



**Tech Futures:
December 1, 2000**

By [Michael Volker](#)

**Market Commentary, Nasdaq-Canada, BC Business Summit, IPO Watch, Capital Pool
Corps Update**

Market Commentary

My very learned market commentary this week goes as follows: The market sucks! In November the Nasdaq Composite Index fell by 23% to its lowest point (just under 2600) since mid-1999. I like the way one speaker put it at a financing forum this week: In March, investors were stupidly bullish and now they're stupidly bearish. Year-end tax loss selling, coupled with fairly lackluster Q1 earnings prognostications are unlikely to break the bearish spell for the time being. Companies like Lucent, who can't even seem to provide accurate accounting statements of their operations, don't do much to instill investor confidence, either.

So now let's talk about some companies instead. There are some great B.C. public companies which you and I can invest in. This may be bargain time. I wonder if the markets are bearish because those of us who'd like to buy are cash-poor having bought in at much higher levels?

Recently, BCtechnology.com published the T-Net 100 - a list of BC's top 100 technology firms ranked by annual sales (not market cap). The list includes both public and private companies. There are **48** (almost half!) public companies on the list and these are the ones we're going to take a look at in this column. Some companies, such as Westport Innovations, which are on the T-Net 20 list are not on this list because this list ranks companies by revenue. However, I'm not sure why Pivotal Corp, for example, is missing with its very healthy revenues of \$25 million in its 1999 fiscal year.

Here is the T-Net 100 list below showing *only* the public companies. You'll see the usual familiar ones, but maybe you'll spot some not-so-common ones that you might wish to check out. The "Rank" column shows the rank based on the original listing of all 100.

Rank	Company Name	Revenues (CDN)	Company Description
1.	360Networks	539,619,000	Int'l provider of broadband & network co-location services
2			Designs & supplies networking semiconductor

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	<u>PMC-Sierra</u>	390,000,000	solutions to equipment manufacturers
3.	<u>MacDonald Dettwiler and Associates</u>	297,983,000	Information systems & online information products
5.	<u>Creo Products Inc.</u>	267,450,000	World leader in solutions for the graphic arts industry
7.	<u>Sierra Systems Group Inc.</u>	119,080,000	Direction management & integration services for eBusinessworld solutions
9.	<u>Avcorp Industries</u>	90,000,000	Aerospace industry & advanced technology manufacturer
10.	<u>Aim Global Technologies</u>	77,872,000	Manufacturer of proprietary microelectronic solutions & hazardous air & gas monitoring products
11.	<u>MDSI Mobile Data Solutions Inc.</u>	77,400,000	Internet enabled service & workforce management solutions for service companies
13.	<u>Norsat International</u>	63,453,000	Broadband satellite & wireless communication
14.	<u>Epic Data International</u>	63,300,000	Electronic data capture & wireless technologies for enterprise applications and e-business collaboration
16.	<u>Pivotal Corporation</u>	52,800,000	Provider of XML-based demand chain network e-business solutions
17.	<u>Ballard Power Systems</u>	48,905,000	World leader in developing, manufacturing & marketing zero emission (PEM) fuel cells
19.	<u>Spectrum Signal Processing</u>	39,600,000	High-density, real time processing systems for wireline/ wireless communication & electronic sensor markets
21.	<u>Burntsand Inc.</u>	38,612,064	B2B e-business solutions integrator
			Product & services provider of integrated

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22.	<u>Glentel Inc.</u>	38,491,000	provider of integrated tele-communication solutions
23.	<u>Sierra Wireless</u>	35,600,000	Leading provider of wireless data communication hardware & software products
24.	<u>Silent Witness Enterprises</u>	34,045,000	Manufacturers & distributes closed circuit television security cameras & video monitoring systems for public and private transportation
25.	<u>Datawest Solutions Inc</u>	33,400,000	Innovative technology solutions for financial institutions
27.	<u>NTS Computer Systems</u>	29,123,000	Computer products for student use
28.	<u>QLT Inc.</u>	26,236,000	Oncology, ophthalmology, immune modulation cardiovascular disease
29.	<u>A.L.I. Technologies</u>	25,439,000	Develops & markets digital imaging network systems for medicine
34.	<u>Multiactive Software</u>	24,492,000	Developer of innovating e-business & front office solutions
39.	<u>DataWave Systems</u>	15,858,387	Point of sale activation technology & wireless communication for operation of electronic merchandisers
40.	<u>Mainframe Entertainment</u>	15,363,000	Computer- generated imagery of television
41.	<u>Brooks Automation Software</u>	15,017,356	Equipment control solutions for the semiconductor industry
43.	<u>Pacific Insight Electronics</u>	13,750,828	Electronic manufacturer in advanced vehicle technologies
47.	<u>Infowave Software</u>	11,185,874	Develops industry wireless business solutions
	<u>Integrated</u>		Patented process for imprinting, colouring &

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48.	<u>Integrated Paving Concepts</u>	10,357,150	sealing asphalt to replicate the appearance of hand laid brick or stone
49.	<u>Offshore Systems International</u>	10,357,150	Designs, develops & markets electronic chart navigation systems for ships
56.	<u>Gemcom Software</u>	7,196,782	Developer of software for the exploration and mining industry
57.	<u>Strategic Technologies</u>	6,994,440	Electronic Curfew monitoring & Global positioning systems
58.	<u>EXI Technologies</u>	5,740,000	A research, development & marketing company focused on wireless technologies such as RFID
63.	<u>Bridges.com</u>	4,616,177	Provider of online career planning resources to North American schools
64.	<u>dba Telecom Corporation</u>	4,500,000	Production & distribution of tele- communication hardware & software
65.	<u>Angiotech Pharmaceuticals</u>	4,500,000	Recormulation of paclitaxel for inflammatory diseases & device coatings
67.	<u>TIR Systems</u>	4,411,500	Manufacturers of hollow light guides & led related products
71.	<u>Stockhouse Media Corp.</u>	3,834,000	New media content, community & design services provider
77.	<u>ACD Systems International</u>	3,433,236	Developer of digital imaging & network communication software
78.	<u>FirstClass Systems</u>	3,393,103	Leading Canadian based full-service provider of e-learning solutions for corporate, government & individual clients
79.	<u>E.S.I. Environmental Sensors</u>	3,076,000	Award-winning designer & manufacturer of precision environmental instruments & sensors

82.	Stockgroup.com Media	2,844,500	A financial media & technology company
83.	Inflazyme Pharmaceuticals	2,803,178	Develops novel, small molecule therapies for the treatment of inflammatory diseases
85.	AnorMED	2,731,000	Discovery & development of small molecule therapeutics
86.	Con-Space Communications	2,633,726	Manufactures industrial grade voice communication equipment for personal working in hazardous environments
91.	Intrinsyc Software	2,250,978	Provides solutions that helps clients create, link & manage smart, internet-ready products & devices
92.	Avcan Systems	2,200,000	Data acquisition company that assists utilities to better manage their resources
96.	Absolute Software	1,600,000	Develops computrace which tracks & recovers lost or stolen computers
100.	Triant Technologies	1,350,000	Equipment health monitoring / advanced fault detection for semiconductor processing equipment

Nasdaq-Canada, eh?

Nasdaq has come to Canada - Quebec to be specific. This is a smart move. Not too many people understand the ramifications of this - including me. I think it's great for Canadian Tech companies. Nasdaq is the ultimate destination of all tech ventures. All aspire to eventually be listed on the Nasdaq or, failing that, to at least be acquired by a Nasdaq-listed company (and we've seen lots of lucrative deals along these lines lately!). Frankly, not many aspire to be on the TSE. In fact, many see it as a consolation prize to being on the Nasdaq. Nasdaq-Canada is great for Canadian tech firms because it makes this goal easier to attain.

The reason for Nasdaq's attractiveness, notwithstanding current market sentiments, is that it is *the* global marketplace for technology investors. The tough listing criteria give investors, especially the large institutional variety, a lot of confidence and hence huge trading volumes are the norm and offer a high degree of liquidity.

In the past couple of years, we've seen companies like **Sierra Wireless** (TSE:SW) start off on the

TSE and then add itself to Nasdaq. Others like **Pivotal Corp** (Nasdaq:PVTL) started on Nasdaq and then listed on the TSE while others like **Creo Products** (TSE:CRE, Nasdaq:CREO) started off on both the TSE and Nasdaq.

What Nasdaq-Canada appears to present as a benefit is an easier entry to this esteemed marketplace. Canadian companies need not register or file with U.S. securities regulators simply to be listed on Nasdaq-Canada (of course, they need to do this if they are offering new treasury shares, such as an IPO, to American investors). Once listed, anyone anywhere can trade in these securities.

Take a look at the Nasdaq-Canada website at www.nasdaq-canada.com. Check the three selections in the upper left corner of your screen. One of them, labeled "Flash Quotes", gives you a handy list of *all* 146 companies listed on Nasdaq Canada. I was surprised at how many TSE companies appeared on this list. Now, if you click on the next selection, labeled, "Volume Comparisons", you'll get a list of inter-listed companies, i.e. those which trade on both the TSE and Nasdaq-Canada. There are 87 firms on this list. It looks like a number of previous TSE-only companies were quickly accepted into the new Nasdaq-Canada club. This list even compares trading volumes of the two exchanges giving investors a better idea as to which exchange offers the greater liquidity. I suspect that in those cases where Toronto volumes for a given stock are higher than the Nasdaq volumes, it is because those stocks have historically traded on the TSE and that is where investors look them up. We'll see how this evolves over time.

Nasdaq Canada also created the **Nasdaq Canada Index** (symbol:CND), which tracks the market performance of Canadian-listed Nasdaq stocks. Index calculation and cumulative volume for all index components will be updated in real time throughout the trading day. Prices for company shares will be delayed 15 minutes. CND is a market value weighted index and is displayed on the new www.nasdaq-canada.com Web site. In addition to the index value, prices and volume information, this Web site provides share volume comparisons for dually listed Nasdaq and Toronto Stock Exchange stocks and offers extensive corporate information as well.

The CND started life at a value of 1000 (arbitrarily set by Nasdaq-Canada). In just over a week, by the end of November, it dropped to 842. Not a great start!

Right now, Nasdaq-Canada is just a grouping of Canadian stocks listed on the main Nasdaq. But in a second phase, set for sometime next year, Nasdaq intends to allow Canadian companies to list exclusively on a Canadian version of Nasdaq. A third phase will link markets in the Americas with others in Europe and Asia.

Of the 146 Canadian companies listed on Nasdaq in the United States, there are 42 which do not have a listing on any Canadian exchange. In the first nine months of 2000, Nasdaq's Canadian issues generated, on the average trading day, a volume worth \$3.13 billion, according to the exchange.

High-tech component maker **JDS Uniphase** (TSE:JDU, NasdaqNM:JDSU) is the largest Canadian company listed on Nasdaq, with a market capitalization of \$63.6 billion as of last week, followed by Vancouver's network services provider **360networks** (TSE:TSX.TO, NasdaqNM:TSIX) at \$11.5 billion, and Vancouver's fuel-cell maker **Ballard Power Systems** (TSE:BLD.TO, NasdaqNM:BLDP) at \$7.5 billion. **Nortel**, Canada's most valuable company, is not Nasdaq listed. You might wonder why **PMC-Sierra** (NasdaqNM:PMCS), B.C.'s most valuable company at U\$16 billion is not on the list. This is because technically PMCS is not a Canadian issuer, having evolved as a reverse-takeover of sorts of an originally all-American company, Sierra Semiconductor. It should

really be in this list - let's get more profile for Canadian success stories, eh?

The Canadian Venture Exchange (CDNX), now one year old (almost to the day - Nov 29th was its first birthday), has often been referred to as Nasdaq-North, or at least a "junior Nasdaq". Because both exchanges are keen on attracting technology companies, it makes imminent sense that small emerging companies start off on the CDNX, with its easier-to-list criteria and then graduate on to the Nasdaq as they grow and mature. Indeed, the CDNX states that one of its goals is to grow companies and a measure of its success is seeing these companies graduate to the Nasdaq.

It would make sense that the folks at Nasdaq and CDNX work closely together to serve the needs of the tech sector. After all, they do not purport to compete with each other.

Here's an idea for the CDNX - how about opening an office in San Jose? The CDNX is busy opening an Eastern office, e.g. Toronto - and this is good - but think about the implications of CDNX-Silicon Valley! Wouldn't that make the CDNX a global junior market! And that will go a long way towards addressing the liquidity woes of junior firms.

The arrival of Nasdaq in Montreal is a coup for the Quebec government, since the largely French-speaking province lost its only equities market when the Canadian stock exchanges reorganized their activities last year. The Montreal Exchange now handles futures, while Toronto has senior equities.

Wouldn't it have been neat if B.C. had attracted Nasdaq-Canada to Vancouver? Maybe the "Scam Capital of the World" tag, which still plagues Vancouver, would finally dissipate!

BC Business Summit

Two weekends ago, I attended the **BC Business Summit** (www.bcbusiness-summit.com). This was a follow-up to the first summit conference held in Vancouver two years ago. The meeting was kicked off with an invigorating speech by Mary Harney, Ireland's Deputy Prime Minister who talked about Ireland's transformation into a hotbed for technology companies.

There are lessons to be learned from Ireland's experience. Ireland, with a population of only 3.7 million, similar to B.C.'s, attributes much of its success not just to lower taxes and tax incentives to lure businesses, but mainly to a number of 3-year pacts among business, government and labor - something we could take a few lessons from!

Although the conference extolled a grand vision for the BC economy with explicitly stated milestones, it fell short from coming up with any specific strategies. In listening to speakers representing various sectors of the economy - not just high tech - what struck me was the similarities among all the sectors, e.g. all were optimistic about their industry, all had difficulty in recruiting the right people and all expressed a need for greater investment to stimulate their growth.

It is in the investment area in which I felt that the conference could have come up with some innovative proposals ("cut taxes" is not innovative), such as giving investors an up-front write-down in new investments, i.e. treat an investment like an expenditure. For example, if I invest \$100K, I would be able to write-off this amount from my income. The \$100K would largely go to someone else's salary who will pay the tax on it (hence no major drop in tax revenues). My cost base is adjusted to zero and when I sell my investment, I pay tax on the full amount of the gain. I get a deferral and an incentive, a company gets investment capital, and the government still

gets the same tax revenue. What do you think of that idea?

I've always worried about being too negative and whining too much about economic woes. After a while, it becomes a self-fulfilling prophecy - just like what seems to be happening in the markets these days! It's much better to figure out how to garner the Harney-style collaboration among our different stakeholders.

IPO Watch

In these crummy market conditions, IPOs are not hot and we're seeing that in B.C. I've not spotted any new IPOs which haven't been mentioned here before.

However, here's an interesting new offering in the works. This isn't exactly an IPO in the strict sense of the word, but it is a new prospectus offering - not by a company, but by the CDNX itself. It's an ETIF - i.e. an Exchange Traded Index Fund.

This big guys (e.g. TSE and Nasdaq) already do this with products like the i60's for the TSE and the QQQ's on Nasdaq. This allows investors to effectively trade an index of the exchange. So, when you hear that the CDNX is up 50 points, it'll have real meaning because you can invest in "the market". Recently, the CDNX said that it will soon choose a company to create a new exchange index and provide index participation units to track the junior market's performance.

This will certainly draw more investors to the CDNX's micro-cap stocks with the new participation units. Trading in the units could begin in the first quarter of 2001.

As I mentioned in my last column, all markets are down except for the Canadian markets. At the end of October, the CDNX was still up around 40% from the start of the year. That makes it the best performer in North America, according to an exchange spokeswoman.

You can bet that Nasdaq-Canada won't waste any time in getting its new CND (Nasdaq-Canada Index) set up as an ETIF!

With respect to previously mentioned IPOs in the works, here's a refresher. None report any progress towards getting their IPOs done. I suspect that there will either be some delays or perhaps some re-pricings.

Kinetek Pharmaceuticals Inc., a UBC spin-off, is trying to complete its IPO offering on the TSE to raise \$25 million for drug research by mid-December. It's prospectus was receipted on October 19th. Kinetek was formed in 1992 by Professor Steven Pelech to develop new drugs to treat cancer, inflammation and metabolic diseases and anti-diabetic compounds. Goepel McDermid in Vancouver is the lead underwriter for the offering. The shares were to be offered in the \$6.50 range, but that may change. QLT's cofounder Julia Levy sits on the board. Investors WOF, Royal Bank Ventures Inc., and Ventures West hold a combined 35% interest in the company.

Sourcesmith Industries Inc. is a North Vancouver software technology company that is proposing to raise \$1,000,000 through an IPO on the CDNX. This offering is limited to BC and Alberta. The company, based in North Vancouver, is six years old and has some revenues - about \$500K (annual). The company recently (Nov 2) updated its prospectus to show the final offering terms, i.e. 2,000,000 shares at \$.50 per share. Haywood Securities Inc is acting as the agent for Sourcesmith. There's no news as to the debut of this one.

WaveCom Electronics Inc. is a Victoria, BC company which designs broadband transmission equipment for data over cable and fixed broadband wireless networks. It seeks to raise approximately \$75 million at \$13-\$15 per common share. Pricing should be, if not already done, finalized any time now with a closing expected in the last week of November. The most recently updated prospectus is dated October 20th. The company has a 12-year history of sales and profits. In its most recent fiscal period (June 2000), sales were almost \$22 million with a \$4.5 million net income - after tax! If you're keen on this one, contact one of their underwriting agents - Goepel McDermid, Yorkton Securities, TD Securities, or CIBC World Markets.

Beanstream Internet Commerce Inc's filed a preliminary prospectus on September 11th to raise \$1.575 million by selling \$1.75 million shares at \$0.90 per share to BC investors only. Haywood Securities is acting as the agent.

In the education department, here's a question for you: "Is an IPO the only way in which a company can do an initial offering of its shares to the public?" No, there's also something called a DPO - "direct public offering". This is the practice of selling shares of an IPO directly to the public without using an underwriter. This approach is often used by companies that have struggled to raise capital through conventional channels and/or companies conducting small offerings in which traditional underwriting fees would be prohibitive. For obvious reasons, DPOs usually don't fare as well as IPOs.

You can get a full prospectus on any Canadian IPO offering (or any Canadian public issuer for that matter) on the Sedar website at <http://www.sedar.com>.

Capital Pool Corporation (CPC) Update

In this column, I keep track of Capital Pool Corporation ("CPC") companies (see chart below) as defined by the CDNX because they may provide funding and management to, and in the process acquire, technology companies. CPC's are the continuation of the former VCP and JCP programs on the Vancouver and Alberta Stock Exchanges.

I like CPCs from an investment perspective. Although one may regard them as speculative (indeed, they are), they are also an inexpensive way of getting in early and inexpensively. You can pick up 10,000 shares of a typical CPC for pennies.

The good news for private tech companies is that there are 212 CPCs that have listed on the CDNX. Of these, only 23 have consummated their qualifying transactions. This leaves quite a number looking for appropriate targets! So, you high tech entrepreneurs - go after them!

There are quite a few updates to the list in the past month. Recent additions to the list are **Alouettes 1974 Capital Inc, Aspire Capital Inc, Chinacom Technologies Inc., Cross Border Capital Inc, Dunsmuir Ventures Ltd, ebisdot.com inc., EPS Capital Corp, Gateway Enterprises Inc., International Shasta Corp, King Capital Corp, Mayfair Capital Corp., Neptune Capital Corp, RareMethod Capital Inc, TechCDN Capital Corp., Trioptimum Capital Corp, VTEC Capital Corp, and Wireless Capital Corp.**

These all stem from Alberta except for the following companies from B.C.: Chinacom Technologies, Dunsmuir Ventures, Gateway Enterprises, Mayfair Capital, TechCDN Capital, Trioptimum Capital, and VTEC Capital. Another one, ebisdot.com, is from Ontario.

Since the previous update, the following companies have started trading: ADR Global Enterprises Ltd., Almont Capital Corp., Chinacom Technologies Inc., Corra Capital Corp., Crossroad Ventures Inc., Driver Energy Services Inc., Envirotrain Capital Corp., First Venture Capital Corporation, H.A.L. Concepts Ltd., Integrated Enviro-Capital Inc., Longbow Energy Corp., Nucleus BioScience Inc., QIS Ventures Inc., and Searchlight Venture Corp.

Check our [Capital Pool Corporation chart](#) (in .pdf format) for a complete updated list of the CDNX's CPC and VCP companies, thanks to **David Ing of Pacific International Securities**

An introductory article explaining CPCs may be found at <http://www.bctechnology.com/statics/mvolker-jun0200.html>.

Footnotes

The [Vancouver Enterprise Forum](#)'s November 28th event was titled "Mobile Commerce: Emerging Wireless Technologies and Companies". The moderator was Norman Toms of **Sierra Wireless** (TSE:SW). Norman made a general presentation on the state of wireless technology and pervasive computing, where the technology is going and which companies are taking us there. Panelists for this session included Barry Jinks, President & CEO, **SynchroPoint Wireless, Inc.**, Juliana Cafik, President & CEO, **Soft Tracks Enterprises**, Karim Khoja, Chairman & CEO, **EXI Wireless Inc** (CDNX:EXI). It was MC'd by Pyarali Jamal, VP Corporate Finance, **Ernst & Young**. Of these companies, EXI Wireless is the only pubco - and it's worth taking a look at! Check the VEF website for copies of these presentations.

For a convenient printable, pdf version of this column, [click here](#).

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Tech Futures is a bi-weekly column that focuses attention on new and emerging BC publicly listed technology companies.

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