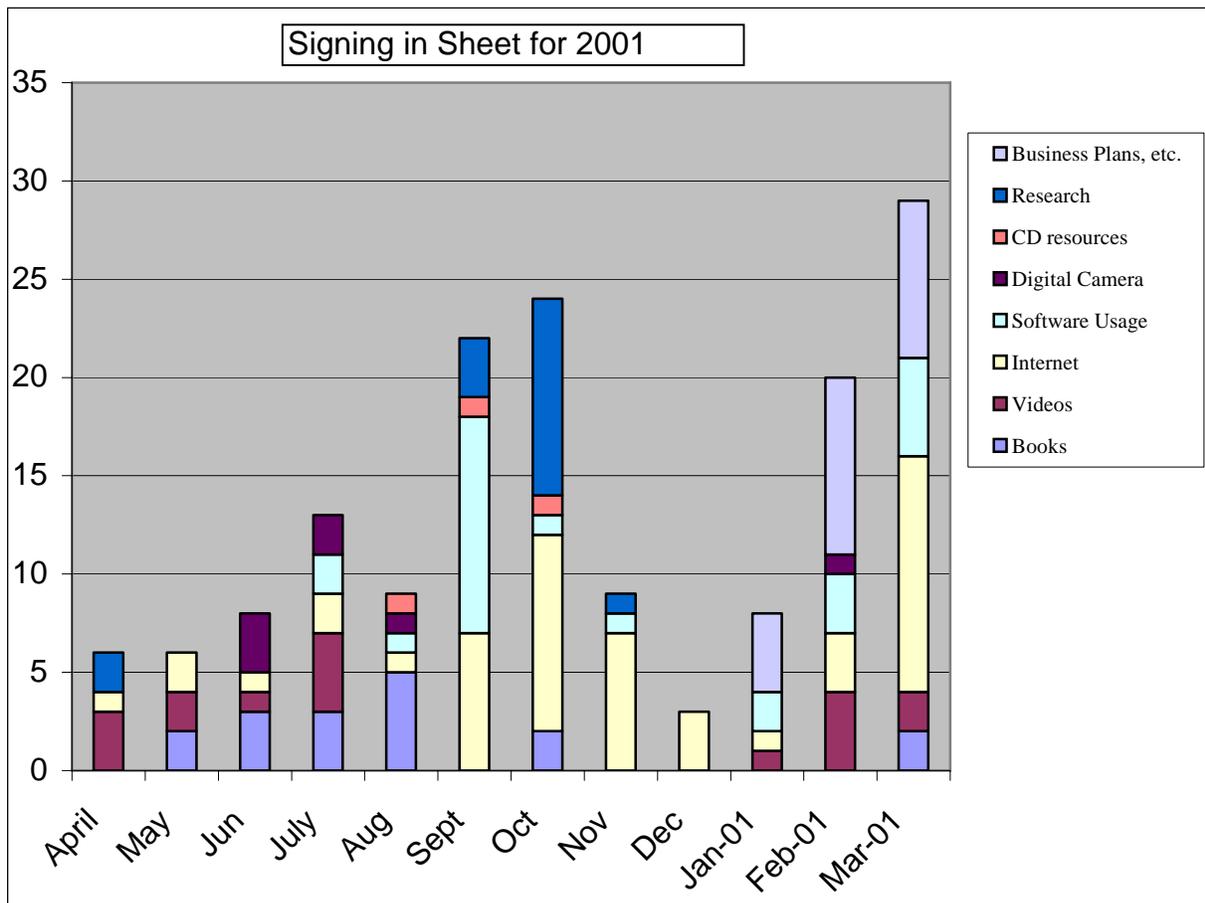
Small Business Resource Center

The Small Business Service Center (SBSC) allows clients to carry out a number of tasks independently using the Center's resources and materials. It is open all day during the workweek and fully accessible to the public. We can even open it in the evenings, if asked, to allow people that are too busy during the day to make use of it.

\$8,700 worth of materials and resources were added in year one and \$5,632 in year two, using funds provided to the BDC by the Canada / NWT Business Service Center and the Aboriginal Business Service Network.

A list of the materials and resources is included in the Appendix.

Usage of the Small Business Resource Center, although still far from its potential, increased greatly this year. Recorded uses of the BSC for 2000-2001 show that the Resource Center was used one hundred fifty-seven times as opposed to the ten to twelve uses in the previous year. It was used for everything from checking email to research, business plan writing, placing orders, printing documents and more. People have also begun to borrow our books and videos to read or watch at home. The chart below gives you a better idea of how the Business Resource Center is utilized.



We expect usage to continue to improve. We now circulate lists of the materials around the region and we also produce a Newsletter each month, which among other things, highlights some of the resources we have in the Resource Center. It too is circulated around the Deh Cho region.

Despite the effort to include the region, as outlined above, there are still very few, if any, requests for materials outside of Ft. Simpson. We will continue to explore the possibility of lending the materials of the Resource Center out to clients in the remote areas of our region since they will probably not be able to avail of them for most of the year otherwise. The first step to

making this possible is to identify an organization in each community that will be responsible for collecting and returning the materials to us.

The library will continue to grow over the next three years. The Canada / NWT Business Service Center will provide us with a budget of at least \$5,000 in each of the next three years that will allow us to continue to add more and better materials. Suggestions are appreciated. If there is a particular subject that you would like to see included in the Resource Center, please let us know. We will add it if we feel it is relevant to small business in the Deh Cho. We want to be the number one source of business related information in the Deh Cho.

Small Business Loans

The Deh Cho BDC is probably known best for its small business loans. It continues to lend to businesses throughout the Deh Cho region with the mandate of creating employment and stimulating the economy. The backbone of the BDC's lending service is its Loan Fund. It was initially funded with a \$550,000 contribution from RWED. Since then, the portfolio of loans, guarantees, cash and short-term investments has gone through some changes. The portion held in loans / cash changes from year to year as does the breakdown amongst the communities and the sectors. The value alters as interest is earned and losses are incurred. The maturity and the average interest rate also change as applications of various lengths are approved with a range of interest rates.

The following sections outline the activity experienced by the Loan Fund over the past year, and since inception, and attempt to show various aspects of the fund as of the end of each fiscal year.

Lending Activity

Of the 30 applications processed totaling \$570,261 this year, 26 loans totalling \$425,814, were approved and four were rejected or asked for more information. Disbursements for 2000 - 2001, which includes funds disbursed to loans approved but not disbursed in the previous fiscal year, were \$437,814 (including a \$2,000 guarantee and bid security of \$12,900). Four loans, totaling \$48,000, remained undisbursed as of year-end; one for \$5,000, which appears unneeded, and three totaling \$43,000 which were disbursed early in the new fiscal year.

Current and previous year's totals and totals to date are illustrated in Tables 1 & 2 / Figures 1 & 2.

(Note: All approvals and advances of loans, guarantees and bid securities are grouped as loans throughout this document for simplification purposes)

Table 1 - # of Applications Assessed / Approved

	Per. Ended 3/31/99	Per. Ended 3/31/00	Per. Ended 3/31/01	Total
Applications	11	28	32	69
Approvals	7	25	26	58
Not Approved	4	3	6	11

Figure 1 - # of Applications Assessed / Approved

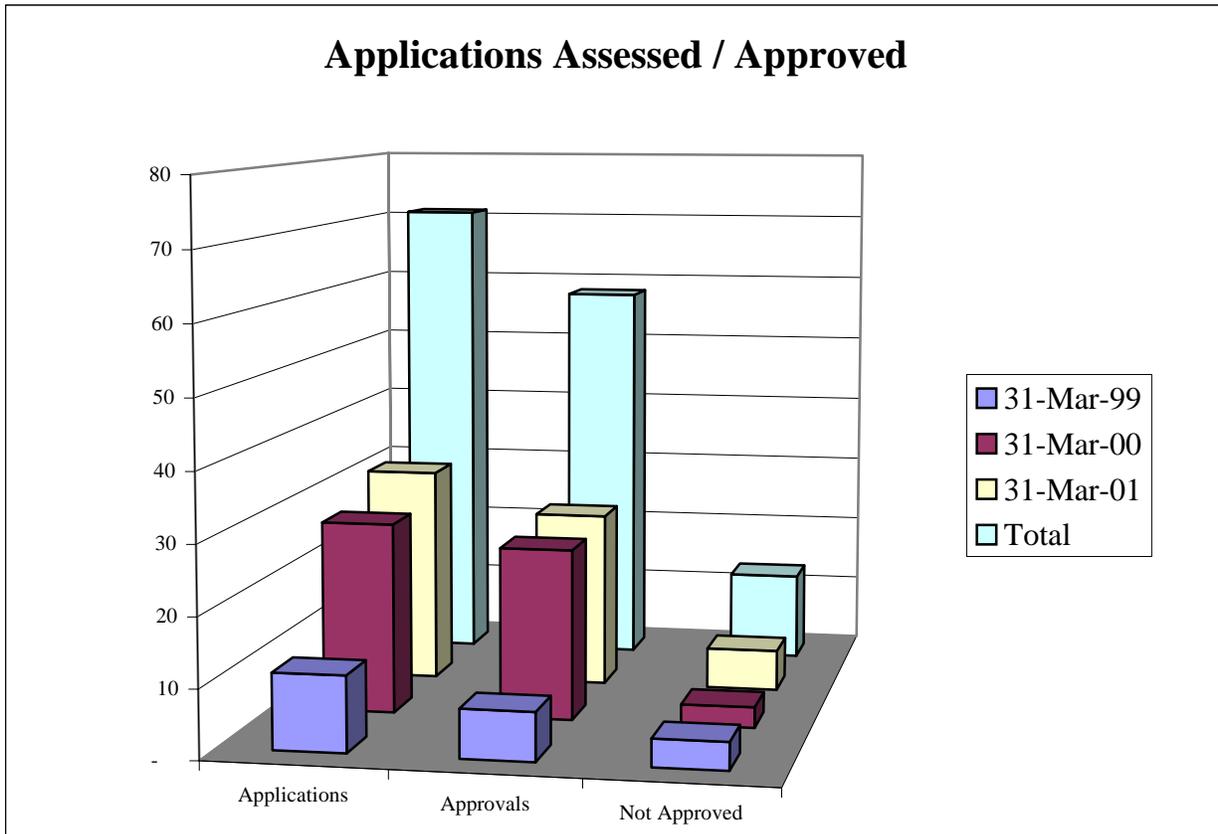
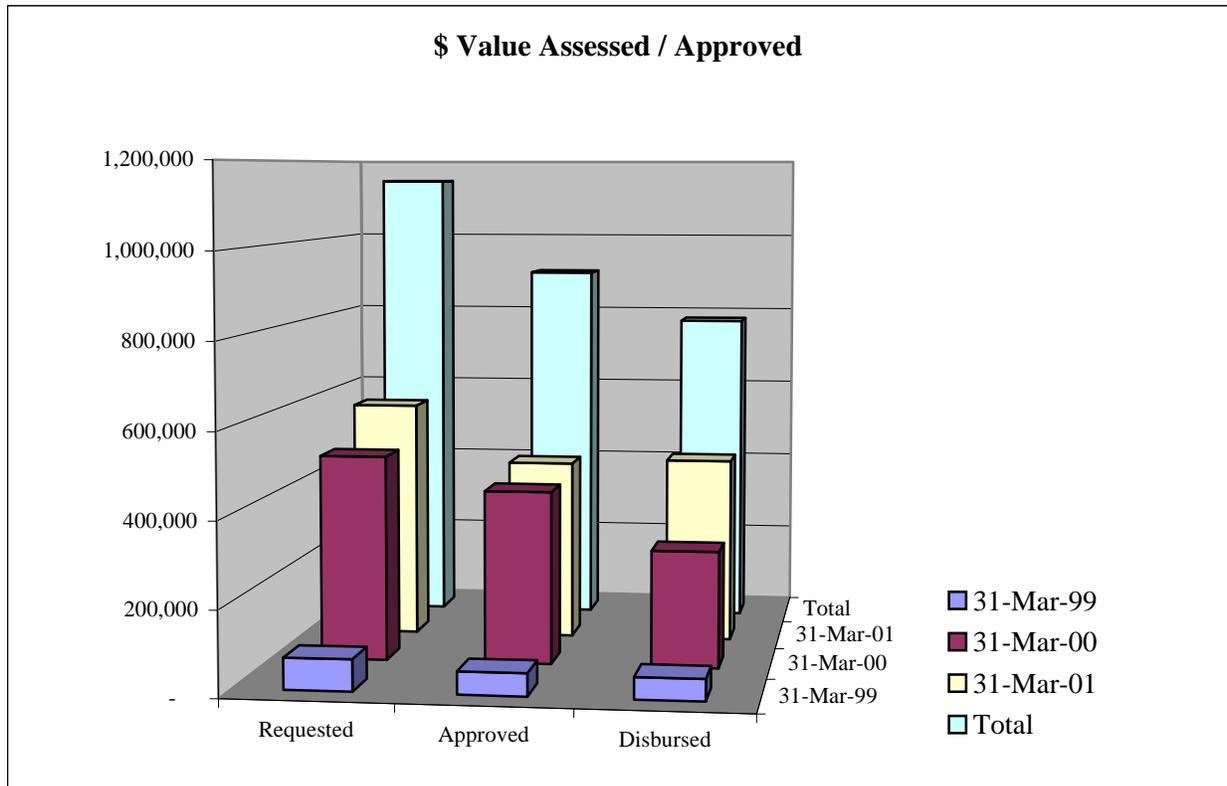


Table 2 - \$ Value Assessed / Approved

	Per. Ended 3/31/99	Per. Ended 3/31/00	Per. Ended 3/31/01	Total
\$ Requested	\$ 74,355	\$492,699	\$ 580,761	\$ 1,147,815
\$ Approved	53,300	413,824	438,714	905,838
\$ Disbursed	50,800	278,324	450,714	779,838

Figure 2



Breakdown by Community

Applications for financial assistance from communities outside of Fort Simpson are increasing. Table 3 / Figure 3 illustrate how communities outside of Fort Simpson have begun to utilize the BDC's financing services. During the first period ending March 31, 1999, no applications were received from or approved for businesses outside of Fort Simpson. During the year ended March 31, 2000, the first complete year of operations, the BDC received 4 applications from outside of Fort Simpson and 3 were approved, however, only 1 of the 3 approved was actually disbursed. Of the 6 applications received throughout the year ended March 31, 2001, 5 were approved, four of which were advanced by year-end and one shortly after.

Loan approvals and balances to date by community are as follows:

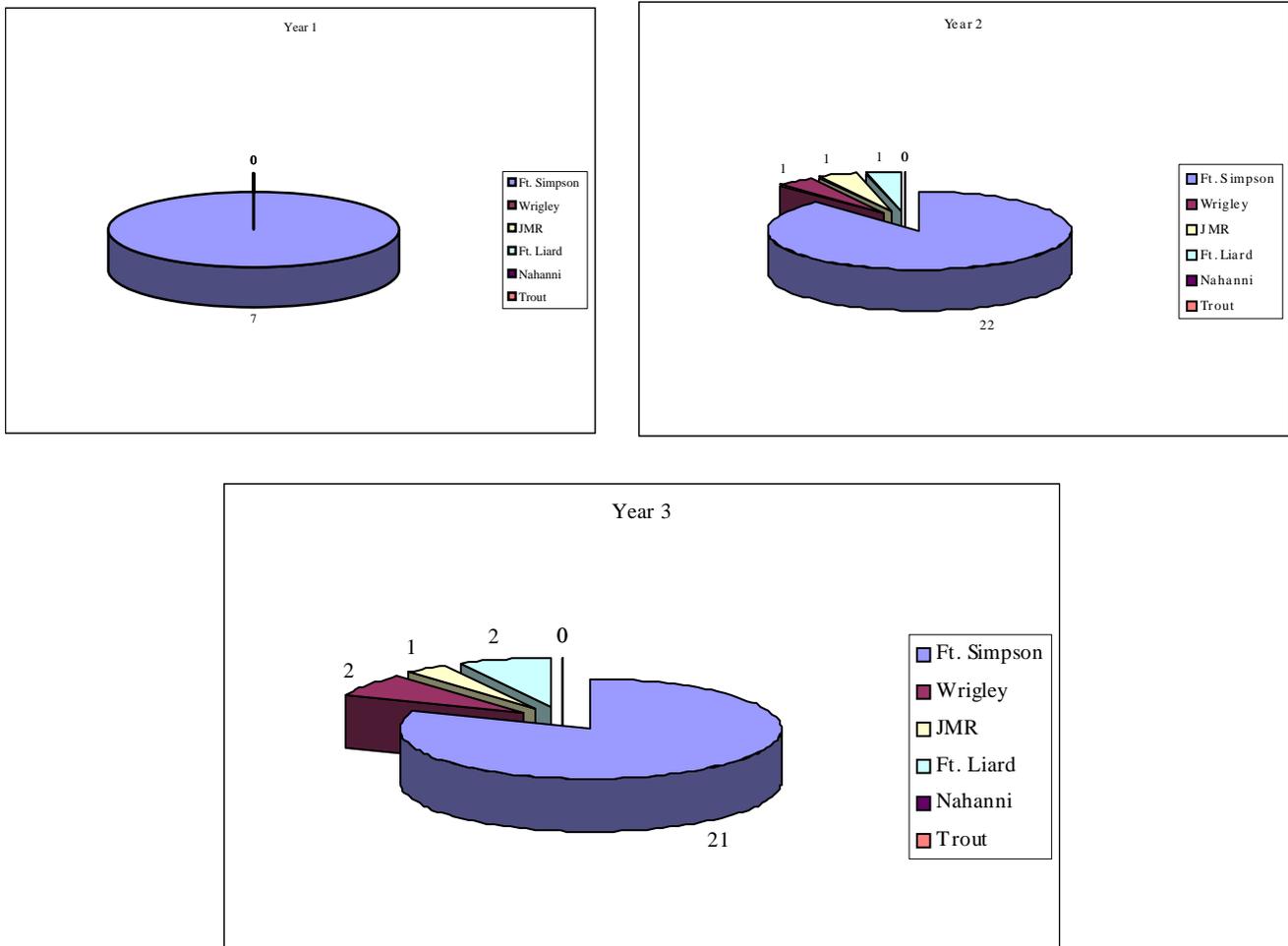
	Approvals	Balance As of 3/31/01
Fort Simpson	\$ 696,838 (77%)	\$ 459,719 (89%)
Fort Liard	\$ 89,500 (10%)	\$ 12,900 (2%)
Wrigley	\$ 85,000 (9%)	\$ 34,854 (7%)
Jean Marie River	\$ 34,500 (4%)	\$ 9,346 (2%)

(Note : Percentages vary between approvals and balances due to the timing of advances and repayment and because even though some loans are approved they may not be advanced for various reasons.)

Table 3 – # Loans Approved By Community

	Ft. Simpson	Wrigley	JMR	Ft. Liard	Nahanni	Trout
Year 1	7	0	0	0	0	0
Year 2	22	1	1	1	0	0
Year 3	21	2	1	2	0	0

Figure 3- Loans Approved By Community (Years 1, 2 & 3)



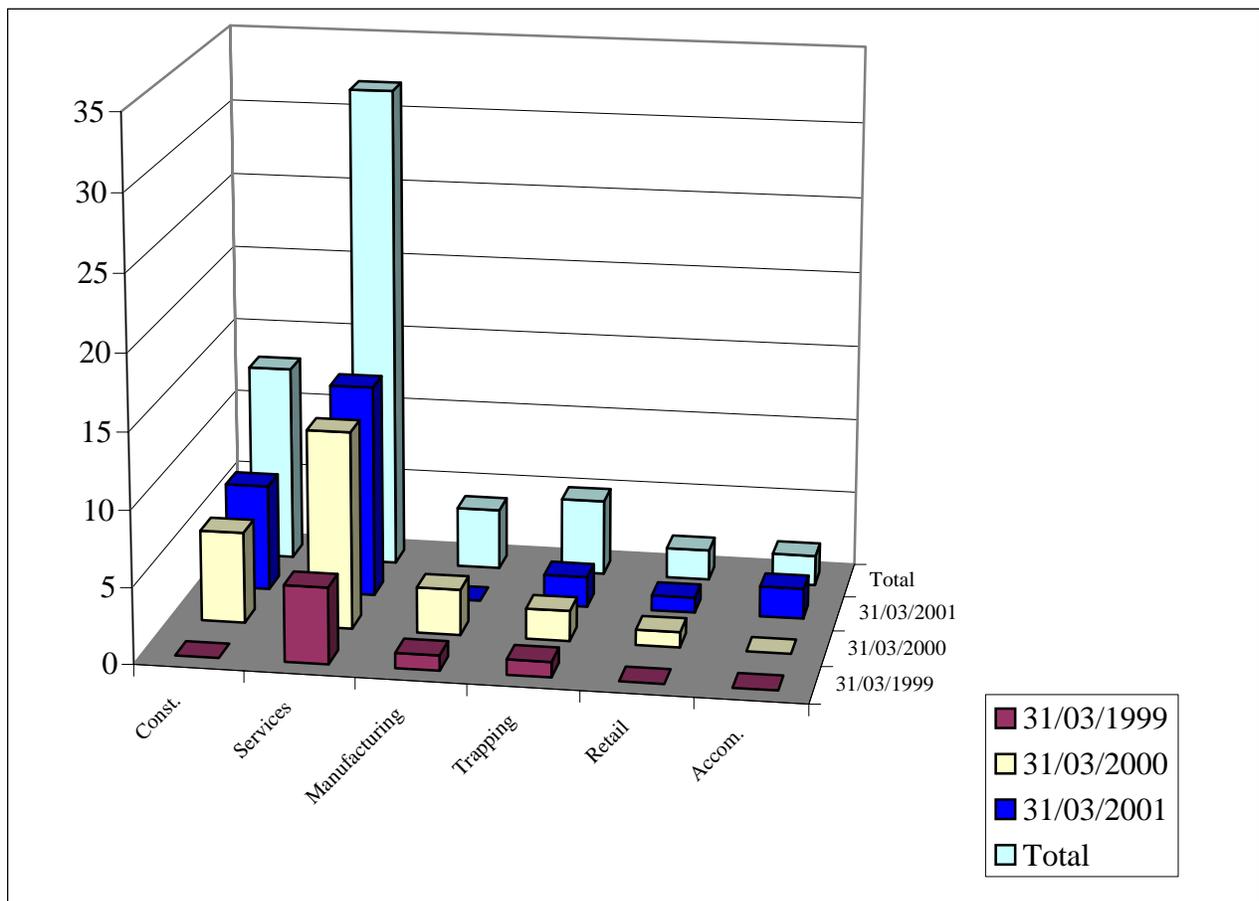
Breakdown by Sector

All sectors can be considered for financial assistance, although applicants who ask for assistance with equipment purchases related to trapping must be engaged in the activity for the purpose of making a living to be eligible for consideration. As can be seen in Table and Figure 4, various sectors have utilized this service. Although approved applications have been largely concentrated in the construction and services sectors, loans have also been approved in the trapping, retail, manufacturing and accommodations sectors over the three years.

Table 4 - Loans Approved By Sector

SECTOR	Per. Ended 3/31/99	Per. Ended 3/31/00	Per. Ended 3/31/01	Total
Construction	0	6	7	13
Services	5	13	14	32
Manufacturing	1	3	0	4
Trapping	1	2	2	5
Retail	0	1	1	2
Accommodations	0	0	2	2

Figure 4



Portfolio Composition

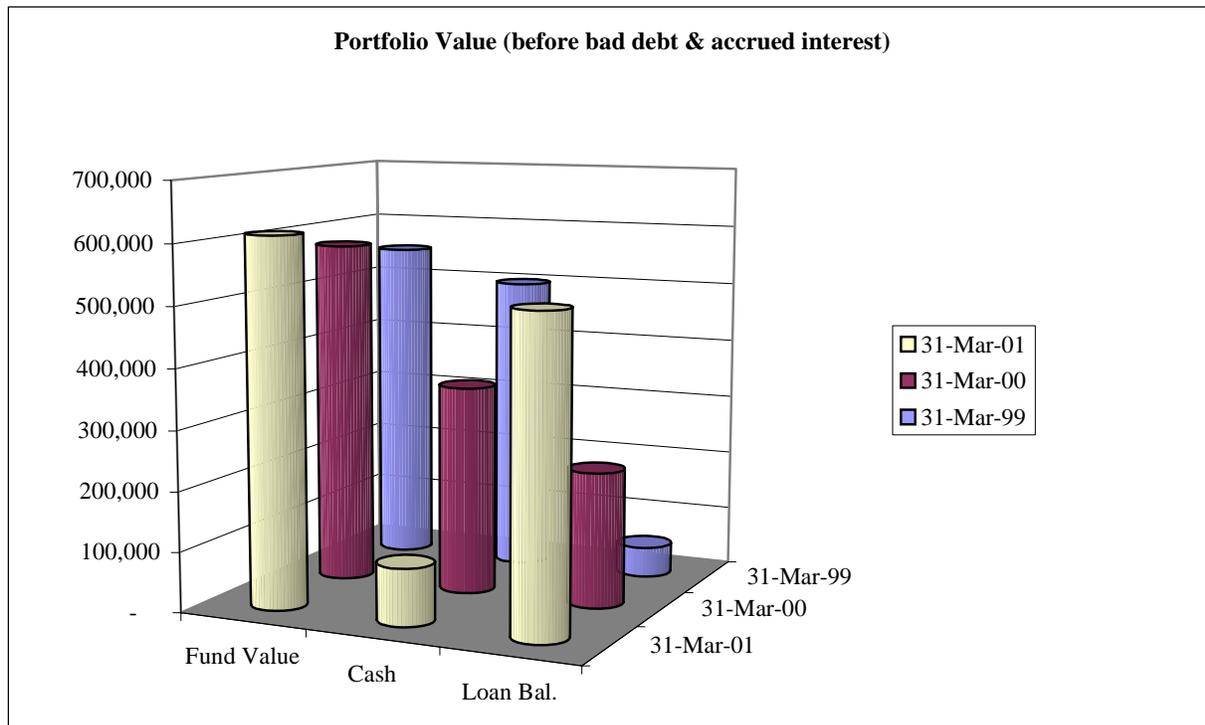
As stated above, the balance of the loans and cash held by the BDC varies from year to year. Table 5 / Figure 5 illustrate the composition and total value of the Investment Fund (before allowances and accrued interest) for each year ended March 31. As expected, the total value increases over time due to the interest earned on the loans and investments, at least before bad debt is taken into account. The balance of cash and investments decreases and the loan balance increases over time as the average maturity of the loans issued increases and the volume of loan applications increases.

During the first few months after start-up, most of the loans were short-term in nature. Most loans approved throughout the 99 – 00 year were for a longer term. As of March 31, 2000, the dollar weighted average repayment term (DWARD) was approximately 39.4 months vs. 6.3 months as of March 31, 1999. As of March 31, 2001, the DWARD was still about the same at 38 months before bad debt was removed and 37 after . The dollar weighted average interest rate for all loans was 9.05% as of March 31 and 9.01% when bad debt is not included.

Table 5 – Portfolio Value Before Bad Debt & Accrued Interest

SECTOR	Per. Ended 3/31/99	Per. Ended 3/31/00	Per. Ended 3/31/01
Total Value	\$550,490	\$576,101	\$612,137
Cash & Investments	499,296	348,379	95,318
Loan / Guarantee Bal.	50,633	225,316	516,819

Figure 5



When Table 5 and Table 6 are compared, the impact of bad loans is easily seen. The value of the Portfolio as of March 31, 2001 falls from \$612,137 to \$542,262. This is fairly significant when the small size of the loan portfolio is considered.

Steps, such as more stringent lending, closer monitoring, and more aggressive collection policies, will have to be taken to ensure that the value of the fund is not degraded to the point that the BDC is no longer able to serve its clientele.

Table 6 – Portfolio Value After Bad Debt & Accrued Interest

SECTOR	Per. Ended 3/31/99	Per. Ended 3/31/00	Per. Ended 3/31/01
Total Value	\$550,489	\$560,952	\$542,262
Cash & Investments	499,296	348,379	95,318
Loan / Guarantee Bal.	51,193	212,583	446,944

Figure 6 – Portfolio Value After Bad Debt & Accrued Interest

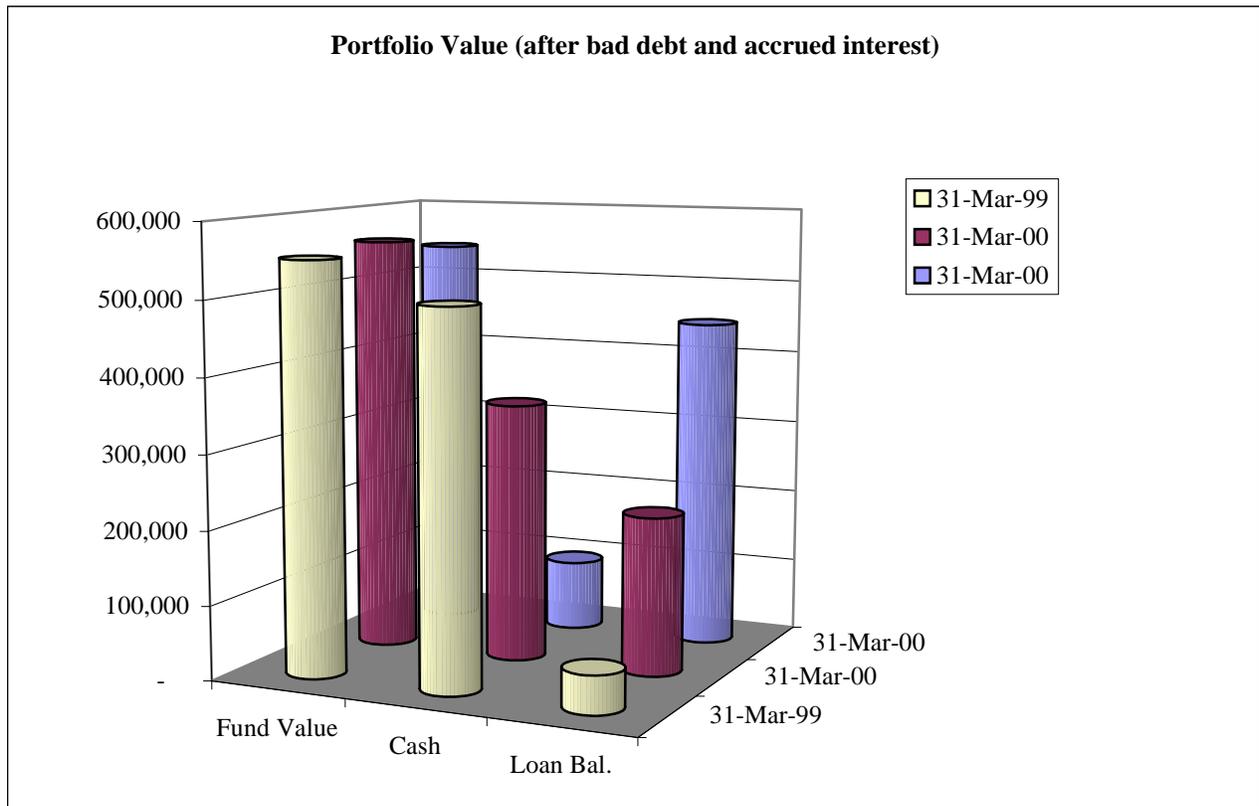
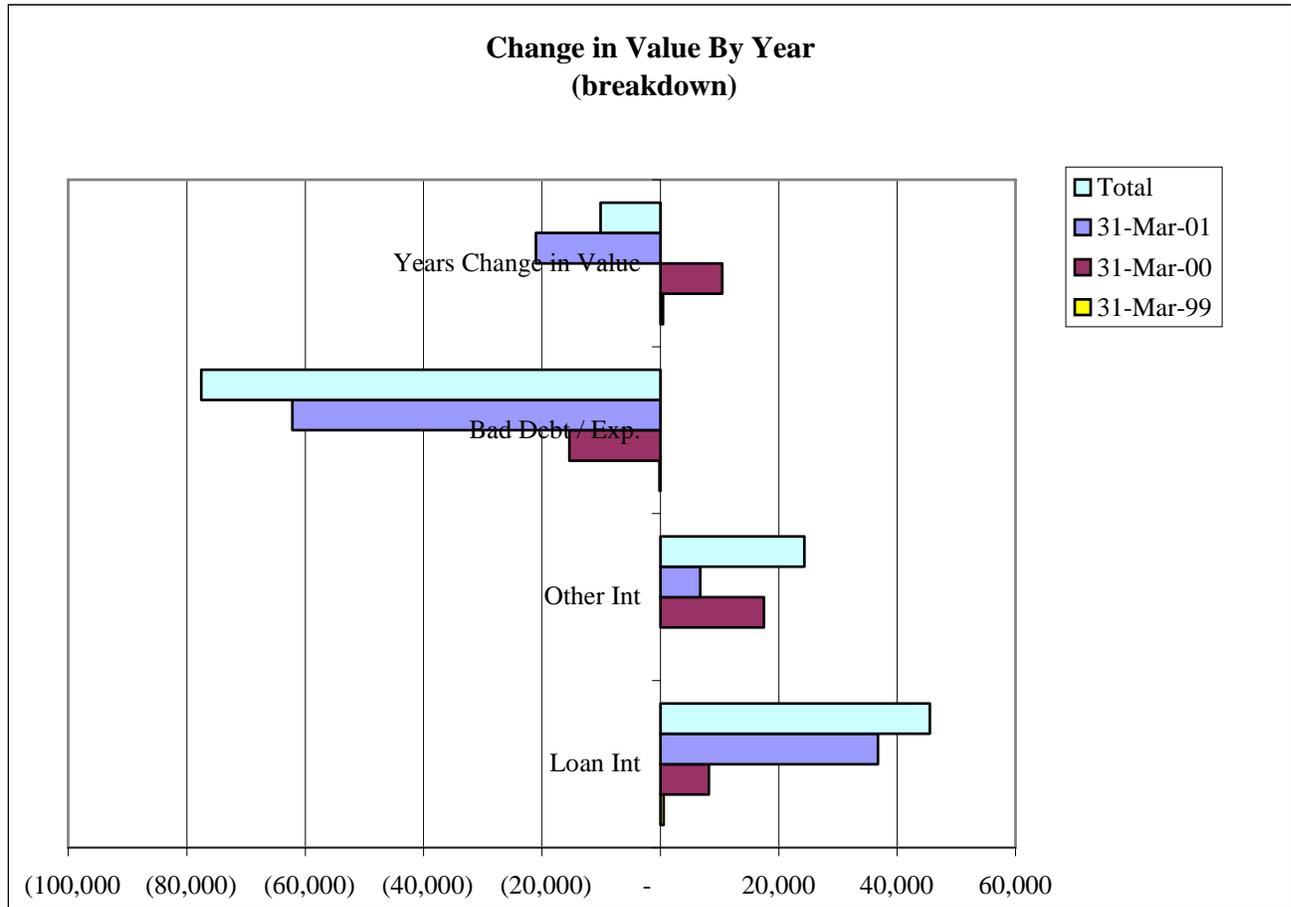


Table 7 / Figure 7 breakdown the elements of the change in value over the three years. In year two, the interest earned from loans and investments outweighed the losses but the reversal of that trend in year three results in the fund being valued slightly less than its initial worth.

Table 7 – Interest & Expenses of Investment Fund Since Inception

	3/31/99	3/31/00	3/31/01	Total
Loan Interest	\$ 571	\$ 8,248	\$ 36,727	\$ 45,546
Other Interest	0	\$ 17,538	\$ 6,789	\$ 24,327
Expenses / Bad Debt	\$ 81	\$ 15,323	\$ 62,149	\$ 77,553

Figure 7 Interest & Expenses of Investment Fund Since Inception



Total funds needed/leveraged from other sources was \$189,341. Of the total, \$159,341 (84%) was equity contributed by clients, and \$30,000 (16%) came from other sources.

We estimate that the funds contributed by the BDC helped to create 35 full and part-time positions and maintain another 34 full and part-time positions.

Assistance with Business Plans

Since the Economic Development Officer position of Fort Simpson was transferred to the BDC in January, we have had more requests for help with business plans that are to be used to access other funds or programs. Approximately five clients were helped in this manner.

However, most clients that have requested assistance with business planning are in the process of applying to the BDC for financing. We assist in any way we can but we are careful to ensure that the ideas and content of the plan are those of the client. Sometimes when someone else is involved in the preparation of the plan, the person applying for the assistance knows less about the project than the person who provided the help does. By providing advice, a business plan guide and asking the clients to complete as much of the business plan as possible, we hope to avoid these problems.

We also may be asked to review a plan for someone to ensure completeness or to help them prepare just a portion of the plan, such as financial statements and projections.

As more information about other programs is compiled and placed in the Resource Center and more people become familiar and comfortable with the BDC, we expect the demand for assistance with business plans and applications to increase. Departments and Agencies such as Aboriginal Business Canada, the Metis-Dene Development Fund and RWED are a few examples of groups that may be able to provide financial assistance to help some clients get their business plans completed.

Monitoring and Aftercare

The majority of the loan clients of the BDC continue to come from Fort Simpson, although as can be seen above, there is a notable increase in applications coming from outside. However, given that most are from Fort Simpson, they can still be monitored very easily. We see them around the community but we also visit their establishments when necessary. The clients know that they can come to us when they have problems. Evidence of this can be shown by the number of times some clients have come to request financing, especially those that obtain smaller government contracts as a part of their business.

Scheduled monitoring visits will have to increase, especially as more and more loans are approved outside of Fort Simpson. Visits give us a higher level of comfort with the client and the client with us. Problems will be dealt with as soon as they are brought to light. If they can be identified before they play a big part in the business's future through routine monitoring, the result will be even better.

Junior Achievement

The Board decided last year that one of its goals would be to introduce, help set up and be involved in the Junior Achievement Program. The program tries to help students understand the

importance of an education and business. They acquire basic business knowledge, work experience, become more aware of the role business plays in their communities and hopefully, an attitude required to organize and operate a business.

We hoped to offer six different programs this past year, however, only three were completed. We did offer one program in a school that had not been included before, Nahanni Butte.

The “Economics of Staying in School” program was offered to Junior High students in Fort Liard and Nahanni Butte, and the CAPS program was offered in the High School in Fort Simpson.

Self-Employment Opportunities Program

The SEO program allows its clients to continue to receive Employment Insurance benefits for a period of time while they set up and run their small businesses. As with all programs, applicants must be screened to determine their eligibility and intentions before they begin. There are restrictions but overall the program is a very good one.

As reported last year, no applications for the SEO program were received in the 1999 – 2000 year. During 2000 / 01 we did provide orientations sessions to 10 clients. Of those, 7 people proceeded and received recommendations to have their applications approved by Education, Culture & Employment. 1 was removed from the program by ECE, after leaving the community, and 1 decided not to proceed so 5 actually accessed funds from the SEO program last year.

Education, Culture & Employment decided to put this program out to public tender for the 2001 / 2002 year and, as far as we know, we will not be providing the service for this fiscal year.

Other

Service Canada

The BDC was successful in its proposal to be a site for the Service Canada Pilot projects being run in the NWT and throughout Canada March 2000. Service Canada is an attempt to help people gain easier access to and / or find information on Government Services by providing access to databases and web sites on the Internet, access through a 1-800 number and by providing in-person assistance with requests.

The contract initially allowed the BDC to hire one half-time person for five months and to cover a small portion of its overhead costs. Since then, the contract has been extended several times and, as of the time this report is being written, it has been extended to the end of March 2002.

Just another service that the BDC can provide to its clients.

Local Firearm’s Officer

Another service that was provided during the 2000 / 2001 fiscal year was assistance with the new firearms licensing applications and process. The Chief Firearm's Office in Hay River, through the Federal Justice department, provided us with a contract to allow us to increase the half-time Service Canada Agent's position to full-time and then to provide a very valuable service to those applying for or renewing their firearm's license. The service was available from July 2000 to March 2001 even though the contract provided only covered the period of July 2000 to December 2000.

Youth Development Officer

In April 2000, the BDC submitted a proposal to the Canadian Rural Partnership team to ask for funding to hire a Youth Development Officer. We received word in October 2000 that the team had decided to contribute \$50,000 towards the project. We then had to approach other departments / agencies in Fort Simpson to help with the remainder of the expected costs since the BDC's budget is not sufficient to cover all of them.

We are now awaiting final word as to the remainder of the funds required and hope to proceed with the project in the 2001 / 2002 year.

The purpose of the project is to address the problems that the youth of the region may have in accessing programs / funding intended to help them start their projects and to provide support to them as they endeavour to start and run their businesses. Although services are currently provided to all age groups, a Youth Development Officer would be able to commit his/her time solely to the needs of youth in the region.

The YDO would be responsible for helping youth of the region through the various stages. Initially he/she will aid in the preparation of applications / business plans, provide support and encouragement throughout the process, help make the appropriate contacts and continue to help after the business receives funding by helping to set up the books, assisting with the registering of the company and discussing any problems that may arise.

Financial Statements