



Tech Futures:
May 18, 2001

By [Michael Volker](#)

AGM Time, New Promise for BC, Canadian Outlook, Capital Pool Corps Update and Events Update

AGM Time

It's that time of year again when many corporation are holding their AGMs - i.e. Annual General Meetings. Many companies have fiscal year ends in December and this means that annual meetings are usually held in the late Spring with May being a popular month. First quarter reports for periods ending in March are also due in May.

For example, this week **360networks Inc.** (TSE:TSX) held its AGM in Vancouver. Chief executive officer **Greg Maffei** said that he foresees no quick improvement in the market for broadband services that have prompted the company to cut back on its aggressive global fibre-optics network plans.

He told a full house that "We exist in an environment where capital is very tight, and where prices continue to drop each day and each year." His stock also reflects these price drops falling from a high of \$35.90 last September to a low of \$1.86. Currently the stock is still trading below \$2.

These AGMs are a great opportunity for investors to get out and grill management. Unlike what we saw in the BC political election this week, it is not as easy to oust a board from a company - if we are unhappy with the results. In politics we each get an equal vote but in business we get votes based on our relative stock positions. Occasionally, we hear of dissident shareholder groups seeking to get control of a company by soliciting shareholder votes (or proxies), but this is a difficult job because it is virtually impossible to find out who the shareholders of a company are.

As a shareholder of a company, you can walk into the offices of the firm's transfer agent (i.e. the trust company which keeps track of all issued shares and who owns them) and ask for a list. However, since many of us hold shares in brokerage accounts, these are registered in "street" form, i.e. in the name of a brokerage firm, trust company, or depository.

When companies want to send information to shareholders, such as annual reports or AGM notices, they do so by disseminating the information to shareholders via the transfer agent and the registered holders who in turn pass the information on to the beneficial holders (unless the beneficial holders have advised their brokers *not* to pass this information along). This is why shareholders are often not well informed. It is virtually impossible for someone other than the company itself to send material to a shareholder list in this way (proxy fights are waged by using expensive media advertisements).

For most companies, AGMs are very poorly attended - both in person by shareholders as well as

Tech Futures

shareholders voting by proxy. Depending on a company's incorporation documents, a very small percentage (could be as low as 10%) of votes could constitute a quorum and the majority of those votes cast will effect certain decisions. I once attended the AGM for a small CDNX listed company and, to my surprise, found that almost all of the main shareholders failed to attend or vote by proxy. Believe it or not, I actually could have single-handedly disbanded the Board, appointed myself, and taken control of this company. I knew some of the people involved and, just for fun, I sent them a little notice that I voted them out. I don't think they missed any more meetings after that. They also haven't talked to me since. With 20-20 hindsight, and based on what the company has been doing, maybe I should have done so after all!

Unlike the political system, where our voices are heard (as we saw this week), in companies it makes little sense for teeny shareholders to squawk too much (other than have some fun at an AGM). What we can do, though, is decide whether or not to maintain a holding in a particular company. I've been to many AGMs (or at least have read the Annual Report) after which I decided to liquidate a position.

With respect to obtaining information, i.e. annual or quarterly reports from a company, there are many convenient websites on which these are available. In addition to **SEDAR** (www.sedar.com) - the "official" Canadian repository, a few other sources are worth mentioning.

The **Canadian Venture Exchange** (CDNX) and **World Investor Link Inc** (www.worldinvestorlink.com) recently signed an agreement that provides *The Annual Reports Service* to investors and listed companies from the CDNX Web site.

Companies who participate can be recognized in the CDNX stock pages section of **The Globe and Mail** by a little cloverleaf symbol next to the stock price. Investors can call a toll-free number or go to the CDNX website at www.cdnx.com to obtain that company's corporate and financial information.

Many sites also offer live CEO conference calls as another way to keep informed. **Q1234.com** is a service which is trying to establish itself as a timely disclosure provider. Another firm, **MPL Communications Inc.** (CDNX:MPZ), which is itself a pubco on the CDNX trading at only \$.15, calls itself the largest online provider of investment advisory services in Canada. In addition to delivering each of its publications to subscribers electronically, its website, **adviceforinvestors.com**, offers in-depth information and advice on Canadian companies (and key U.S. stocks) as well as an online portfolio manager. Of course, stalwart **quote.yahoo.com** is recognized by many as a superb resource for corporate information - especially for American firms.

How do you find out about upcoming AGMs? It isn't easy to get a list of upcoming meetings. (Please let me know if you know of any.) Company executives don't often look forward to AGMs. How do you face shareholders when their stock, which they bought last year at \$40, is only trading at \$2 today? Small emerging companies are content to have their meeting attended by only a hand-full of die-hards in the company's lawyer's office.

It is easy, though, to find out if a particular company meeting is coming up. The best way is to go to your favorite site for information and check press releases and other filings. By checking the most recent annual report, you can also determine the month (usually the 5th or 6th month after fiscal year end) for the AGM by checking the date on the balance sheet in the last annual report.

With respect to prominent upcoming meetings, the **Working Opportunity Fund** will hold its AGM on June 28th. I had to call them to get this information as it wasn't readily available on their

website. **QLT Inc** and **Ballard Power** just recently held their AGMs so you'll have to wait until next year. But, give it a shot - go to a meeting or two. It might be fun.

New Promise for BC

This week, British Columbians voted. For many, this was a long awaited breath of fresh air.

Businesspersons' biggest gripe has been taxation. Taxes on businesses and individuals were identified during BC Business Summit '98 and BC Business Summit 2000 as a major factor in BC's crummy economic performance over the past 10 years.

The election result holds new promise for British Columbians. I should really say "promises" because there are many of them. Gordon Campbell is on record as promising to cut personal taxes for the bottom two tax brackets within 90 days of taking office. Furthermore, he has promised that BC will have the lowest tax rates in the country, by the end of his first term.

BC's top personal marginal tax rate is presently double Alberta's rate (19.7% compared to 10%). A reduction to this top rate is what it's going to take in order to attract (and keep) professionals in BC.

BC's small business threshold, currently at only \$200,000, is lower than Alberta, Saskatchewan, Manitoba, New Brunswick, and Ontario where the threshold has been raised to \$300,000. Alberta and Ontario have both said that they will be raising the small business threshold to \$400,000 by 2004 and 2005 respectively.

Larger businesses also face a competitive disadvantage in BC. BC's general corporate income tax rate is one of the highest in Canada at 16.5%. Both Alberta and Ontario are reducing their rate to 8% by 2004 and 2005.

Also, BC's corporate capital tax and sales tax on machinery and equipment have been identified by business as impediments to investment in the province. Companies in Alberta do not pay either of these taxes, which makes it harder for BC to attract new businesses.

Our new government has pledged "to phase out taxes on investment and productivity to stimulate economic growth and job creation, in keeping with our commitment to balance the budget and protect health care and education funding".

It may look good to introduce cuts on income earners below \$60,000 but there are many reasons to cut taxes for higher income earners and business because it is more likely to raise total tax revenues through economic stimulation.

What about investors? Well, we get a pay-off when we liquidate a holding due to last year's reduction in capital gains taxes. In BC, we only pay 25%. But, Albertans only pay 19%! In order to kick start our local economy, we need to provide investors - especially the Angel variety - with some encouragement today - not years from now when they cash in. One way would be to both simplify and bolster the **Venture Capital Corp (VCC)** program which, like the labor-sponsored **Working Opportunity Fund**, would give investors a 30% up-front credit. Another approach would be to allow investors to take an up-front income write down (or at least treat it like a capital write down) which would be recaptured later when the investment comes to fruition. We need investors now!

Canadian Outlook

It's nice to wake up in the morning and read some good news for a change. That's what happened to me today when I read Paul Martin's numbers this morning.

The highlights are:

- \$15 Bn surplus to reduce national debt
- GDP growth for 2001: 2.4%
- GDP growth for 2001: 3.4%
- Tax cuts: \$100 Bn
- Inflation control target: 2%
- Debt interest savings: \$2 Bn
- Debt to GDP ratio 53%

The \$15 Bn surplus is \$5 Bn higher than expected. Could this be proof that tax reductions lead to increased tax revenues - something industry leaders have been saying for years?

In his address, Martin announced that the federal government and the **Bank of Canada** have come to an agreement to continue the central bank's 1 to 3 per cent target on interest rates for another five years. That's encouraging. Fed watchers in the US are still hoping for a federal funds rate in the 3-4% range which should also be good for our North American economy. This week the Fed reduced the rate to 4%. The Bank of Canada rate is presently at 5% and may follow suit with a reduction to 4.5% which in turn will give us a prime rate of 6%.

The complete economic update is available at the [Finance Departments web site](#).

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. They provide companies with an alternative to traditional venture capital financing. CPCs are the continuation of the former VCP and JCP programs on the Vancouver (VSE) and Alberta Stock Exchanges.

Some observers believe that the CPC program may be a victim of the TSE takeover and will be disbanded. I personally believe that unless some sweeping changes are made in the administration of this program, they won't survive regardless of what the CDNX's new owners think about the concept. It just takes too long to get a deal done. Let's face it, these are nickel and dime deals and don't need to be vetted to death by regulators.

Since the program was launched on the VSE, more than 250 CPCs have been formed and more than 30 have completed their so-called Qualifying Transactions (QT). It takes at least a year - usually longer - for a CPC to find a suitable takeover candidate and another six months to a year for a deal to be finalized. One way to expedite the process is to eliminate the need for a special shareholders meeting to approve the deals - leave it up to the CPC boards.

Check our [Capital Pool Corporation chart](#) (in .pdf format) for a complete 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>.

Local Happenings

Next week's **Vancouver Enterprise Forum** event will be held on Tuesday, May 22nd. The topic is: *CEO War Stories, The Good, The Bad and The Ugly*. This event will take attendees inside the boardroom as local CEOs tell their war stories ~ the good, the bad and the ugly. You'll hear CEO stories on turmoil, turnarounds and triumphs from three veterans of the B.C. high-tech community. These include **Chris Piche** of **Eyeball Networks**, **Iain Black**, President & CEO of **Electric Mail** (CDNX:ELE,\$0.39), and **Robert Craig**, former President & CEO of **Stratford Internet**. They'll provide valuable insight and anecdotes on how they've addressed some of their greatest challenges and turned potential failure into success. Each CEO has been in a position where a single decision would have significant consequences to the future of their company and, indeed, their personal careers. The CEOs will discuss the events that brought them to the brink of disaster, and the actions they implemented to bring them back onto the playing field. The organizer of this event is **Glen Scobie** of the **BC Ministry of Employment & Investment**

Next month, the Vancouver Enterprise Forum will be holding its end-of season annual dinner wrap-up event. This will take place on June 19th.

The **BC TIA Annual Awards Gala** honoring the industry's best and brightest will take place on June 13th. Join in the party and discover which companies have the best chance of emerging as BC's next Pivotal Corporation or PMC-Sierra. In past years, CEOs have used this venue to voice their displeasure with BC's government. We won't be hearing that again!

For a complete calendar on technology events, check [T-Net's Events page](#).

Got a hot idea? Check out **New Ventures BC**. The New Ventures BC Competition is an annual event open to all BC residents, with prizes totaling \$125,000 - which is believed to be the largest of its kind in North America. Individuals with a new business idea can attend seminars and networking information sessions that will give them the chance to turn their idea into a successful startup. A number of these are scheduled to take place during the month of May. Check www.newventuresbc.com for details.

SFU's **TIME Centre** is open for business - business folks, that is. TIME is an acronym for Technology, Innovation, Management, and Entrepreneurship. TIME supports the growth and development of the tech industry in B.C. TIME features a "BusinessCentre" (looks like an airport business lounge) which is open to technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown Harbour Centre campus at 515 West Hastings St. More information can be found at www.sfu.ca/time. PS - there are some great facilities for holding your company's AGM.

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

Michael Volker is the Director of the University/Industry [Liaison Office](#) at Simon Fraser University,

Tech Futures

past Chairman of the [Vancouver Enterprise Forum](#), and a technology entrepreneur. He owns shares in many of the companies he writes about. Copyright, 2001.

[What Do You Think? Talk Back To Mike Volker](#)

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

Contact: risktaker@volker.org

[Tech Futures Archive](#)

[T-Net 20 High Tech Stock Index](#)
