

Business Edge

News Magazine

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Building Wealth
Through Real Estate

REDEV Properties

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New money laundering rules target developers

Real estate deals to face increased scrutiny in '09

By Monte Stewart
Business Edge

Canada's real estate developers face tougher transaction-reporting rules as Ottawa attempts to crack down on money laundering.

By Feb. 20, 2009, developers must comply with amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Development companies that fail to report transactions properly under Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidelines will face fines up to \$500,000. Executives could be fined up to \$100,000 per person.

"It will have a significant impact on real estate developers," says Kyle Wilson, a lawyer with Vancouver-based Clark Wilson LLP, who assists developers with property acquisitions.

Developers are part of the final phase of legislative changes that have been in the works since 2006. Realtors began complying with the tighter reporting rules this past June, and all new regulations accompanying the act will kick in by September 2009.

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Ontario ISSN 1710-7857



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NEWSSTAND \$2

Lights, camera . . . business



Photo courtesy of Jane Seymour

Directing her own career

Movie and television star Jane Seymour is right at home running her varied business ventures, which run from jewelry and home-decoration lines to an art gallery to film and TV productions. Seymour doesn't consider herself an entrepreneur, but she has certainly handled plenty of change during her life on and off the stage. See **20 Questions** on **Page 8**.

Enabling the average investor to enter the lucrative commercial real estate market.

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100 tips for growing your business

Wardell Professional Development

- 20** **Revamp your organizational structure:** The best people in the world are of limited value to a company if they aren't organized to run your businesses as profitably as possible. To accomplish this, take a second look at the roles of your current employees, their responsibilities, their work-flow and accountability to one another. Everyone should be contributing to the bottom line in some form or another. Many times, revamping your organization structure can be the single most effective way to increase workplace productivity, not to mention the overall value of your business.
- 19** **Implement a solid management team:** You need to find managers who can make your business better—people who have already proven they can manage a business like yours as well as, or even better than you can. If they already work for you, you're in luck. Otherwise, research the all-stars who have successfully transformed the state of peer businesses. Are they available? Ask industry colleagues, friends, suppliers, vendors and even recruiters if they know a potential candidate who matches your needs.
- 18** **Transfer key relationships from the owner to the business:** As long as your company's key relationships are also your personal relationships, it will be difficult to convince outside investors your business is self-sustaining, not to mention the fact that, as the owner, it's not the most productive use of your time. Start by introducing your personal contacts to the appropriate contact within your organization, and then slowly but surely pass more and more of your interactions on. The message you want to continuously deliver to your customers and vendors is that they will receive better service by dealing with the "right people" in your company, but that you are always available should they need you.
- 17** **Use key performance indicators:** Numbers are the most productive way to measure progress and raise red flags - before it's too late. So, begin the practice of documenting and reviewing things like margin growth, inventory turnover and customer satisfaction levels. Then compile your results into a standardized format to help monitor how well you are doing at any given time. And finally, share this information across your organization. This practice will help your entire team stay focused on achieving measurable goals.
- 16** **Secure your intellectual property:** Every business is started and built on the ideas of its founder. And as it grows, these ideas can evolve into a wide variety of proprietary items, providing various levels of value to the business. These could include things like proprietary formulas, manufacturing techniques, company logos, marketing tag lines, and so on. While many of these items may be associated with the business from a customer's perspective, some may still be legally associated with the owner, reducing the company's value when it's time to sell. For example, a software designer who began a company as a sole proprietor may continue to own the copyright on the software personally after incorporating, if steps have not been taken to properly transfer these rights to the new corporation. The good news is these types of issues can typically be resolved fairly easily with a visit to an intellectual property rights lawyer.

to be continued...

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Homes on the range spell green for golf

Golf-course operators say real-estate component keeps them viable

By Monte Stewart
Business Edge

The days of Canadian golf courses being built without housing projects around them are coming to an end, say operators and developers.

Canada has become a haven for professional players who endorse large golf course and residential developments.

In addition to current and former Canadian veterans Mike Weir of Bright's Grove, Ont., Stephen Ames of Calgary and Dick Zokol of Richmond, B.C., globally recognized current and former stars, including Jack Nicklaus, Gary Player, Fred Couples, Nick Faldo and Greg Norman, are lending their names more frequently to courses in communities ranging from Whistler, B.C., to Uxbridge, Ont., and points further east.

"You do need a real estate component if you're spending multi-millions of dollars," says Ken Fulton, general manager of the Baxter Creek Golf Club near Peterborough. "At the millions that we've spent here, you can reap the benefits through green fees and make money at it."

Baxter Creek, which opened in May, is an exception to an increasingly common model where Professional Golf Association (PGA) veterans are listed as course designers, but their actual involvement varies.

Nicklaus, who rarely competes on tour these days, is considered among the most active, while others are less hands-on because of their busy tournament schedules. Golf-course architects do most of the actual design work.

As a result, course operators say it is becoming almost impossible to make a profit on golf alone.

"The guys who run golf courses now are real estate developers – pure and simple," says Scott Allred, owner and head pro at Elbow Springs, located on Calgary's western outskirts.

Allred, whose course opened in 1992 and has no real estate connection, says he could easily start another successful golf course today, because his surname has been well known in Calgary since his family launched a golf school in the 1970s. But most new operators could not.

Baxter Creek was built on former farmland owned by members of the Larmer family, whose ancestors have lived in the region since the 1880s.

"We thought about spending the money to put someone's name on it," says Fulton, adding the Larmer group checked the marketplace and felt a course with "average-joe" prices would be more feasible than one with a big name attached to it.

"We took a flyer on it and it's proved itself to be a good investment for the

family," he says. "The tradition will live on forever."

Fulton, a former club pro who spent six years on the PGA Tour and will soon be inducted into the Manitoba Golf Hall of Fame for his junior exploits, says the property has about 30 lots that could eventually be used for a multi-family or retirement-type project.

The Larmer's business has benefited because they did not have to buy the land. Otherwise, the course could not have been built, he adds.

"If anybody's building (a course/real estate development) thinking that they're making money (on the golf side), they aren't," he says. "They're being funded by a rich owner or a rich corporation or they're being funded by a real estate play. You can't make it otherwise. I defy anybody to show me how you can make it through regular patronage of green-fee players or membership."

He estimates a new course costs a minimum of \$20 million, when you add up the cost of land and building the golf course and clubhouse. Any project that costs more than \$15 million, he adds, should have houses along with it.

Fulton says operators risk losses if they over-charge golfers, because they will play elsewhere, or under-charge them, because they won't be able to cover their overhead.

"It's a real dilemma, so you have to have a real estate deal going – it's just a must," he says. "And, it's unfortunate, because you don't have that classic golf course that doesn't have houses around it anymore."

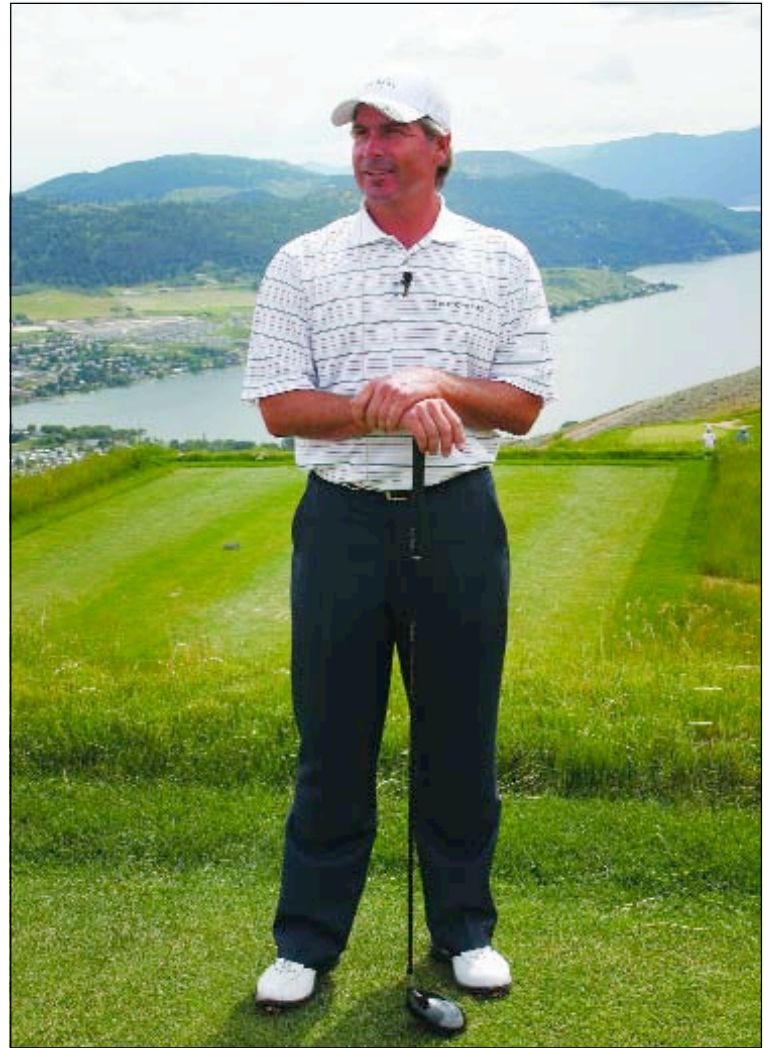


Photo courtesy of Heath Fletcher, The Rise
PGA Tour veteran Fred Couples has given instant name recognition to The Rise, a Vernon, B.C.-area golf/housing development.

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Legislation places more burden on developers, agencies

Every real estate developer who has sold at least five homes, one commercial or industrial building, or a condo or apartment complex will be subject to the act's client-identification, record-keeping and reporting requirements when they sell a property.

In a money-laundering scheme, "dirty" money derived from criminal activity is washed in clean, or legal, transactions that are difficult to trace.

The new rules are designed to bring Canada's anti-money-laundering rules up to international standards. Former prime minister Jean Chretien's Liberal government began the push against money laundering in 1999.

Wilson says the new rules are designed to improve enforcement of the law and FINTRAC's intelligence-gathering, but they will also place a greater regulatory burden on developers and reporting agencies, including banks and loan companies. Developers will face some of the same rules with which realtors are already complying.

Like realtors, they will have to document proof of identity of people and companies involved in every transaction and keep that information on file for five years in case FINTRAC, a federal agency that polices financial transactions, should want to review it.

Wilson, who recently published an article about the new rules on his firm's real estate website (www.bcrealinks.com), says many developers probably do not have the necessary reporting policies and procedures in place.

"I thought it was important to bring it to developers' attention and give them time to implement policies and procedures in time for the February

2009 implementation," he says. "If they fall within the definition of being a real estate developer, they're going to have to make sure that not only developers, but also their staff and all of the people working for them are familiar with the requirements. They're going to have to train staff."

"It will be, on the front end, probably a lot of work in terms of getting policies in place. On the back end, I think it will become fairly commonplace. It'll just be another routine step that they'll have to follow at the office."

Companies could face additional upfront costs for labour, a manual that explains the changes and, possibly, legal advice.

Rick Charlton, a national director with the Toronto-based National Association of Industrial and Office Properties, says Ottawa has not done enough to inform developers about the revised act.

"Well, I wasn't even aware of it, so I suggest they should (do more)," says Charlton, who is based in Calgary. "It's obviously going to add a level of administration to what we do. Whether or not we can absorb that in-house or not is the question. It won't be a positive impact, obviously."

Any developer who receives \$10,000 or more in cash for a single deal must keep a large-cash transaction record and report the details to FINTRAC, unless the money is obtained from a financial institution or public body. Developers must also report suspicious transactions to FINTRAC, if it is believed the money will be laundered or directed to terrorists.

Jeff Fisher, Pacific region deputy executive-director of the Urban Devel-

opment Institute (UDI), which represents developers across the country, says some of his group's members are also unaware of the new rules.

"There could have been more guidance (from Ottawa)," says Fisher. "It's understandable. You have people that are unfamiliar with the industry writing regulations that are applying to that industry. There's a communication gap."

Real estate brokers and agents have aired similar complaints. Fisher says UDI members are still navigating their way through the new rules and potential impact.

"It applies to some developers differently in terms of how the sales are done if you have in-house sales, versus if you have a real estate agent involved," he says. "The ones that I've been talking to have certainly been notifying their sales departments, which is where this is all going to be done, in terms of what they need to do and the questions that they need to ask and, also, the reasons why they're asking them."

Fisher says developers' first concern is to navigate the process and then deal with any extra costs.

Several reports have suggested real estate transactions are vulnerable to money laundering. But Fisher says

developers do not feel like they are being blamed for the problem, because the new rules apply to a variety of professions and industries.

Charlton, who is also a vice-president with WAM Development Group Inc., says protecting Canada's interests is a good idea, but each province already has legislation that determines how real estate communities can act.

Residential brokers, he notes, are probably at the most risk to money laundering, considering the many cases of mortgage fraud that they have faced.

"At least to my knowledge, you don't see that (mortgage fraud) on the commercial side, because on the commercial side, we're dealing with higher quality and more sophisticated lenders, purchasers, developers and long-term holders of real estate," says Charlton.

Until more details are known, it's too soon to tell whether small developers will have a harder time complying with the new rules than larger firms, he adds.

"It's going to depend on what kind of workload is required by the smaller developers to comply," Charlton says.

(Monte Stewart can be reached at monte@businessedge.ca)

U.S. company reaches deal to buy Q9

The Canadian Press

Q9 Networks Inc. (TSX:Q) says it has reached a deal that would see it acquired by Abry Partners.

Q9 released a statement saying the Boston-based communications private equity firm would purchase the company for \$361 million.

The cash transaction would see Abry pay \$17.05 a share for the Canadian IT infrastructure provider. Q9 is based in Toronto.

The deal grants Q9 a "go-shop" period, ending on Oct. 3, that allows the company to solicit competing offers.

The transaction is expected to close in October.

Meanwhile, Q9 has said it will spend up to \$50 million to build its third data centre in Calgary.

The company said it has paid \$20 million to buy a building and property in the Calgary area to house the centre. In addition, Q9 will spend up to \$30 million more on technology for the new operation, which is slated to open next summer.



Osama Arafat

Including this announcement, Q9 has invested about \$85 million in the Calgary market, the headquarters of Canada's energy sector and one of the fastest growing local economies in Canada.

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position in the Calgary market," said Osama Arafat, Q9's chief executive. "With this investment, we are demonstrating to our customers that we can grow along with them for the foreseeable future."

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Growth in golfers falling behind number of new courses

Allred, whose initial investment was about \$5 million, says he would not start a new course again without a housing component. Around the same time Elbow Springs was being built, developers also launched a nearby housing community, and both the course and neighbourhood have thrived ever since.

"If you don't cut corners (on a stand-alone golf course), you might pay the mortgage, but you're not going to make much money," he says.

"The market is getting tougher," he adds. "The growth (in golfers) is not keeping up with the number of holes that are being built. If you're an operator, it's affecting you."

He notes large companies that develop and operate several courses are able to save money by hiring one executive pro and one general manager to oversee their courses and get better economies of scale on equipment, fertilizers and other essentials.

Meanwhile, large-scale course operator-developers say design deals with PGA players are essential to their success.

Terry Yacyshen, resort general manager at The Rise near Vernon, B.C., a project worth an estimated \$1 billion, says the advantages of partnering with PGA pro Fred Couples are clear.

He says Couples gives instant recognition and credibility to The Rise, which will feature 1,600 homes and a private beach club developed over 10 years.

"In life, you make choices, and I think this was the right one to make," says Yacyshen. "It just makes sense. If you look at the golf course offerings in the Okanagan Valley, they're all sustainable. They're all good, but this (endorsement) puts us just one rung on the ladder higher."

"You certainly pay for his expertise. But if you translate that into a development that will be here forever and a build-out that will take another 10 years, the cost that's associated with it is just called a good investment."

Stephen Duke, vice-president of Vancouver-based Marine Drive Properties Inc., which is developing the Nicklaus-designed Wyndandsea golf course and hotel-housing project at Ucluelet on Vancouver Island, says the Golden Bear helps ensure his company will execute its plan and meet international customers' expectations of an oceanfront luxury experience.

When completed in 2012, Wyndandsea will offer an exclusive golf, hotel and residential resort next to a national park.

Duke likens it to the Banff Springs Hotel, also home to an internationally renowned golf course in a unique environment.

"We recognized it as a once-in-a-lifetime opportunity to do something really landmark," says Duke. "There are few golf-course designers who are

internationally known and put your golf course on the map for international visitors.

"Nicklaus is a well-known name. He's not an upstart. The first golf course he designed was Glen Abbey (in Oakville) in 1975-'76."

However, Duke doesn't believe a course needs a connection to a PGA

veteran to do well. Some municipal courses get more play than nearby links that are endorsed by stars, he adds.

He also notes studies show homes on a golf course have higher long-term and resale values than off-course residences.

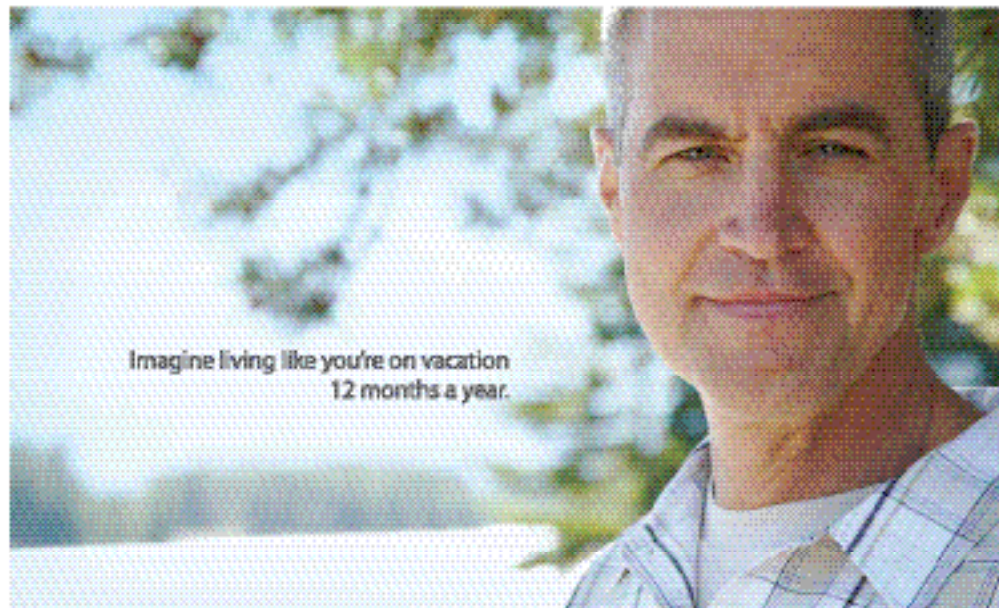
But housing values on some courses

drop if there are several golf courses in the nearby community.

Baxter Creek's Fulton says affordable green fees will ultimately determine a golf course's fate.

"If they can't afford it, they won't come," he says.

(Monte Stewart can be reached at monte@businessedge.ca)






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Entrepreneurs return to *Dragon's Den*

Business owners back to pitch ideas to tycoons on CBC program

By David Hatton
Business Edge

A small crowd was gathered inside CBC Television's downtown Toronto headquarters last June to hear the fall schedule being announced. It was fairly predictable, filled with traditional viewer favourites like *Rick Mercer Report*, *This Hour Has 22 Minutes* and *The Nature of Things*.

Then came another name on the list nobody was surprised at – *Dragons' Den*. Network executives had decided to invest their money in a third season of the popular reality show that featured entrepreneurs pitching their ideas to five wealthy business tycoons. After listening to the pitch for a few minutes, the Dragons would decide if they wanted to back the idea in exchange for hopes of a lucrative return several years later.

But first, there were the questions. One by one, the dragons would ask details about everything from marketing to profit margins.

If an entrepreneur was caught not knowing the answers, it would usually bring a sarcastic response, followed by the two dreaded words from each of the panel members: "I'm out."

The concept for the show has gained international attention after it first aired on Japan's Nippon Television in 2001. Called *Money No Tora*, or *Money Tiger*, it was an instant hit with viewers. Similar adaptations have since been filmed in Australia, England, New Zealand, Israel, Finland and Nigeria.

Last February, *Variety* magazine reported producer Mark Burnett was talking with U.S. network executives about doing a show like *Dragons' Den* for U.S. viewers. Burnett had already gained a reputation for doing hit shows including *Survivor* and *The Apprentice*, and teamed up with Sony Pictures Television to make the pitch for *Dragons' Den*.

Variety said the working title for the U.S. show was *Shark Tank* and featured sharks rather than dragons. "If you want to be a great entrepreneur in the U.S., you had better be ready to swim in shark-infested waters," Burnett told the magazine.

Canadians, however, had been watching the show for the past two years. It was veteran CBC broadcaster Dianne Buckner that first proposed the idea of *Dragons' Den* to network programming executives. She had seen the British adaptation on England's BBC network and thought it would be successful in Canada.

"They asked me to take some time and research it more, and then I was surprised when they finally said they wanted me to host the show," says Buckner. "That first season I remember Canadians didn't really know



Jeffrey Kirk, CBC Television

Dragons' Den regulars Robert Herjavec, Arlene Dickinson, Jim Treliving, host Dianne Buckner, Ken O'Leary and W. Brett Wilson, left to right, are ready for a third year of the successful CBC TV program.

See: Angels helping to bridge 'funding gap,' Page 11

about the concept. The response was a little slow with applicants. The second season we got a bit better response from pitchers, then this season interest has really taken off."

The program is showing signs of making a healthy return on investment for CBC executives. It attracted an average of 503,000 viewers last year, with about 270,000 viewers in the 25- to 54-year-old age bracket

most coveted by advertisers. That puts the overall ratings up 32 per cent from the first season and 46 per cent among the 25- to 54-year-olds, according to CBC spokesman Jeff Keay.

Buckner says part of the reason *Dragons' Den* has been so popular with Canadians is the unpredictability. "Everything can be going well then suddenly someone will ask a question and a deal will disappear off the table just like that," she says.

"This season you will see some very interesting companies with much more money being invested," Buckner

added, declining to give further details.

Sources did reveal two deals were made this season for \$1 million each and one single deal was more than \$1 million.

One of the biggest criticisms of the show during the first two seasons, however, is dragons not following through on deals. After agreeing to a deal on air, the five dragons say they follow standard angel investing practices and investigate everything.

"There is definitely a due diligence process that goes on afterwards. We have to have that," says Jim Treliving, founder of the Boston Pizza chain who has been involved with all three seasons of the show. "If we find out anything is not what they originally made it out to be, forget it."

Treliving said they also look at the personalities of the people involved in the deal. "Life's too short. If someone is constantly giving us a hard time or trying to fight with us, it's not going to work. I would rather just walk away and lose out on a good opportunity than have continuous battles."

Fellow judge Arlene Dickinson, president and CEO of Venture Communications, agreed. "There are some deals that fall through when we look more closely, but that happens in business. The show is really an agreement in principle that we want to sit down and seriously talk more," she said.

Asked how she might react if someone tried to pitch a Calgary-based communications company like her firm, Dickinson laughed. "I would probably not invest in it, no. Service-based companies are hard to put a valuation on. It's a tough one," she said.

About 3,000 entrepreneurs auditioned to be on this year's show, with producers looking through hours and hours of demo tapes before inviting 200 of them to come to Toronto to pitch directly to the dragons.

One of the most interesting pitchers will likely be Carlos Hayes, of Toronto entertainment company Got Ass.

Hayes organizes contests for bars and nightclubs in the Toronto area to see who has the best butt.

He says the company has been going strong for the past two years, and now he wants to expand into the corporate market.

The company has even attracted international attention, with Hayes producing Got Ass shows twice a year in Jamaica.

From a purely business standpoint, what did the dragons think? And which dragon won a prize for most beautiful body part? "I can't tell anyone, but let's just say I'm glad I came," Hayes says.

See EPISODE

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Exposure, advice make TV appearance worthwhile

A few days before each episode airs this fall, producers call selected people to tell them they will be on the air. Business owners who have pitched to the show in the past say even that attention alone makes it all worthwhile.

"It was a great experience with the nationwide television exposure and straight advice from some of the most successful business people in Canada," says Toronto entrepreneur Andrew Applebaum, who pitched his Cereal Bar business on the show last season.

The dragons turned down a deal with Applebaum because they felt his food costs were too high and they couldn't get a quick return. The business was also still in its early growth stage, he says.

Applebaum adds the Cereal Bar has now survived the critical first two years of operation and experiences strong month-over-month growth. Thousands of commuters go by the kiosk every morning in the food court of Toronto's Commerce Court office building. Right now, he's involved in a major overhaul of what the business will look like in 2009.

Jessica Bohrson remembers last season when she appeared on *Dragons' Den* with her brother Russell. They made a pitch to the dragons for their Calgary-based business, Atomic Tea. "We want to do for tea what Starbucks did for coffee," she told the dragons, handing each one of them a cup of tea at the start of her presentation.

"We got home and everybody was asking what happened. We just told them there were two possible endings that got filmed. In one, we got the deal and in another, we didn't. I wasn't sure which one would get put on the air," she says. "I had to lie to them so they wouldn't keep bugging me."

When the episode did finally air, viewers watched as Bohrson did get a deal. All five dragons invested a total of \$120,000 for 50.1 per cent of the company. Discussions went on for so long that afternoon that she missed her flight back to Calgary.

"After the episode aired lots of people came in (to the retail location) saying we made a bad deal and we shouldn't have given up so much of the company. If I had to do it again I would definitely bargain a little harder with them."

Despite telling the dragons she wanted to open two or three new locations with their investment during the next year, Bohrson is still sticking with only the downtown Calgary store for now. She says in the city's tight real estate market, it's tough to find good locations.

Viewers will notice one of the biggest changes this season is a new dragon, Saskatchewan native W. Brett Wilson, who was named by the *Globe and Mail* in 1999 as one of the Top 20 Deal Makers in Canada.

"My style of investing is very driven by the gut," he says. "I take a portfolio approach to all my businesses, but I don't believe you will have some underperforming while the others do extremely well. I want them all to do well."

Wilson says he has done some deals

this season for less than 51 per cent equity, if it "makes sense."

"My comfort zone is real estate, oil and gas, but don't try and manipulate me when it comes to other areas. The answer I like to hear the most is: 'I don't know, but I will find out for you,'" he says. "I've actually been sur-

prised at the quality of pitches this season. You're going to find they are very sharp and well-prepared this year."

Dragons' Den premieres Sept. 29 at 8 p.m. on CBC stations across Canada.

(David Hatton can be reached at hatton@businessedge.ca)

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*Suncor's progress to the end of 2007 (compared to 1990 baseline).

To find out more about Suncor's decade of action on climate change, read the report at www.suncor.com/climatechange



20 Questions

Actress turns adversity into opportunity

Jane Seymour has tackled business challenges since she was 15

By Monte Stewart
Business Edge

You probably know Jane Seymour as an international movie and TV star.

But Seymour also knows what it's like to be an entrepreneur—even if she doesn't consider herself one. She also knows a thing or two about handling change, which she will discuss with women entrepreneurs in Calgary in October, when she appears with Ivana Trump and a couple of Canadians, economist Leslie Beck and nutritionist Linda Nazareth.

"When you want to do something and you think life is going a certain way, then something happens and a remarkable change usually occurs," says Seymour in a telephone interview from her home in Malibu, Calif.

"In other words, you end up doing something you never imagined you'd be doing, but it ends up being better than what would have happened if you'd continued doing what you wanted to do in the first place. In other words, adversity turns into opportunity."

Seymour's business ventures range from jewelry and home-decoration lines to an art gallery that markets her paintings to film and TV productions.

1. What lifelong lessons did you learn from your parents when you were growing up?

"My parents were survivors of World War II. My mother was in a concentration camp for three and a half years in Indonesia under the Japanese. I learned from her, 'When life is tough, do something to help someone else, and your problems will become much less.' I've always been raised to try to be of service, or to help people, in whatever way I possibly can. My father was a doctor and he also treated a lot of people free of charge. He worked in socialized medicine. I was also an auxiliary nurse. I used to help the nurse in whatever needed doing, that was part of my background, and my father used to tell me, 'You can only ever be your own best. There's no point comparing yourself to someone else.' My father was a squadron leader and a doctor in the Royal Air Force. He actually opened the gates of Bergen-Belsen, a (German) concentration camp and lost three of his cousins there."

2. Aside from your parents, who were your early mentors?

"Richard Attenborough. Lord Attenborough, as he's now known. I met him when I was about 17 years old. He was the one who encouraged



Photo courtesy of Jane Seymour

Jane Seymour designed the open heart necklace that made a big splash in the jewelry world after she wore it on television.

me to become an actress. I also had two art teachers in England, the Duleca sisters. They were just wonderful art teachers, and they really inspired me to become big and bold with my art."

3. What was your childhood dream?

"To be a ballet dancer. I didn't achieve it, really. I was only 16 years old when I had to quit, so I was still very much a student, although I was

occasionally doing things like the *Nutcracker* with a professional ballet company. You know the kids in the *Nutcracker*? I was one of them... I had knee injuries, so I was in physiotherapy more than I was in school and realized that my body was not built to dance. It was a huge disappointment. That was all I ever wanted to be and, suddenly, I couldn't do it anymore. I then became an actress by default."

4. Considering all the business projects that you're involved with, do you consider yourself an artist or an entrepreneur?

"I'm really an artist... I have people who know how to run the business side of it. I'm very fortunate that way. My husband (filmmaker James Keach) is pretty good at making the deals and doing all of that kind of thing, but I consider myself the creative force behind it. I get involved in marketing and sales but, really, I'm the ideas person. There are a lot of different brands out there with famous names attached to them. The difference is that I participate in actually physically creating them and painting them and making them and doing them."

5. What was your first business venture?

"I was about 15 years old and I had just learned to crochet. I didn't have enough money—because my parents didn't have enough money—for ballet point shoes. Instead of knitting my warmups and darning my ballet shoes, as everybody did, I learned how to embroider, to do fine Chinese-style embroidery, and also crochet knitting. I went and bought a whole load of knitting wool—red, white and blue, the British Union Jack colours—and I crocheted a whole load of hats and scarves and things, and sold them at Kensington Market in central London. And then I embroidered see-through blouses. It was a time when all the women were burning their bras and showing off their bodies through these see-through blouses. I wasn't comfortable with that, so I embroidered two English birds—a Blue Tit and a Great Tit—on the areas that would have been exposed. A boutique, probably the very best high-end boutique in London, loved my ideas and what I was doing and gave me all their see-through blouses and said, 'Do what you can with them.' So I started a business when I was 15. The good news was that I made enough to pay for my ballet shoes and subsidize my dance career. The bad news was that I didn't finish everything I needed to pass my French A-level (exam to gain admission to university)."

6. When you get involved with these businesses, how many do you actually invest in, as opposed to endorsing?

"The home business is ours. We own it. I've made a deal with the largest jewelry business in the world—Sterling, which is basically Kay Jewellers, Jared's and a number of other brands.

See 20 QUESTIONS

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20 QUESTIONS from Page 8

Creativity at root of multiple enterprises

"I created the whole thing and continue to create it, but they have the exclusive rights. When it comes to books that I write, the usual publishing deals apply. We have different (companies) for different things. Coral Canyon Publishing is the company that we own that deals with the entire art business. I have a full-time art dealer and employees that do nothing but work with the art and frame it and deal with the different art shows and ship it and do all of the business side of it. I just create the art and show up for the shows. I have a gallery in Los Angeles, and that's where the showing end of the art goes on, and I have a studio in my home where I paint and, also, I do all of the design work. We have a company called Catfish Productions that makes movies. We made *Walk the Line* (about Johnny Cash) a couple of years ago. We've made another one since then called *Blind Dating* and we're just starting another one called *Waiting for Forever*. So we have a full-time film production company. Somerset is the name of (the company that co-ordinates) Jane Seymour Homes. We also have PCH Films."

7. What is a common theme to all the different projects and products with which you're involved?

"Probably my art and my sense of taste and style. For example, the home collection has four different divisions. One is inspired by (our former 14th-century home) St. Catherine's Court (in Bath, west of London.) Coral Canyon is what we call the house here in Malibu, and one of the collections is definitely inspired by this home. Winding Way is our cottage collection. That's inspired by the cottages in St. Catherine's. The Grand Hotel is our hotel collection. That's inspired by the Grand Hotel (on Mackinac Island in Michigan), where Christopher Reeve and I made a movie called *Somewhere in Time*."

8. You have remodelled several homes that you've owned, including the St. Catherine's Court property in Bath. Why did you get out of housing redevelopment?

"We realized that we couldn't spend enough time in England and we realized that in the current financial times, it could not really be marketed to Americans in the way that it used to be. We realized that we really didn't want to be running a business from that house (St. Catherine's Court). We either wanted to enjoy it or let go of it, so we sold it last November. But we sold it fully furnished with the art and the decorations – everything, including the staff. So the people bought it exactly the way that we had created it. The other house that we had here in America had previously belonged to my husband's brother. He needed to sell in a hurry, so we

Coral Canyon Publishing

- **Brass:** Jane Seymour, James Keach, owners.
- **Profile:** Coral Canyon is the company that distributes and sells Seymour's art and operates a gallery in Los Angeles. It also produces, sells and distributes instructional art kits that bear her name. Seymour and Keach also operate film companies.
- **Website:** www.janeseymour.com
- **HQ:** Coral Canyon Publishing, 3380 Motor Ave., Los Angeles, 90034
- **Phone:** (310) 842-7256

took that over and completely rebuilt it and sold it last year. We literally remodelled it. In my time, I think I've been involved with at least nine major remodels where we've sold the house. So this is something that I've done before."

9. Do you see yourself doing it again?

"At the moment, I'm too busy to do that. We didn't go out and say: 'Let's go out and do houses.' We owned one and the other one we were helping out a relative. We weren't doing it as a business, but it turned out to make sense."

10. Why did you get involved in the jewelry business?

"It was not my intention. I made a single piece of jewelry for myself based on this painting that I'd done, a series of images of open hearts."

"I realized that when your heart is open, you can give and receive love. If you close your heart off, you can't let go of anything, and you can't open yourself up to new possibilities. My mother always told me that you have to be able to live with an open heart. In other words, you have to be able to embrace change as you develop new relationships – to really live in the moment rather than in the past or in the future. I came up with this painted image of two open hearts that are connected. I made myself a single necklace in diamonds and platinum and I wore it when I did *Dancing with the Stars*. On day, I was asked by ABC to go to a dinner with some people who were sponsoring the American Music Awards or something like that. It turned out to be me and six people. They asked me about the necklace and I told them. Then they said: 'You don't know who we are, do you?' I said: 'Your names are ...' I tried to remember their names. They said: 'No, no, no, we're the No. 1 jewelers in the world, and we think this is something very special.' They asked me if I owned the rights to it – I did – and asked me if I'd design about 45 pieces with this inspiration. They took them and manufactured samples and they put them out as a test market just before Mother's Day. It did very well, and now it will be released in 900 stores (in the U.S.) in the middle of October as Jane Seymour's Open Hearts ... They're about to go national, in fact

international, because they're also going to do this in England as well."

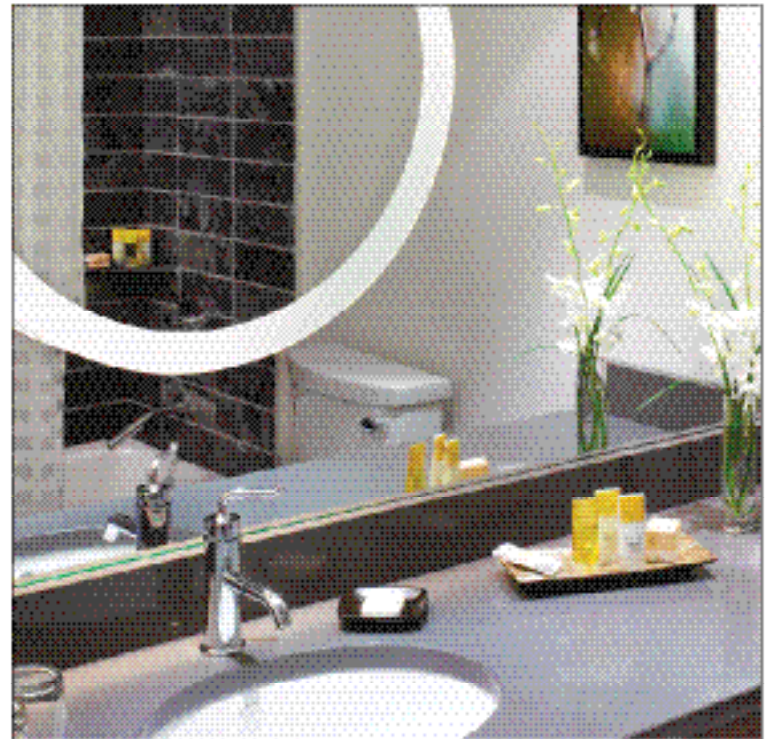
11. What personal challenges prompted you to start painting?

"When I turned 40, a series of things happened. My father died of cancer, and it was something that

should have been detected by his friends and colleagues in a hospital. But they didn't. They made a mistake. That was very devastating to me. Then I discovered that my then-husband (David Flynn), who was my financial adviser – he was also probably one of the top people in the film industry, he represented everyone from Paul Newman to Goldie Hawn – had not only been unfaithful ... but also he had left me four lawsuits from major banks and debts that were in the many millions. Instead of having a nervous breakdown, I took my mother's advice and gave some of the last money I had to a child-abuse agency that I worked with.

See CHANGE

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CHANGE from Page 9

Painting a therapeutic pastime for Seymour

“(The donation was) as a silent-auction bid for an artist to do a drawing of my children. The artist came to my house, that I knew was about to be repossessed by the bank, and saw my little finger paintings that I’d done with my kids hanging in the playroom. He asked who did them. I said I did. He offered to give me some free art lessons and that’s how I started. The painting was like an unbelievable therapy for me. Suddenly, instead of being panicked and depressed and angry and unable to cope, I realized I had to cope. I couldn’t express these feelings I had, because I had to keep my children on track. I was the sole caregiver for them. By painting, I was able to process a lot of feelings and really find a kind of Zen place in my life. So I painted in the way that some people might take drugs. I discovered something that I loved.”

12. It’s said that your art has a strong Canadian following. Why is that?

“I guess Canadians like to buy my art. But I haven’t really done a major art exhibition in Canada.”

13. Did you learn any business lessons from Johnny Cash?

“No, I just learned about spiritual things. Johnny and June (Carter Cash) became very close friends of ours. As was well known, especially since the movie, John had to deal with a lot of substance-abuse issues. He was really very much this Jekyll-and-Hyde-type person. The movie basically told the truth, which is that, to combat the forces that would take him into the dark side, his spirituality and his belief in God and his love for June really are what kept him going and got him back on track.”

14. Do you get ongoing royalties from letting the band Radiohead record (album) *OK Computer* in your home?

“No, they rented the house and stayed there for a while. The Cure also rented that house and they recorded two albums there. A bunch of different artists used that space.”

15. Since you’ve been involved with your husband on projects, what do you think is the key to running a successful film and production company?

“When I first met him, I was producing a movie with him. He was directing and I was starring in a movie (*Sunstroke*). We’re equal partners in everything that we do, whether it’s taking care of the kids (twins) or making decisions for the family or making movies. He asks my advice and I will give him my sixth sense, and I do the same with him. When it comes to all the business ventures, I create the ideas and then he organizes the negotiations and helps with the business end.”

16. What is your message when you speak to women business leaders?

“Living with an open heart and realizing that challenge invariably is the moment to be ready for opportunity.”

17. Do you try to ensure that the companies that you’re involved with practise corporate social responsibility?

“Absolutely. I would not have done Sterling work if not for the fact that every single tiny chip of a diamond is what they call conflict-free. Every single, tiny diamond that ever goes into that building and ever goes on to any jewelry that has my name, is guaranteed conflict-free.”

18. Did you see the movie *Blood Diamond*?

“Of course I did. I thought it was quite horrifying. Because of that movie, a lot of these major companies are realizing it’s unacceptable to buy diamonds from those people (who use the diamond trade for illicit purposes) and (companies need) to try and wipe out that business.”

19. What would you be doing if you weren’t doing the things that you do now?

“I clearly know that I’d be doing something that was creative. I would just be creative in another area.”

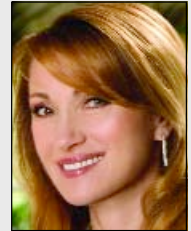
20. Do you ever plan to retire?

“I think it’s doubtful. You can’t retire a creative mind.”

(Monte Stewart can be reached at monte@businessedge.ca)

Jane Seymour

- **Occupation:** Actress/businessperson.
- **Born/raised/age:** London, England/57.
- **Education:** Seymour attended a private girls’ high school until she was 13 and then a private theatre arts school until she was 17.
- **Family:** Seymour and her fourth husband, filmmaker James Keach, have twin 12-year-old sons. She also has a daughter, 26, and son, 22, with former husband David Flynn and two step-children from her marriages to Keach and Flynn.



Jane Seymour

- **Career:** Seymour began as a ballet dancer at 13, appearing in some professional productions, and launched a short-lived seamstress business. At 17, she was discovered by British filmmaker Richard Attenborough, who was briefly her father-in-law, and embarked on a movie, TV and stage career that has spanned four decades. She is best known for her role in the 1970s James Bond movie *Live and Let Die* and the TV series in which she starred, *Dr. Quinn, Medicine Woman*. More recently, she appeared in the TV movie, *Dear Prudence*, which was shot in Calgary, the popular film *The Wedding Crashers* and the TV show *Dancing with the Stars*. In addition, she has launched an art company, based on her paintings and a lifestyle brand, the Jane Seymour Home Collection, which includes textiles, lighting, home fragrance and decorative accessories. She has also developed a jewelry line with Kay, part of a global firm known as Sterling, and penned eight books on such topics as home decorations and raising twins.
- **Awards:** Seymour was named an Officer of the British Empire in 1999. Other honours include a Golden Globe award for her role as the lead character in the *Dr. Quinn, Medicine Woman* TV series.
- **Moonlighting:** Seymour is active with Child Help USA and City Hearts, a Los Angeles-based non-profit agency that provides arts programming for inner city kids, and the American Red Cross.
- **Passions:** Water issues, including accessibility and availability of clean drinking water, non-denominational humanitarian issues, foster-care programs, mentoring inner city kids, acting, filmmaking, painting, jewelry design.

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Angels helping to bridge funding gap

Entrepreneurs finding alternative aid in wake of financial sector crisis

By David Hatton
Business Edge

Cash-strapped entrepreneurs are finding one source of startup capital – angel investors – can be just heaven sent.

"I would recommend angel investors to just about anyone. It was a really positive experience," says Mark Kerbel, CEO of Toronto-based Regen Energy.

"It wasn't just the capital. They were also a great source of advice based on their experience. It was a big help to the company in many different ways."

Kerbel says a group of angel investors, family and friends put together \$370,000 for the first round of financing last year. Once certain milestones were achieved, other smaller rounds of financing have been added.

The process began when Kerbel approached an angel group in Toronto to pitch his idea for a company that would help large buildings manage their energy costs. The group disbanded for undisclosed reasons, but a few people kept his business card.

Later, when another group was started – the Maple Leaf Angels – he was invited to present to them.

"I wasn't really that nervous when they started asking questions during that first meeting with the Maple Leaf Angels. In retrospect, there were a lot of good questions that they asked for specific reasons," says Kerbel.

Rob Koturbash, managing director for the Maple Leaf Angels, says the group started in February 2007 and has about 40 members.

"We've done about \$5 million total in deals during that time. The largest has been \$1.25 million and the smallest about \$125,000, I believe," he says.

Koturbash didn't divulge details of the \$1.25-million investment or who was behind it.

But an online blog entry last April from Ali Asaria, CEO of online drugstore Well.ca, reported it had just received a large investment from Jim Estill, CEO of Synnex Canada, along with members of the Maple Leaf Angels.

"To my knowledge, this is the largest investment the Maple Leaf Angels have made to date," Asaria wrote in his blog called Canadian Startup, at www.aliasaria.ca.

Asaria said Estill is well known in southwestern Ontario for going from selling computer parts from the back of a truck to what is now one of North America's largest computer distributors.

"He's been a supporter of Well.ca for a long time now, and from the very first day I met him in his office, he's been a trusted adviser," he explains.

Koturbash says angel-investment

Quotable

"Sure, the founder of the business is giving up some amount of control, but they are also gaining so much in return too. There is definitely something in it for both sides."



– Greg Shannon,
president of Calgary
Enterprise Forum

groups across Canada have flourished in recent years, partly because it allows investors to leverage each others' strengths and share best practices. Most angel investors will work with industries with which they are familiar, such as technology or oil and gas. But one angel in a group who has a strong oil and gas focus can share his thoughts on a potential deal with a colleague, or vice versa.

Because angel investments outside formal groups are often private, it's difficult to track how much the deals are worth across Canada every year. But the National Angels Organization (NAO) estimates on its website a \$5-billion "funding gap" currently exists in Canada for startup businesses.

Sources at major Canadian banks say lending criteria have been tightened since last year's asset-backed commercial paper scandal and spill-over from the U.S. sub-prime mortgage crisis. That means it has been tougher for entrepreneurs to get conventional forms of financing from banks.

In Toronto, the Maple Leaf Angels regularly meet in a boardroom at law firm Cassels Brock to discuss deals and listen to pitches from entrepreneurs.

Proposals get filtered through Koturbash and a few senior members of the group, who decide which ideas get pitched to the larger group of angels. Then a meeting is arranged.

"The pitches themselves don't usually last that long, but then you have questions," says Koturbash. "I would really suggest to anyone who is thinking of making a pitch to do your homework; make realistic projections and show how you are going to reach those revenue goals. If you can show you already have clients who are willing to buy your product at that point, it's all the better."

Koturbash says when the entrepreneur finally hears the response, however, is when the real work begins.

Angels will do varying amounts of due diligence, ranging from checking the entrepreneur's resumé to having

their accountant study the financial numbers.

Many deals fall apart at this stage if the angel believes the entrepreneur has misrepresented anything – or been blatantly dishonest – during their presentation, adds Koturbash.

Another reason why deals can fall apart later, with the entrepreneur walking away from the table, is the ownership stake. Investors will often bring much-needed capital into a business, but insist on a controlling interest.

Entrepreneurs have to decide if they want the money that would help their company really take off, or keep control. "That's the tough part," says the president of one high-tech startup, who asked not to be named. "Do you want to work so hard to create something and then have someone take a majority of it from you?"

On the other hand, he agreed capital is the necessary lifeblood of any business and sometimes tough decisions need to be made.

Greg Shannon, president and chairman of the Calgary Enterprise Forum and a partner with law firm Miller Thomson LLP, says most angel deals are beneficial to both sides.

"Sure, the founder of the business is giving up some amount of control, but they are also gaining so much in return too. There is definitely something in it for both sides," he said.

Venture Alberta is a group of angel investors that originally started in 2003 and is starting to see exactly how much its initial investments are paying off.

President Randy Thompson says: "We've done about 35 deals since we started in June 2003. The smallest was about \$25,000 and the largest was \$2.1 million. Average size (of financing deals) is probably \$100,000-\$200,000," he said.

Thompson is no stranger to the roller-coaster life of an entrepreneur running a startup company. In 1992, he helped found Alberta Supernet, the first internet service provider (ISP) in

Alberta. It was sold to Norsat in 1996. By 1997, he had the digital media rights for Peter Gabriel's RealWorld Studios, as well as starting one of the first online music stores.

He started an Edmonton-based angel group called Deal Generator in 1997 and Keiretsu Forum Calgary, which was affiliated with an international angel organization that had more than 400 investors.

"I remember trying to pitch the idea of the internet to investors back in the early '90s. I showed them a flashing icon on a UNIX computer screen and they just shook their heads, saying: 'Sorry, this is not the future.'

"Now look at how big the internet is. Those investors are probably kicking themselves they didn't invest in it back then," says Thompson.

Bob Chaworth-Musters is founder of one of the largest and oldest angel investor groups in Canada – the Vancouver-based BC Angels Forum. He says since the group began in 1997, he has seen hundreds of would-be entrepreneurs pitch their big ideas to angel investors.

The group will typically hear from two or three dozen companies during each meeting and sign deals ranging from \$100,000 up to \$500,000 with about three or four deals per meeting.

About 100 accredited angel investors are currently registered with the group, Chaworth-Musters said.

"From an investor's perspective, you have to look at how big a return you will be able to get in five years or whatever your exit timeline is. Getting seven times your original investment on exit is a bit on the low side. I tell people to consistently try for 20 or even 30 times their original investment," he says.

"You need a portfolio approach. Here's how it works: For every 10 companies you invest in, you're going to get four or five that will be fair. Three or four will be what I call living dead and one will be a home run."

For companies starting to look for funding, angel investors can bring in money, expertise and industry connections, he said.

"An angel investor can provide mentoring to a new company, while a venture capitalist will usually be a director on the board," Chaworth-Musters said. "There's a big difference between the two."

He added anyone who is considering talking to the group as an entrepreneur or potential investor should attend one of the workshops it regularly holds in the Vancouver area.

Web Watch:

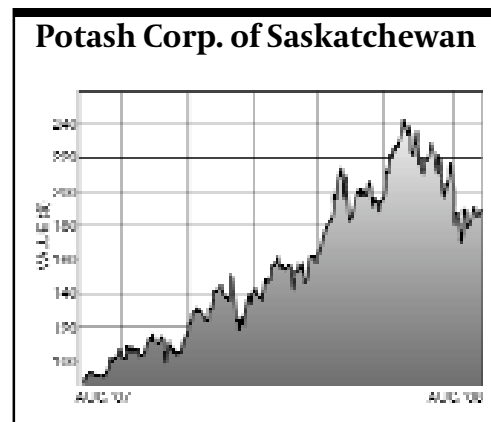
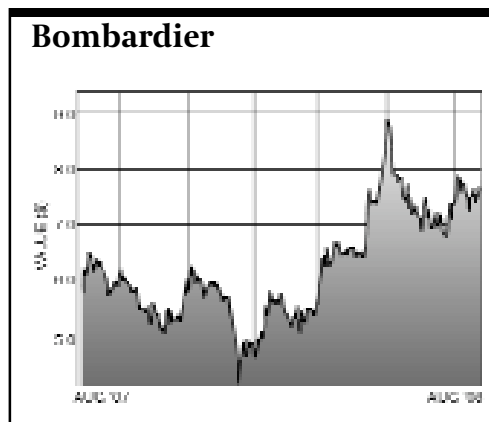
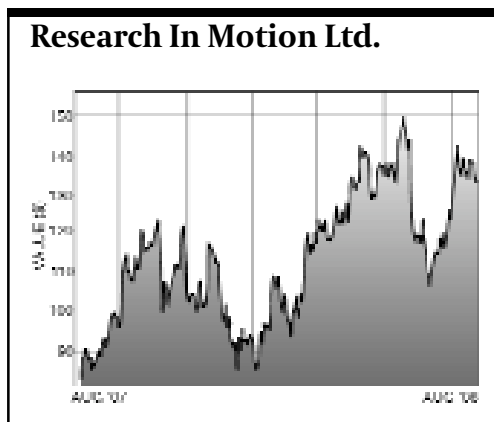
www.angelinvestor.ca

www.mapleleafangels.com

www.angelforum.org

(David Hatton can be reached at hatton@businessedge.ca)

Financial Edge



Wachell a firm believer in diversification

(Business Edge writer Fern Brooks regularly profiles the top stock picks of some of Canada's most accomplished investment pros.)

By Fern Brooks
Business Edge

FEATURED PRO: Wayne Wachell is the CEO and chief investment officer of **Genus Capital Management** (www.genuscap.com), which he co-founded in 1989. He is the architect of the firm's investment process and is responsible for managing day-to-day investment operations.

Fund Form: Genus Canadian equity fund was up 10.3 per cent for the quarter ended June 30, 2008, versus a 9.1-per-cent return for the S&P/TSX index. The one-year figures are nine per cent and 6.7 per cent, respectively.

Management Expense Ratio: 2.92 per cent

Wachell's Strategy: "We are a firm believer in international diversification. Canada is a very small part of global capital markets, of course. And so we have solid weightings in U.S. and international markets. At a time when we are seeing the resource sector rolling over somewhat and oil coming off \$147 (per barrel) down to \$110 and talk of a world economic slowdown, we think our approach is a very conservative, diversified approach that will pay dividends over the course of the next six months."

FIRST STAR

- **Research In Motion Ltd.** (TSX:RIM)
- **Recent Price:** \$137.96
- **52-Week High/Low:** \$150.30/\$82 (06-19/08-28)



Wayne Wachell

Pro's 3 Stars

- **Snapshot:** RIM is a designer, manufacturer and marketer of wireless solutions for the mobile communications market.
- **Co-CEOs:** James Balsillie and Mike Lazaridis
- **Head Office:** Waterloo
- **Vital Stats:** Price/Earnings Ratio (trailing 12 months), 50.40; Revenue (last fiscal year), US\$6.1 billion; Earnings Per Share (ttm), US\$2.74; Market Cap, \$77.9 billion.
- **Wachell's View:** "We still like that stock a lot (RIM was one of Wachell's picks in his previous 3 Stars appearance last March). It's still a big part of our portfolio. It's about to unveil a bunch of new products that

are hitting new markets, that are going to hit the consumer market for the first time, really. They have more products going to the enterprise market as well as their new Bold product. We still think they're the leader in smartphones. We think they're going to give their competition – both Apple and people like Nokia – some grief in the coming year."

- **Risk Rating:** Medium-high
- **Web Watch:** www.rim.com

SECOND STAR

- **Bombardier** (TSX:BBDA)
- **Recent Price:** \$7.65
- **52-Week High/Low:** \$8.97/\$4.06 (06-05/01-21)
- **Snapshot:** Bombardier is a manufacturer and provider of transportation services, from commercial aircraft and business jets to rail transportation equipment systems and services.

- **Chair and CEO:** Laurent Beaudoin
- **Head Office:** Montreal
- **Vital Stats:** Price/Earnings Ratio (trailing 12 months), 29.40; Revenue (last fiscal year), US\$17 billion; Earnings Per Share (ttm), US\$0.26; Market Cap, \$13 billion.
- **Wachell's View:** "We think Bombardier will be a beneficiary of higher oil prices in that airline companies are moving towards smaller, more fuel-efficient jets with higher load factors, in the regional markets at least. We think (Bombardier's) potential new series plane is ideal for this kind of environment. We expect them to do well as oil prices come down. It's almost the anti-oil trade. Transportation stocks typically do well when gas prices come off. It's also a play on global infrastructure (with their

trains). In Asia, they have done very well making inroads in the Chinese markets."

- **Risk Rating:** Medium
- **Web Watch:** www.bombardier.com

THIRD STAR

- **Potash Corp. of Saskatchewan Inc.** (TSX:POT)
- **Recent Price:** \$188.78
- **52-Week High/Low:** \$246.29/\$88.09 (06-18/08-28)
- **Snapshot:** POT is a fertilizer enterprise producing the three primary plant nutrients: Nitrogen, phosphate and potash. The company supplies to three market categories: Agriculture, animal nutrition and industrial chemicals.

See 3 STARS

Page 16

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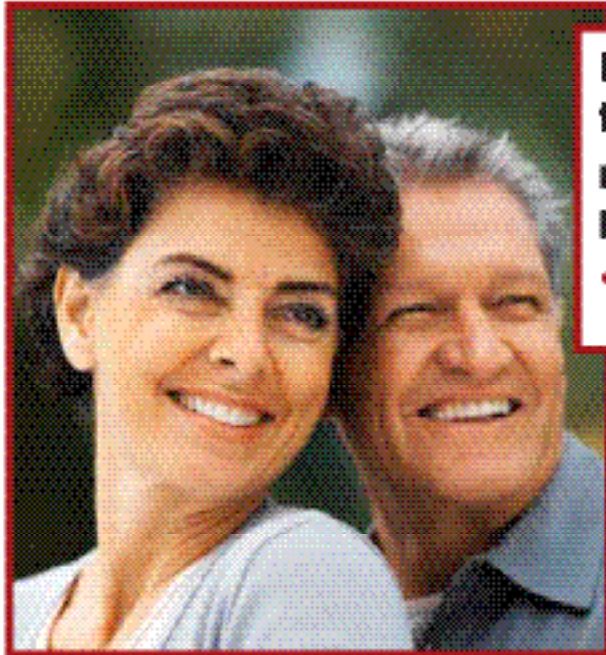
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Fizzle in forecast for soft-drink marketer

(Street Life is a regular feature that profiles what's playing in the stock market.)

By Nicole Strandlund
Business Edge

Act I: Fizzing out

- **The Player:** Cott Corp. (TSX:BCB)
- **Action:** Down 10 per cent in a week (from \$2.87 Aug. 18)
- **Recent Price:** \$2.58
- **52-Week High/Low:** \$12.44/\$1.74

Maybe forecasters had too much sugar or caffeine in their systems when they estimated 2008 targets for a Toronto-based soft-drink maker, but a few weeks later, a downward revision whacked the stock price.

On July 31, Cott Corp., which markets or supplies private label soft drinks including Cott, RC, Vintage, Vess and So Clear, predicted adjusted operating profit would climb 50 to 70 per cent this year, but revised that number recently to between 28 per cent below and five per cent above 2007's US\$36.3 million.

The dramatic revision, blamed on supply cost increases and larger-than-expected declines in sales volumes, sent the already flailing stock tumbling more than 15 per cent. Interim CEO David Gibbons, the third person to hold the top position in less than five years, faces a challenge leading the company as consumers move toward healthier beverages.

Act II: Poetic Partnership

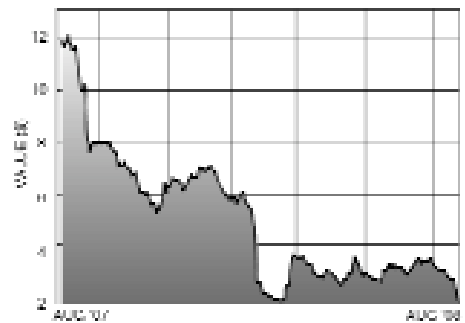
- **The Player:** Nortel Networks Corp. (TSX:NT)
- **Action:** Up three per cent in a week (from \$6.41 Aug. 18)
- **Recent Price:** \$6.24
- **52-Week High/Low:** \$19.56/\$5.84

It's poetic, really: The team people love to hate has made a deal with the stock people love to hate.

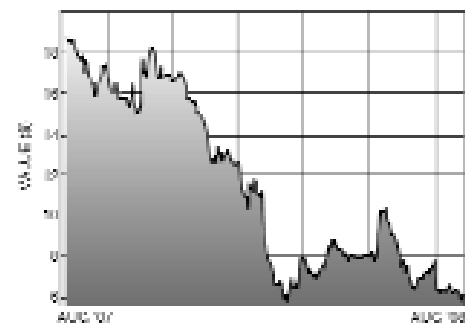
The New York Mets and Nortel Networks will be partnering up at Citi Field, the Mets' new home (opening next season). Nortel will be providing wireless access to player statistics, replay viewings and special multimedia communications to various areas of Citi Field. In addition, Nortel will provide applications to facilitate ticket sales, concession sales and incident response.

According to an independent test by The Tolly Group and Info Tech, Nortel's products will consume up to 40 per cent less energy while costing less than half to own and operate

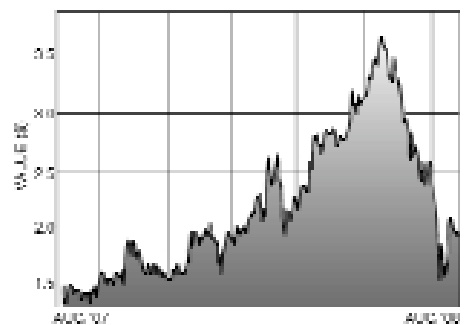
Cott Corp.



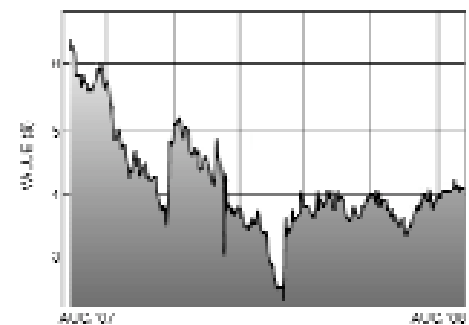
Nortel Networks Corp.



MagIndustries Corp.



QLT Inc.



Street Life: Analysis

compared to the leading competitor.

Incidentally, Nortel is also the official converged network equipment supplier for the Vancouver 2010 Olympic and Paralympic Winter Games, and the official network infrastructure partner for the London 2012 Olympic Games and Paralympic Games.

Who knows, maybe the Mets' vibe, having morphed from "Lovable losers" to "The Miracle Mets" and most recently the "Amazins," will rub off on Nortel.

Act III: Off the ol' block

- **The Player:** MagIndustries Corp. (TSXV:MAA)

- **Action:** Up 17 per cent in a week (from \$1.67 Aug. 18)
- **Recent Price:** \$1.96
- **52-Week High/Low:** \$3.72/\$1.30

If the chips fall where they may, this time they're falling in Europe.

MagIndustries Corp., a mineral, energy and forestry resource company based in Toronto and focused on resources in Africa, announced its business unit MagForestry Inc. has successfully delivered its first shipment of woodchips to an undisclosed customer in Europe. The 30,000-tonne shipment will be followed up by a second delivery to a different European customer, part of contracted sales by European customers that add up to 400,000 tonnes annually.

See STREET LIFE

Page 16

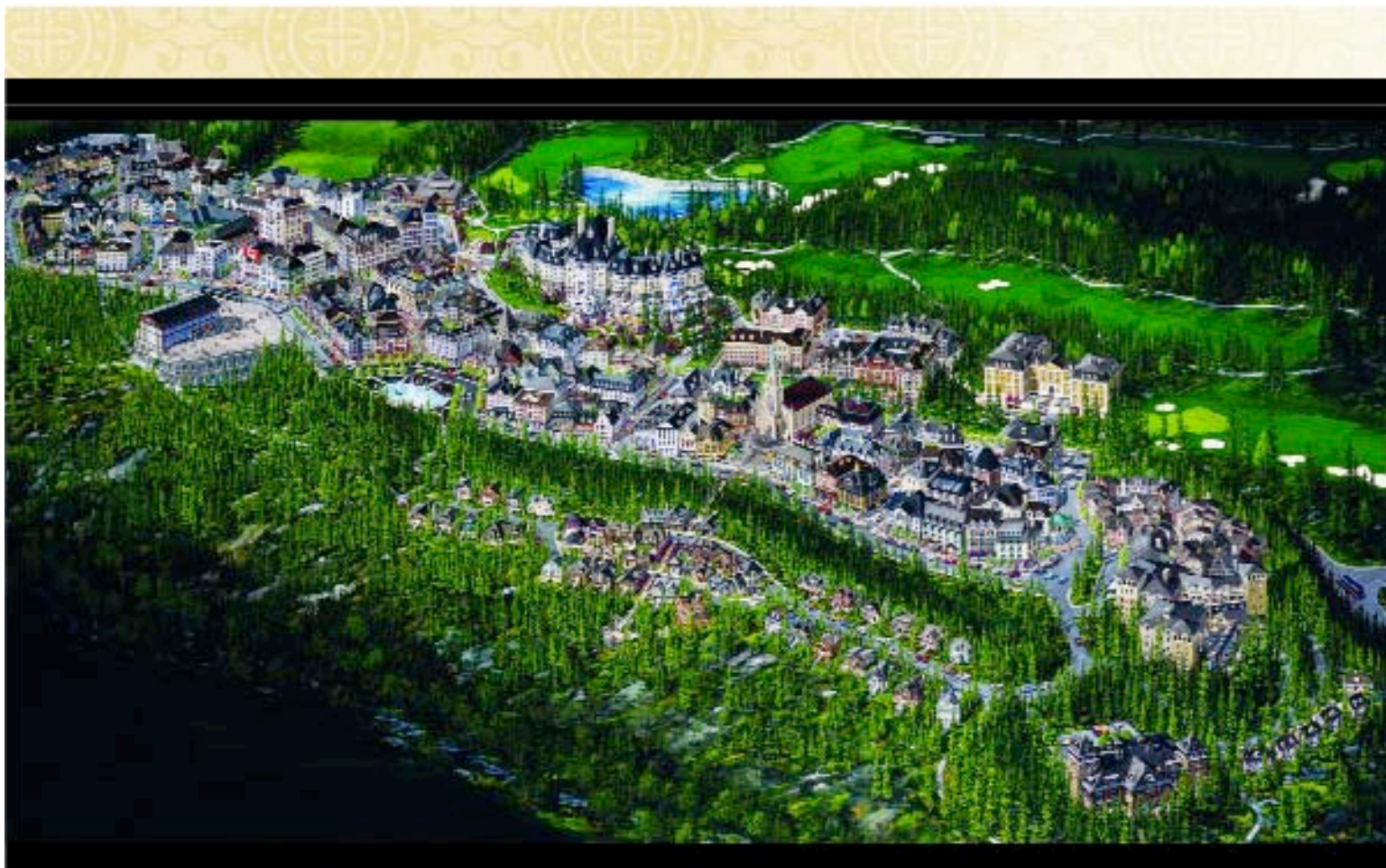


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Coming Events

• **Mayor's Address** (Sept. 9, 11:30 a.m. - 2 p.m.) – Speaker: Mayor **Hazel McCallion**. Location: Mississauga Convention Centre, 75 Derry Rd. W. Cost: Mississauga BOT members \$50, others \$70. Info/register: www.mbot.com

• **Canadian Club of Ottawa** (Sept. 9, noon) – Speaker: **Marie Lemay**, CEO of the National Capital Commission. Location: Fairmont Chateau Laurier, 1 Rideau St. Cost: Members \$40, others \$50. Info/register: www.canadianclubottawa.ca

• **Strategies for Globalization, Talent Management and High Performance** (Sept. 10, 7:30 - 9 a.m.) – Speakers: **Peter Cheese** of Accenture and **Carmine Domanico** of the Toronto Human Resources Professional Association. Location: Toronto Board of Trade downtown centre, 77 Adelaide St. W. Cost: Members \$55, others \$75. Info: www.bot.com

• **Canadian Market Research** (Sept. 11, 7:30 - 9 a.m.) – Speaker: **Maggie Weaver**. Location: North York Civic Centre, 5100 Yonge St. No fee. Info/register: www.enterprisetoronto.com

• **Financial Series Breakfast** (Sept. 12, 7:30 - 9 a.m.) – Speaker: **Mark Yakabuski** of the Insurance Bureau of Canada. Topic: Climate Change and

Canada's Infrastructure Challenge. Location: Toronto Board of Trade downtown centre, 77 Adelaide St. W. Cost: BOT members \$55, others \$75. Info/register: www.bot.com

• **Intellectual Property** (Sept. 12, 7:30 - 9 a.m.) – Speaker: **Michael Carey**. Location: North York Civic Centre, 5100 Yonge St. No fee. Info/register: www.enterprisetoronto.com

• **Economic Club of Toronto** (Sept. 12, 11:30 a.m. - 2 p.m.) – Speaker: **Wayne Gretzky**. Topic: Corporate Canada's Man Advantage in Competitive Sports. Location: Metro Toronto Convention Centre, 255 Front St. W. Cost: \$150. Info: 416-306-0899

• **Financial Executives International** (Sept. 18, 7:30 - 9:30 a.m.) – Topic: Is Your Finance Function in a Talent Crisis? Speakers: **Kathryn Bolt** and **Nicolas Crook**. Location: Fairmont Royal York Hotel, 100 Front St. W., Toronto. Cost: FEI members free, others \$60. Info/register: Contact Marita Dias at 416-366-3007 ext. 5111 or mdias@feicanada.org

• **Is Your Company Growth Strategy All That It Could Be?** (Sept. 18, 9 a.m.) – Presenter: **Verne Milot** of Growth Associates. Location: Chamber Education Centre, Unit 14, One St. Paul Street, St. Catharines. Cost:

St. Catharines-Thorold Chamber members \$99.75, others \$115. Info/register: www.sctchamber.com

• **Empire Club** (Sept. 18, noon) – Speaker: **John Viera**, director of sustainable business strategies for Ford Motor Co. Topic: Sustainability and the Automotive Industry. Location: Fairmont Royal York Hotel, 100 Front St. W., Toronto. Cost: Members \$50, others \$65. Info/register: www.empireclubfoundation.com

• **State of the Province** (Sept. 18, 6

p.m.) – Speaker: Transportation Minister **Jim Bradley**. Location: Henry of Pelham Family Estate Winery, 1469 Pelham Rd., St. Catharines. Cost: \$73. Info/register: 905-684-2361 or www.sctchamber.com

• **Institute of Corporate Directors** (Sept. 22, 7:15 - 9 a.m.) – Topic: Evolving Roles in Corporate Governance. Location: Fairmont Royal York Hotel, 100 Front St. W., Toronto. Cost: ICD members \$65, others \$85. Info/register: admin@icd.ca or www.icd.ca

3 STARS from Page 12

Potash Corp. able to expand production for global market

• **President and CEO:** William Doyle
 • **Head Office:** Saskatoon
 • **Vital Stats:** Price/Earnings Ratio (trailing 12 months), 27.8; Revenue (last fiscal year), US\$5 billion; Earnings Per Share (ttm), US\$6.79; Market Cap, \$57.9 billion.
 • **Wachell's View:** "It's the world's leader in potash production (with) about 22 per cent of world capacity. It's corrected significantly from its peak around \$250, down to around \$187. We still see the whole food complex being a major issue globally. Developing countries have higher demand for protein and foodstuffs. This is... not going to be gone in a year or two. They have the ability to increase their production unlike some other fertilizer companies. So they can expand their capacity and take advantage of this increased demand for grain and oilseeds. Also, it's a play on the energy side of the equation because of the biofuel aspect of things."
 • **Risk Rating:** Medium-high
 • **Web Watch:** www.potashcorp.com

(TSX:MX), -0.04 per cent.

(This feature is provided for informational purposes. Investors are advised to do their own research or consult a qualified investment professional before making investment decisions. Quotes are based on results through Aug. 22, 2008.)

Disclaimer: Wachell owns Genus's pool funds, which have holdings in these three stocks.

Wachell's Edge Record: Best Pick: Research In Motion (TSX:RIM), +41 per cent. **Worst Pick:** Methanex Corp.

STREET LIFE from Page 14

Biopharma firm continues to streamline its operations

MagIndustries also announced its recently commissioned wood-chip plant in the Republic of Congo is up and running at a target rate of about 2,000 tonnes of eucalyptus chips per day. Annual production target is 500,000 tonnes.

In addition to MagForestry, MagIndustries has three other business units: MagMetals, MagEnergy and MagMinerals.

Act IV: Core strength

• **The Player:** QLT Inc. (TSX:QLT)
 • **Action:** Flat in a week (from \$4.01 Aug. 18)
 • **Recent Price:** \$4.01
 • **52-Week High/Low:** \$6.42/\$2.32

Recent fitness crazes are all about core strength, and the same focus is the goal for a Vancouver-based biopharmaceutical company.

QLT Inc. has been working to streamline the company, and the most recent ejection of non-core assets is a licence for a drug-delivery technology. QLT USA, Inc., a QLT subsidiary, signed a licence agree-

ment with Reckitt Benckiser Pharmaceuticals Inc. (a subsidiary of a U.K. company) for Atrigel sustained-release drug delivery technology. QLT receives US\$25 million up front, plus potential milestone payments of up to US\$5 million for development of two Atrigel-formulated products.

The Atrigel deal is the third non-core asset deal for QLT, which hopes to divest its last remaining non-core asset, Eligard (used in palliative treatment of advanced prostate cancer) in the near future.

QLT stock has been holding relatively steady around \$4 since spiking down below \$2.50 in late March.

NOTE: The above is not intended as investment advice to buy or sell any mentioned securities. Investors should do due diligence before investing. Quotes are based on results through Aug. 26, 2008.

(Nicole Strandlund can be reached at nicole@businessedge.ca)

The advertisement is split into two main sections. On the left, a photograph shows a well-lit room with a pool table and a staircase. Overlaid on this is the SML Entertainment logo, which consists of the letters 'SML' in a large, stylized, blue font with a yellow outline, and the word 'ENTERTAINMENT' in a smaller, blue, sans-serif font below it. On the right, there is a dark blue background with a Brunswick logo at the top. Below the logo, two pool tables are shown: a larger one with a blue felt top and a smaller one with a white felt top. At the bottom of this section, the text 'Fun Home Furnishings' is written in a large, yellow, serif font. At the very bottom of the advertisement, the website address 'www.SMLentertainment.com' is displayed in a yellow, sans-serif font.

Autoparts maker slashes its workforce

By Eric Shackleton
The Canadian Press

Linamar Corp. (TSX:LNR), Canada's second-biggest autoparts maker, has laid off about 800 employees – about four per cent of its total workforce – as it struggles to deal with lower orders from the automotive and building trades industries.

Between 400 and 500 workers were informed last week that they were being laid off, Linamar spokeswoman Crystal Roberts said. "We also have approximately 200 to 300 that were previously on layoff," she said, adding those layoffs are being extended.

Staff across the Guelph-based company's manufacturing plants around the world also were informed last week of the layoffs in an internal company memo.

Roberts described the layoffs as temporary, but did not know when the employees might be recalled. They will return to work when "volumes pick up again," she said.

Linamar's plants run autonomously and their general managers look at workforce numbers every morning, "so tomorrow if there's a need for 20 more employees, they're calling them," she said.

She said the layoffs were necessary because of falling volumes at Linamar's customers in the automotive and the building trades industries, as well as rising costs for raw materials, energy and transportation and the strong loonie.

"With our volumes being down . . . there's obviously going to be some idle employees in our manufacturing plants necessitating layoffs."

Linamar had been managing quite well through the volume decline "by being creative with our workforce, and how we're operating aggressively managing our costs and overhead," said Roberts.

The company has been sharing workers between plants and shortening work weeks, but that hasn't been enough work in the face of large cuts in vehicle production by the automakers.

The Canadian economy has slowed amid weakness in the United States, where the sub-prime mortgage fiasco has hit the housing and financial industries, causing ripple effects throughout the broader economy.

This, along with a worldwide credit crunch, has led to a cooling of domestic demand in both countries.

Canada's export-sensitive forestry and automotive manufacturing sectors have been savaged by the U.S. downturn, as well as losing their cost advantage because of the strong loonie, causing plants and mills to close.

Linamar makes precision metallic components, modules and systems for global auto assemblers. The company's industrial division is a world

leader in the design and production of mobile industrial products, notably its aerial work platforms.

Linamar has more than 12,000 employees in 38 manufacturing facilities in several countries worldwide, with 22 of them located in Guelph, where the majority of the layoffs occurred.

Going forward, said Roberts, the company's financial outlook remains good. "Our existing contracts are in place. The volumes of what they are, though, have been reduced as demand has slowed.

"One of the key reasons that we've probably managed quite well compared to our competitors and other manufacturers is that we have strategically diversified – not only in our customers but in our products," she said.

Linamar is continuing "to be proactive in managing our costs . . . so that when things do pick up, we're not in trouble but are able to carry on," said Roberts.

Fadi Chamoun, an analyst with UBS, said Linamar is being negatively impacted significantly in both its key segments, autoparts and industrial products, especially its aerial work platforms business.

Its problems in the auto sector "will continue to be the case for the next couple of quarters," said Chamoun in an interview.

In the industrial products sector, he said, "the industry is looking like we'll see a 20-per-cent-plus decline this year and maybe another 10- to 15-per-cent decline next year."

But, said Chamoun, things would be a lot worse for Linamar if the com-

pany were not able to mitigate some of its problems by increasing its penetration into the higher fuel-efficiency transmissions market.

This "significant new business" probably helped the company to limit the number of layoffs, he said. The four-per-cent reduction of staff "is a lot less than what we've seen from their customers and from the overall market.

"All the new cars being produced have a six-speed transmission," he said. Linamar has captured a significant piece of that business.

Linamar has plants in the United States, Hungary, Mexico, Germany, the United Kingdom and Asia.

In 2007, the company had sales of more than \$2.3 billion and ranks behind Magna International as Canada's two biggest autoparts makers.

BIZ QUIZ

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- a) Globe & Mail
- b) Toronto Star
- c) National Post
- d) **Business Edge** (48,000+ per edition; 75,000+ per month)

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- a) Globe & Mail
- b) Toronto Star
- c) National Post
- d) **Business Edge**

3: Which publication has the most effective advertising?

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Answer Key: 1) d, 2) d, 3) d, 4) d

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Fighting office fires can lead to burnout Executives learning to deal more efficiently with last-minute crises

By Laura Severs
Business Edge

It doesn't matter who started the fire. But dealing with last-minute crises in the workplace – better known as firefighting – can eat into productivity and leave both executives and employees more than just a little burned out.

"Usually, fires are caused by procrastination, people putting things off – especially managers – and then realizing that the deadline is right in their face. They go into panic mode," says Doug Stewart, president of Markham-based Vantic Consulting Inc., a firm specializing in executive coaching and improving workplace effectiveness. "But when we spend most of our time fighting fires, we rarely get a chance to focus on anything that is strategic or long term."

Since key business objectives are strategic, rather than urgent, they can continually get moved to a backburner when an office focuses on managing crises. This, in turn, makes it harder to remain competitive, as creativity and innovation fall to the wayside.

Stewart says one of the biggest problems in trying to stop office firefighting is that it tends to fuel more crisis.

"The other thing about firefighting is that it is a very addictive behaviour," he says. "As human beings, we naturally gravitate towards the urgent. It gives us some immediate satisfaction to solve a whole lot of urgent problems quickly."

Resolving this overall issue is all about getting people to develop new habits and to do the jobs they were originally hired to do, rather than tossing those items aside in order to deal with the latest "fire." But in today's workplace – where the business cycle has sped up as technology and email increase the pace and instant expectations abound – that's easier said than done.

"I have spent a large part of my career believing that it was a badge of honour to be short of time, overwhelmed by emails, and have a calendar that was choc-a-block with meetings. It was correlated with being important," says Peter Wyles, vice-president and general manager for a diabetes product line at Bayer Health-Care LLC in Sunnyvale, Calif. "I finally realized that in 'being important,' I was sacrificing time with my family

Quotable

"As human beings, we naturally gravitate towards the urgent. It gives us some immediate satisfaction to solve a whole lot of urgent problems quickly."



– Doug Stewart,
president of Vantic Consulting Inc.

and time to effectively lead my organization and its strategy."

Wyles was working for Bayer's consumer care division in Toronto when he heard about Stewart and his work. And even though he had implemented his own system for handling things, it wasn't effective enough.

"There was a lot of firefighting – an enormous bulk of emails that came in on any given day because of all the people working under me," he says.

"I was dealing with that at the moment; if it didn't get dealt with at the moment it fell to the wayside. Everyone had control of my schedule, but I didn't have control of it. And it wasn't just the (email) inbox, it was the hard copy as well."

Following Stewart's suggestions, Wyles began implementing a series of changes. He now blocks off the first two hours of his day, 7 to 9 a.m., for planning. He deals with situations when they arise and he delegates more.

"Doug puts it into a good perspective," Wyles adds. "From his experience, you've got to deal with things as they come up, you can't just pile them up. You're an executive and people count on you and your response time. In my prior role in Canada, I tended to do most of the work for my people, and that just killed me. Doug came in and got me to delegate. Fundamentally, it changed me from being a savior to the organization, to being a leader of it and determining what I do and what they do."

For Stewart, it's all about getting people to develop new habits that will work with the systems that individual uses. "We help them simplify the way they work and give them the habits they need to reinforce those systems."

Lorraine Irvine, vice-president of safety, wellness and total compensation at Toronto-based Ontario Power

Generation (OPG), says there was no particular turning point that made her decide to contact Stewart.

"At the time, I was just vice-president of compensation and benefits, a slightly smaller job (at OPG), says Irvine. "I'd spent a couple of years in the same position; I had realized I was not being as effective as I needed to be with information requests and information outflow."

"I thought I was firefighting. I was always just trying to catch up with what came in and forgot what was lurking in my inbox. I never felt on top of all the issues I had to deal with, because I didn't have good control over the information coming into the office."

Even though Irvine developed her own shortcuts and had an assistant, it

wasn't sufficient. "I would leave at the end of a long day not feeling I accomplished what I needed to accomplish, not knowing what the next day would bring," she says.

Stewart worked with Irvine, checking out her work routine and process for handling both paper and email communication. As a result, a filing system for paper documents was set up where hot files were within easy reach, but not necessarily on Irvine's desk. An electronic filing system was also set up in Microsoft Outlook and emails were either archived if needed for reference, put into an action file or simply read and deleted.

"Doug was able to show me lots of useful tips in Outlook that I hadn't learned being a normal user. I wasn't aware of the power of the software," says Irvine.

More importantly, adds Irvine, her administrative assistant was included in the process. He worked with both to determine what they were spending time on, as opposed to where they actually wanted to spend their time.

Even though Irvine and Wyles have made great strides in their workplaces, Stewart says the trend toward office firefighting will never be fully extinguished. The goal, he adds, is to get people to turn the tables – so the fires don't take over.

(Laura Severs can be reached at laura@businessedge.ca)

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New boss slides behind wheel at Ford Canada

Business Edge

Ford of Canada has named **David Mondragon** as its new president and chief executive. The veteran Ford executive replaces **Barry Engle**, who left to head a new unit of global farm equipment maker CNH Global NV. During 23 years with Ford, Mondragon held a variety of roles in sales and marketing, most recently as general manager for the southwest region, Ford's largest U.S. sales region. The change in management comes as Ford and the industry as a whole face a number of challenges. Ford Canada employs about 10,000 people and has assembly plants in Oakville and St. Thomas, and parts operations elsewhere.

MI Developments Inc. (TSX:MIM.A) has named vice-chairman **Dennis Mills** interim CEO. Mills, a member of the company's board since 2004, is also a former VP of **Magna International Inc.** He replaces **John Simonetti**, who announced plans to leave the company last month. MI Developments is a land-development company spun off from autoparts manufacturer Magna International (TSX:MG.A).

Strongco Income Fund (TSX:SQF.UN) says that **Robin MacLean**, its president and CEO since August 2005, is leaving the fund. He is being replaced by **Robert Dryburgh**, a CA. Dryburgh has held senior management and executive positions in a number of public and private corporations in Canada and the U.S. Strongco sells, rents and services mobile industrial equipment to various sectors. Its head office is in Mississauga.

InStorage Real Estate Investment Trust (TSX:IS.UN) has named **David Dinniwel**, CA, as its CFO. Dinniwel brings extensive experience in the real estate business and North American capital markets. The REIT is an unincorporated open-ended real estate investment trust that invests primarily in self-storage properties and ancillary businesses throughout Canada. Its head office is in Toronto.

Sabina Silver Corp. (TSXV:SBB) has added two new members to its management team. **John Wakeford**, P.Geo, and **Elaine Bennett**, CGA, will join Sabina at its Vancouver office as senior VP of corporate development, and VP of finance/CFO, respectively. Previously both were part of the management team at Miramar Mining until its recent takeover by Newmont. Current CFO **Duncan Caldwell**, who will step down once his successor is up to speed, and Bennett will spearhead the transition of all finance, accounting and reporting functions of the company to Vancouver. Caldwell will remain a director. Sabina is a mineral exploration and

Moving On

development company focused on the Hackett River silver-zinc project in Nunavut. Its current head office is in London.

Nevero Inc. (TSX:NVR) says that **Mel Klohn** has been appointed executive VP for exploration. He has 40 years' experience in mineral exploration, discovery and research. Nevero is an exploration and development company focused on precious and base metals in the western U.S. Its head office is in Toronto.

Guyana Goldfields Inc. (TSX:GUY) has named **Carmelo Marrelli**, CA, as its new CFO. Marrelli is a partner with Marrelli & Drake Corporate Services. He also serves as CFO of several other public junior mining companies. Guyana is an exploration company primarily focused on gold deposits in the Guiana Shield of South America. Its head office is in Toronto.

Coronation Minerals Inc. (TSXV:CMV) also has appointed **Carmelo Marrelli**, CA, as its new CFO. Coronation explores for copper-nickel-platinum group metal-ore bodies in northern Canada. Marrelli also has become CFO of **Aranka Gold Inc.** (TSXV:ARK). The two companies' head offices are in Toronto.

Redline Communications Group Inc. (TSX:RDL) has hired **Chris Koeman** as VP of worldwide sales. Koeman was most recently VP of worldwide sales for Colubris Networks. **Nancy Orr**, a CA and a member of the board, has been appointed interim CFO replacing **Thomas Hearne**, who resigned to pursue other career opportunities. Redline provides wireless broadband and infrastructure products. Its head office is in Markham.

AireSurf Networks Holdings Inc. (CNQ:AIRE) has appointed **Bryan Moir** as CEO. Moir has founded several companies and held a number of senior positions in the technology industry over the past 25 years. AireSurf is a researcher and developer of wireless digital communication amplifiers for access points and routers. Its head office is in Markham.

Jean Nortier has been appointed president and CEO, as well as a director of **Uranium One Inc.** (TSX:UUU). Nortier previously acted as CFO, executive VP of corporate development and most recently as interim chief executive of the **Uranium One Group**. In addition, **Robert van Niekerk** has been appointed executive VP of technical services. Succeeding van Niekerk, UUU has appointed **Eben Swanepoel** as senior VP for Africa and Europe. Swanepoel brings more than 25 years of experience in mining operations in southern Africa. Uranium

One is a Toronto-based corporation engaged through subsidiaries and joint ventures in the acquisition and development of properties for the production of uranium in Kazakhstan, South Africa, the U.S., Australia and Canada.

Siemens Canada Ltd. has named **Joris Mynyn** as VP of industry automation and drive technologies. Mynyn began his career with Siemens in 1990 and was most recently VP of sales integration for Siemens Product Lifecycle Management Software Inc. Siemens Canada has its head office in Mississauga. It is a subsidiary of Siemens AG, a diversified international company in electronics and electrical engineering, operating in the industry, energy and health-care sectors.

Nav Canada has appointed **Brian Aitken** as VP of finance, CFO and treasurer. Aitken has been acting in the role since July and replaces **William Fenton**, who retired at the end of August. Aitken joined Nav Canada, the country's civil air navigation services provider, in 2002. Nav Canada is a private-sector, non-share capital corporation financed through publicly traded debt.

— with files from *The Canadian Press*
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Business Edge

Opinions

It's hard to measure China's effect on us

Experts chart how much imports help low-income North Americans

Watching Michael Phelps in the swimming pool, Usain Bolt on the track and dozens of other dazzling athletes, not to mention the gargantuan and spectacular ceremonies that opened and closed the Beijing Olympics, it was easy to forget all those things that we in the free and democratic West find dark and distasteful about the People's Republic of China – the one-party rule, the authoritarian government, the suppression of free speech and the imprisonment of political dissidents.

It was easy also to forget, for the moment at least, those things that frighten us – chiefly China's growing economic might. The giant of south-east Asia has become, as some people put it, the "world's factory."

Its highly skilled but low-paid workers produce hundreds of consumer goods that are flooding our markets. At the same time, we are losing thousands of highly paid manufacturing jobs as our companies move work offshore to take advantage of the cheap labour in China and other emerging economies.

Over the past decade, China has consistently ranked as one of Canada's top five trading partners. The flow of goods between the two countries remains small compared to that of Canada and the United States. Nevertheless, it has grown exponentially, and largely to China's advantage.

Canadian exports increased from \$2.5 billion per year in 1998 to \$9.3 billion last year, an increase of 370 per cent. Over the same period, imports rose to \$38.3 billion annually from \$7.6 billion, a five-fold increase. Meanwhile, our annual trade deficit with China reached \$29 billion in 2007, up from \$5.15 billion in 1998.

The increasingly lopsided relationship has caused some well-documented pain in our manufacturing sector, but has yielded some surprising, if little celebrated, benefits.

"There has been a significant reduction in the cost of material goods and that's an advantage to the importing nations," says Don Brean, a professor of finance and economics at the University of Toronto's Rotman School of Management. "It contributes to the well-being of people

buying everything from computers to socks to hammers. And these benefits are not evenly distributed across the population."

Opinion



D'Arcy Jenish
Business Edge

Low-income Canadians gain more than their more affluent compatriots because they spend a larger proportion of their earnings on such goods. "There's more stuff from China in a Canadian Tire or a Wal-Mart than there is in a Holt Renfrew," notes Brean.

The class-based repercussions of trade with China have been well documented in the United States, if not in Canada. In March this year, University of Chicago economists Christian Broda and John Romalis published

a study titled *Inequality and Prices: Does China Benefit the Poor in America?*

They noted that official measures of the income gap between high- and low-income earners in the U.S. have

risen substantially over the past three decades. At the same time, American trade with developing countries has quadrupled, yielding significant benefits for those who make less money.

"Using detailed household consumption data between 1994 and 2005," Broda and Romalis wrote, "we find that over this period the rise in inequality has been less than a third of that implied by official statistics."

Scott Moody, an economist in Gardner, Me., who is conducting a study of commerce between China and Canada for the Vancouver-based Fraser Institute, argues that the growing trade deficit may be a function of the way government agencies compile their statistics.

"The U.S. and Canada are effectively service-oriented economies," says Moody. "We're not really manufacturing economies anymore. The problem is that it is a lot easier to count widgets than services."

He contends that the value of North American banking, engineer-

ing expertise and other services, as well as patents on such things as pharmaceuticals, may not even make it into official trade statistics.

"Eighty years ago, we didn't do a good job counting anything," he says. "When it comes to services, we're where we were 80 years ago. We don't know how to quantify, measure or value services."

In short, the business relationship between China and North America is so new and evolving so fast that it would be a stretch to say that we know who's winning and who's losing.

But, for his part, Brean is certain about one thing. "Does the world want a closed, oppressive, internally corrupt China," he asks rhetorically, "or an open, dynamic, growing and prosperous China? There's no question in my mind that the world is better off with the China we have today."

(D'Arcy Jenish can be reached at jenish@businessedge.ca)

Cartoon Corner



U.S. credit crisis puts paid to condo dream

Bargain hunter finds it's tough shopping for housing south of border

A bargain hunter by nature, I get excited when I find a pair of shoes on sale for half price.

You can imagine my euphoria, then, when I came across a waterfront condo in Florida for 50 per cent less than it sold for just a couple years ago.

"It was such a good deal, I had to call you right from the unit to tell you that you need to put in an offer right away," said my real estate agent, Joline Rivard of Coldwell Banker's Fort Lauderdale office.



Tess van Straaten
Business Edge

After months of looking – and coming close to buying twice – we put in an offer the next day. Centrally located between Miami and Palm Beach, the 1,200-sq.-ft., two-bedroom, two-bathroom canal-front condo had sweeping water views and was right across the street from the beach.

Selling for US\$410,000 in 2006, we couldn't believe our luck when our offer of US\$200,000 was accepted by the bank on the recently foreclosed property. Fearful of things that appear too good to be true, we thoroughly checked out both the condo and its management in the week it took to clear conditions.

Recent sales in the building were at least \$25,000 higher than our purchase price and by all accounts, the building had a good reputation. Our real estate agent checked out the condo association – the group responsible for building maintenance and condo fees – and no major repairs or assessments were pending.

We had already learned, thanks to Rivard, how important these questions are. Even if the condo is great, the location is great, and the price is great, it may not be a great deal if you're hit with a huge assessment.

Many buildings on the Florida coast are in need of costly repairs; others have had so many foreclosures in the last year that the remaining tenants are now having to cough up the missing maintenance fees.

The fees, which range from about US\$300 per month to more than US\$800 for some highrises, quickly add up when 20 per cent – and in some cases 50 per cent – of a building has been foreclosed.

One condo we had planned to make an offer on was already more than a million dollars in the hole for the year – in April.

"If a building's already in that much trouble that soon, it's not a sign of a well-managed building," says Rivard, who advised against that purchase.



Photo courtesy of Joline Rivard

Canadians looking to buy bargain-priced property in the U.S., like this waterfront condo in Florida, need to proceed with caution.

"You don't want to buy someone else's problem."

As it turned out, we didn't buy anything at all. Two days before our closing and the same day I was to get on an airplane to fly to Florida to complete the purchase last month, I was told to stop the wire transfer and unpack my suitcase.

"I was surprised, but not shocked," Rivard admits. "Everything had gone smoothly until right before closing, so I thought we were OK. But I'm not shocked it fell through, because it happens all the time. With all this mortgage mess, banks are getting tighter and tighter and no one wants to be left holding the bag."

So what was the problem? Weeks after losing our little piece of paradise, we still don't know. And we're also not sure how, despite a lawyer searching the title and a lengthy 60-day closing period, this potential problem – which was enough to cause the bank to back out of the mortgage – only came up at the last minute.

"It could be nothing or it could be a \$300-million lawsuit – we just don't know," says Rivard.

"All they will tell us is that there are three (equal opportunity) complaints against the condo association. It could be a possible discrimination issue or just a disgruntled employee with a beef. We don't even know if it's one person who has filed three complaints or three different people with an issue, which would obviously be more of a concern."

The American mortgage crisis, triggered in part by unscrupulous lending to unsuitable and ill-pre-

pared borrowers, has hammered the U.S. economy and sent the housing market into a freefall.

According to U.S.-based real estate data company RealtyTrac, home foreclosure filings during the second quarter of 2008 were reported on 739,714 properties, a jump of 121 per cent from a year earlier.

With so much uncertainty, the only thing that's clear is that it's buyer beware for bargain hunters looking to take advantage of rock-bottom real estate prices and a still-strong Canadian dollar.

"I bet I get a call every day from a client looking to buy a U.S. property and it's really important that they do their homework and know what they're getting into," says tax and real estate expert Gerard Roddis, of Meyers Norris Penny in Vancouver.

"The main thing that we're hearing from our clients is that credit is getting much more difficult to obtain – things are definitely getting tighter with all the issues down there."

Indeed, the credit crunch means Canadians have far fewer options – and even more hoops to jump through – when it comes to getting a mortgage in the U.S.

"The secondary market for mortgages has really collapsed – we used to be able to hold loans in-house for foreign nationals and now we can't," says mortgage broker Eddie Romo of Sunbelt Lending in Fort Lauderdale.

"Now there are just a couple institutions that will do these mortgages (for foreign nationals) and they're really tightening things up and requiring a lot more, so it's

becoming much harder."

Getting approval for our modest \$130,000 mortgage – foreign buyers must now put 35 per cent down – was practically a full-time job. I'm sure we provided more documentation to the bank than would have been required just to apply for U.S. citizenship and be rid of "foreign-national" status once and for all.

And be prepared to pay more for your trouble – with fewer options, interest rates are higher for non-residents; typically about seven per cent. Since Canadian banks don't offer mortgages for U.S. properties, the best option – if you don't have the cash on hand – is often a secure line of credit.

With rates as low as prime (currently 4.75 per cent) at institutions such as President's Choice Financial, an equity take-out can fund a cash purchase and help buyers avoid not only the U.S. mortgage hassle, but also fluctuating exchange rates that could make a good deal today an expensive buy tomorrow.

"The only reason to take out a U.S. mortgage would be for the tax benefit of a non-recourse mortgage," Roddis says.

"Some pretty significant changes to U.S. tax law are coming into play after 2010, so U.S. estate tax is more of a concern to Canadians now than in the past. We're advising clients on how to purchase properties with that in mind."

It's just another pothole to watch out for on the rocky road to U.S. property ownership. Buyers also need to keep an eye open for shady deals and questionable dealings – like the \$1,300 "processing fee" our mortgage broker tried to charge us.

When I questioned it, the broker said she could drop it to \$700. Sensing something was up, I called our real estate agent who, after confirming banks paid brokers, got the fee removed.

"It just floors me – the stuff that's going on, it's just not right," Rivard says. "It's a big problem now because a lot of the good mortgage brokers I know aren't doing it anymore because there's just not enough business."

Potential pitfalls aside, experts still say a bargain property can be worth the effort.

"The opportunities are there and the bottom is close, so it makes sense to buy now if you can get the right property at the right price," Roddis says.

While my property turned out to be wrong, I'm lucky the gamble didn't cost me too much – our flights were refundable and we're getting our deposit back. Even so, I think I'll stick to shoe sales . . .

(Tess van Straaten can be reached at tess@businessedge.ca)

Technology Edge



Airlines going cashless in their cabins

Systems will allow passengers to make credit-card purchases from seats

“Imagine you have a shopping mall with three billion people in it. You can lock the doors, you have the cash registers, but there’s no merchandise.”

That’s how Josef Zankowicz, VP of marketing and communications for Toronto-based GuestLogix Inc. (TSVX:GXI), describes commercial aviation.

But his company is determined to change that, and the experience of flying, in the very near future.

We’re all getting used to paying for things on a plane, from drinks to snacks. One dirty little secret of the airline industry is how much of that cash never gets to where it belongs.

Zankowicz estimates that in-flight shrinkage can run about 30 per cent. Of course, he would say that, since his company sells a system to help airlines manage their onboard cashflow.

Zankowicz says “cash is still king,” at least in keeping passengers from dying of thirst or starvation. However, there are signs that will change. As of Aug. 5, Alaska Airlines will no longer accept cash onboard, joining JetBlue, Virgin America, and Frontier.

The Alaska Airlines press release mentions “the convenience of a cashless cabin” but of course, it’s mainly for their convenience.

You might think that credit and debit cards are the answer but, aside from the dearth of communication at 10,000 metres, there are those nasty bank and processing charges. In fact, Zankowicz says that if you were allowed to put that \$2 bag of cashew nuts directly on your card, the fees could take up to a third of the revenue.

With the GuestLogix system, those onboard purchases are aggregated into a single transaction with each credit card company, processed after the flight.

For a limited time, Alaska will be selling \$5 vouchers, so if you’re sending your plastic-less child or granny on a flight, they can still eat. But it’s clear that in the future, getting onto a plane will become synonymous with getting out the credit card, and not just for the yummy snacks.

You’ve probably seen the Phoenix-based *SkyMall* magazine. There’s a dog-eared copy in the seat pocket of

most U.S. flights. You can buy a radio-controlled plastic mouse for your cat, or a windchill misting fan for your patio.

Zankowicz laughs that “it’s a catalogue full of hard-to-find items that are also hard to buy.” His point is that with no way to make an actual purchase in flight, people take the magazine but soon forget about poor kitty’s toy.

Future/ Present



Tom Keenan
Business Edge

That impulse buying is about to be harnessed. Next time you climb onboard, you may be in a real SkyMall. Carriers from American Airlines to RyanAir and Spirit Airlines have installed the GuestLogix system, allowing passengers to buy with a credit card, right from their seats.

RyanAir even offers gambling scratch cards. Pay two Euros and you might win a car while you’re flying. Zankowicz says GuestLogix is talking with the Canadian airlines, and that “Air Canada is completely rethinking their cabin service,” but so far, this Canadian firm’s customers are non-Canadian.

It seems inevitable that all airlines will get on the in-flight selling bandwagon, especially since GuestLogix doesn’t charge up front, just taking a fee for each transaction. With margins on air tickets running around two per cent, who can resist getting into the value chain for products that yield 40 per cent?

And the loot doesn’t have to take up space on the plane, or even be physical. GuestLogix has announced a partnership with an arm of the Schubert Organization, the big kahuna in Broadway theatres. Soon, passengers flying into New York will be offered in-flight tickets for hit shows, and Zankowicz says other attractions such as sporting events and theme parks will follow soon.

He also notes that New York isn’t the only major theatre market, so if you’re itching to see Josh Hartnett star in the London premier of *Rain Man*, you might be getting your tickets on your flight to Heathrow. Or, you might lower your cultural sights and settle for *Spamalot*.

Speaking of Monty Python, full onboard internet service has been the Holy Grail for several years now, as

Quotable

“Imagine you have a shopping mall with three billion people in it. You can lock the doors, you have the cash registers, but there’s no merchandise.”

—Josef Zankowicz,
VP of marketing and communications for Toronto-based GuestLogix

planes turn into flying WiFi hotspots. Air Canada tried and abandoned a messy satellite phone email service a few years ago.

Virgin America and JetBlue already have some planes with internet service, and American Airlines is starting to offer AirCell’s GoGo Internet on some of its flights. It uses a network of ground-based antennas, and should come to Canada and Mexico at some point.

JetBlue’s service is free, if you happen to hit the right plane. American’s will cost US\$12.95 per long-haul flight, and is presently on 15 aircraft. And yes, the hackers have already found a way to use it to make annoying voice calls from their computers. I could tell you how but then I’d have to kill you, so I’ll just say “Twitter” and “Phweet.”

Zankowicz predicts that onboard e-commerce will evolve as a kind of “walled garden,” where you are channeled to do business through certain vendors. That makes sense, if you want a flight attendant to hand you a printed voucher so you know for sure that you have

two on the aisle for that hit show.

But consider this. The International Civil Aviation Organization has announced that paper tickets have now been phased out worldwide. Yes, there’s an airline on an island off Africa which doesn’t have electricity and has to ship passenger lists to the mainland by boat. But odds are, you will never again see one of those expensive-to-handle red carbon documents again.

If we don’t need paper tickets, we probably don’t need physical theatre vouchers either. And, like every walled garden, except perhaps the one in China, people are always peeking over the wall to see if there’s a better deal.

Full onboard internet will mean full onboard shopping.

Just don’t leave your laptop unattended, or your seatmate might rent a Lamborghini while you’re in the bathroom.

(Tom Keenan is a professor at the University of Calgary and an expert on technology and its social implications. He can be reached at keenan@businessedge.ca)

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Feds take housing market precautions

The federal government has launched initiatives aimed at preventing Canada's housing market from becoming a United States-style bubble in which reckless mortgage financing practices led to a collapse of that country's inflated housing market.

Canada Mortgage and Housing Corp. (CMHC) and the Department of Finance recently announced they are taking action to increase the availability of mortgage funds and to make qualification criteria more restrictive than what it has been in the past couple of years.

The new initiative is an expanded Canada Mortgage Bond (CMB) program, administered by CMHC, with a 10-year maturity to attract new individual and corporate investors who are seeking assets beyond the current five-year term.

"In the past year, when mortgage lending institutions across many countries have faced liquidity and funding challenges, Canada's CMB program has provided cost-effective funding to Canadian mortgage lenders and a high-quality investment for investors," CMHC president Karen Kinsley said in a news release.

"Through this enhancement, the CMB program will continue to provide Canadians with access to affordable mortgage financing."

The CMB expansion announcement is in addition to the record \$12.5-billion CMB issue that occurred in June 2008, which provided funding for 25 financial institutions and some 64,000 Canadian mortgages.

CMHC, which fully guarantees CMBs, introduced the program in 2001 to benefit homebuyers and the housing industry by improving access to lower-cost mortgages and enhancing the availability of readily accessible cash in Canada's mortgage market.

The Finance Department recently announced new rules for government-guaranteed mortgages that are aimed at protecting and strengthening the country's housing market.

These measures include:

- Reducing the maximum amortization period for new government-backed mortgages to 35 years from 40 years. The government introduced the 40-year period in 2006 as a "financial innovation" to encourage more home buying.
- Requiring a minimum down payment of five per cent for new government-backed mortgages. The government previously had allowed loan-to-value ratio loans of up to 100 per cent as another "innovation."
- Establishing a consistent credit score requirement. "Canadian lenders have not originated many govern-

ment-backed mortgages for borrowers with low credit scores," a Finance Department background paper says.

"To ensure this practice continues, the new framework will establish a credit score floor of 620. There will also be a limited "basket" to provide for exceptions to this rule, recognizing that there are some borrowers with credit scores below 620 that

otherwise represent low credit risk."

- Introducing new loan documentation standards to ensure that there is evidence of reasonableness of the property value and of the borrower's sources and level of income.

The mortgage guarantee framework is to take effect on Oct. 15, 2008. This will allow existing mortgage pre-approvals with the common 90-day duration to be used or expire.

The move marks a "reasonable and measured approach" by the government to ensure Canada's housing market remains strong, the department said.

Later, in a speech, federal Finance Minister Jim Flaherty noted the fragility of the U.S. housing market and his government's desire to prevent Canada's real estate market from going down that road.

"The government has concerns about 40-year amortizations and very small down payments in residential housing," Flaherty told the Calgary Chamber of Commerce. "We, of course, want to avoid anything like (what) the Americans went through in their housing sector."

Flaherty said the adjustments to the loan-qualifying criteria are "a measured and responsible" approach to residential housing financing in Canada.

"They are modest changes but we do want to encourage Canadians to build up equity in their homes."

John Hrynkow of Edmonton, president of the Canadian Home Builders' Association, applauded the federal initiatives. He said the paring back of overly liberal financing terms – 40-year amortizations and less-than-thorough documentation – will enhance the market's financial soundness.

"You shouldn't be monkeying around with the actual free flow of the market," Hrynkow told *Business Edge*. "You're creating a false economy. That's exactly what transpired in the U.S."

Hrynkow said the expanded CMB program will also enhance the market's underlying stability. "That assures an availability of funds," he said. "It creates competition in the marketplace for interest rates."

Canada's government and financial leaders do Canadians a service by avoiding the excesses of the U.S.'s lat-

ter-day financial system, in which the traditional business cycle appears to have been replaced by a bubble cycle.

In a February 2008 cover story, *Harper's Magazine* noted that the U.S. economy seems to need to create a new bubble each time it must extricate itself from the consequences of the previous one, which begs the question: What's next?

Last month, the Washington, D.C.-based International Monetary Fund (IMF) said expected losses from U.S. sub-prime mortgages remain high and loan deterioration is becoming more widespread.

More ominously, the Pasadena, Calif.-based IndyMac Federal Bank collapsed recently under the weight of its deteriorating mortgage assets, becoming the third-largest bank failure in U.S. history.

And now the country's housing government-sponsored enterprises (GSEs) – Fannie Mae and Freddie Mac – are developing huge fault lines.

This is not good news, because out of the \$5 trillion in debt- and mortgage-backed securities guarantees issued by these GSEs, more than \$3 trillion is held by domestic financial institutions, including commercial banks, savings and loans, and credit unions. More than \$1.5 trillion is held by institutions and

central banks overseas.

In a July 28 Global Market Update, the IMF wrote: "At the moment, a bottom for the U.S. housing market is not visible."

In Canada, the market's prospects are rosier. In its *Housing Market Outlook* for the first quarter of 2008, CMHC says Multiple Listing Service average prices are expected to increase by 5.2 per cent nationally this year and a further 3.8 per cent in 2009.

New housing starts, meanwhile, are expected to decline by 7.3 per cent to 211,700 units this year, the report says. "Despite this fall-off, housing starts will have been above the 200,000 level seven straight years," it adds.

In a February 2008 assessment of Canada's financial system, the IMF says Canada has maintained prudent lending practices and kept the volume of sub-prime loans at a level of less than three per cent of outstanding mortgages.

"The Canadian financial sector is among the world's most highly developed," the IMF says. "The five large banking groups that form the core of the system are conservatively managed and highly profitable."

(Brock Ketcham is an Edmonton-based writer who specializes in consumer and public policy issues. He can be reached at brock@businessedge.ca)

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