



Tech Futures:
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By [Michael Volker](#)

Picking Winners, Capital Pool Corps Update, and Coming Events

Picking Winners

This past week has been a very interesting and refreshing one for me. I've participated in several events with a common theme: Entrepreneurship.

It started last Thursday with **NewVenturesBC** and ended last night with the **Ernst & Young Entrepreneur of the Year Gala**. In between, I attended the **Investment Forum's** "Venture All-Stars" gathering on Safeco Field in Seattle, which for the first time, featured not only Seattle's HOT 25 companies, but also Vancouver's HOT 5. On the following day, the **Vancouver Enterprise Forum's** angel network has held its first meeting of the season and later the same day, the **BC Advanced Systems Institute** celebrated its first 15 years attended by dozens of tech entrepreneurs.

In these "gloomy" times, it's so wonderfully uplifting to see so much action on the entrepreneurial front. Isn't it time we stopped crying in our soup and got on with business? Well, that's what these events were all about. (The only problem is that it's hard to get any work done with all these events taking place!)

I've spent my entire business career, starting with my own University of Waterloo spin-off company back in the early 70's (gosh, it doesn't seem *that* long ago), working with start-up business ventures. I've watched the progress of literally hundreds of companies as they evolved into successful enterprises or, in the worst case, end up being valuable and sometimes expensive learning experiences for the founders and backers.

You'd think that with this rich lifetime exposure to so many diverse business ventures, I've been able to draw a few conclusions. And, indeed I have. We all have our definitions of entrepreneurship and our theories about what it takes to build a successful company. Here's my take on it.

How can you identify those that are going to do well? My most favorite example is Waterloo's well-known **Research In Motion** (TSE:RIM). Back in 1987, when I lived in Waterloo, I visited RIM, a fresh young venture struggling to meet its modest payroll. I agreed to invest \$30K (and some time) for a 15% equity stake. Today, the company is well known for its cute little Blackberry (TM) wireless email product. Back then, the company was doing something entirely different - it was developing shop floor automation systems and later developed a film editing product. Both are far cries from its business today.

So why was I keen on getting involved in this company that no one else was interested in? There was "something" about the entrepreneur, **Mike Lazaridis**, that told me he'd be successful. At one point, his stake in the company was worth over \$1 billion (mine would've been about half that). To my chagrin, I moved to B.C. in '88 to head up the B.C. Advanced Systems Institute and severed my connection to RIM. At the time, the company got a small contract from GM enabling it to meet payroll and it could survive on its own for the time being - without any investment from me. You can imagine my surprise when, many years later, I heard about it again when it surfaced with its IPO on the TSE. Although it was the fish that got away, I pride myself in having been able to identify

it as a winner way back then.

I'm certain that if RIM was just getting started today, it would be perceived no differently than the many companies that make the rounds in pursuit of investors and mentors. I often wonder when I see a company presentation if this is another RIM in the making. My conclusion is that the "something" I referred to above is a subtlety which is very difficult to identify. Sometimes it appears to be there only to evaporate under adverse conditions. And that's the crux of the matter: it often takes a challenge and some adversity before you really know if it's there or not.

So what is "it"? Articulating it isn't easy. Tenacity, perspicacity and commitment are characteristics which are frequently cited entrepreneurial habits. A strong work ethic, intelligence, and leadership are good entrepreneurial assets, too. "It" is more than these.

I often hear students say: "I want to be an entrepreneur. Is this something I can learn or do I have to be born with it?". Here in B.C., there are many initiatives (e.g. NewVenturesBC, AceTech) emanating from many sources which offer boot-camp style courses to teach business skills. These are all helpful. But even bright people who have absorbed all this knowledge, foster good habits and work hard often see their companies tank.

Sometimes those that have "failed" bounce back and score big on a second or third try. Does that mean that they didn't have "it" at first and have somehow acquired "it" after their euphemistically-called learning experience? Or, was "it" always there and their apparent "failure" just a part of their own personal development? I've seen many successful first-time entrepreneurs (very attractive to investors) stumble in their second shot at glory. When do you - as an investor - jump in? On the first one? Or the second?

What about companies that have had several entrepreneurs? What's the difference between a startup or small business entrepreneur versus a corporate builder who takes a small cap company and transforms it into a large cap one (how about one that can successfully downsize a large company - as we're seeing in these times - and see it survive a downturn?). Again, in which ones and when) do we invest?

I've come to the conclusion that neither I, nor anyone else, can tell you what "it" is. What I can tell you is that "it" is "knowing". There are some so-called entrepreneurs that I meet and I just "know" that they'll do well. There are many that I'm just not sure about but there are those rare few that I just "know" will do well - perhaps not with their first business plan, or maybe not even their second. But, succeed they will. You can only know this if the entrepreneur knows it, too. Some think it, but few know it.

For me, I know it when I can identify within the entrepreneur (perhaps this is the part that is innate - not learned) the conviction that, short of death, nothing can be used as an excuse for not achieving one's goals. As soon as the CEO-entrepreneur says things like "we missed our target because our suppliers let us down", "we didn't get the capital we needed", "I couldn't find the right people", or recently, "the WTC tragedy is to blame for our problems", then I know for sure that this is not an entrepreneur that I'd invest in. They just don't have "it".

That's it for Mike's theory. Now let's look at some of the local good news that's got me excited.

First of all, getting back to the NewVenturesBC announcement, here's the headline:

AIR GAMES WIRELESS INC. WINS GRAND PRIZE IN FIRST ANNUAL NEW VENTURES BC COMPETITION - Exceptional ideas and depth of leadership make judges decision difficult; all participants winners as more than \$125,000 in cash and prizes awarded. Here's an extract from the news release:

"The competition was intense and the quality of ideas exceptional at the first annual New Ventures BC Venture Competition. From an original field of more than 170 entries, New Ventures BC is

pleased to announce that the \$50,000 **Bank of Montreal** Grand Prize Package has been awarded to the Air Games Wireless Inc. team of Vancouver. Three Second Place prize packages valued at \$15,000 each were awarded to **Fundamental Designs Inc.** of Port Coquitlam, **Clearigo Inc.** of Vancouver, and **WearAir Oxygen Inc.** of Kelowna."

"More than \$125,000 in cash and prizes was awarded to participants throughout the four stages of the competition, making it what is believed to be North America's largest Venture Plan competition."

"Grand prize winner Air Games Wireless, a Vancouver-based wireless entertainment software and services provider, was founded in early 2000 by three Simon Fraser University Engineering students. In addition to designing and publishing creative wireless entertainment content, Air Games has developed a proprietary Cloud-9 wireless content deployment platform, which facilitates rapid wireless content deployment, integration, and administration. To date, the company has licensed its platform and products to leading telecom companies in North America and Europe."

Going back to my theory, I've met these guys and I just know that **Fred Ghahramani** will be successful because he "knows" it.

AirGames, along with four other B.C. companies - **Xantrex Technology Inc.**, **fSONA Communications Corp.**, **WestBay Semiconductor Inc.**, and **NeroMed Technologies Inc.** were recognized at Seattle's **Investment Forum** this past Monday as the HOT FIVE from Vancouver. See www.theventuremap.com for more details.

Last night, **Ernst & Young** recognized 12 B.C. entrepreneurs in 8 categories at the 8th Annual Entrepreneur of the Awards Gala. You can read all about this in **BC Business Magazine**, but here's the list:

Peter Brown, Canaccord Capital Corporation

Bill Hunter, Angiotech Pharmaceuticals (TSE:ANP)

Douglas Manning, Bridges.com

Scott Morison & Richard Jaffray, Cactus Club Restaurants

Ron Somers, C. Esther De Wolde & Wayne Nelson, Phantom Screens

Norm Francis, Pivotal Corporation (NASDAQ:PVTL)

Jeff Westeinde & Doug Wynn, Quantum Environmental Group

Ian Wilkinson, Radical Entertainment

Joe Segal, Lifetime Achievement Award

Of these, Peter Brown was chosen as the overall winner - BC's Entrepreneur of the Year. For more info, visit www.eoy.ca.

As you can see, there's a nice blend of tech and non-tech businesses represented here. Later this month (Oct 29th), the **Science Council of B.C.** will be holding its annual awards banquet at which it will be honoring various achievers. Although not necessarily entrepreneurial in the business sense, I believe that many of the Science Council's award winners are also true entrepreneurs (who says entrepreneurship just means making money?) in terms of the value they have created for society and my conviction that they, too, "know" that they control their destinies.

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.

Since the program was launched in B.C., 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.

The new additions to the list are **Appulse Corporation, Fiberoptic One Inc., Greystone Research Corp., Javelin Capital Corp., New Market Ventures Inc., and Soficap Acquisitions Inc.**

Appulse and Greystone are from Alberta. Fiberoptic One and Soficap are from Quebec. Javelin and New Market are from B.C.

Since the previous update, the following companies have come to trade: **Nova Canada Enterprises Ltd.** and **Stepstone Enterprises Ltd.**

Since the previous update, the following companies have been removed from the list because they have completed their QT's: **FiberQuest Networks Corp., Goose River Capital Inc., Modus Energy Industries Ltd., QDM Ventures Ltd., QIS Ventures Inc.** and **Semco Technologies Inc.**

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**. This list is updated on a monthly basis. The Chart is now current to September 28, 2001.

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

Coming Up

At its Fall kick-off session, the **Vancouver Enterprise Forum** featured early stage venture financing. The speakers - three entrepreneurs, two of which have become angel investors, presented their views on the local startup investment climate. I had the privilege of grilling them a little. The importance of, and the how-to's of, finding an angel was clearly articulated. These presentations can be found at www.vef.org. The next event will be held on Oct 23rd and the topic will be the Fuel Cell Industry and business opportunities therein. The following companies will make presentations: **Cellex, QuestAir, and GreenLight**.

In early November (Nov 4-6), the Softworld 2001 conference will take place in Vancouver. This is the best place for Software execs to meet potential partners drawn from business executives from all over the world including leading companies like **Cisco, Sun, Adobe, BSQUARE, Electronic Arts, Macromedia, Intel** and **Nortel**. They are coming to listen to, and learn from, the partnering war stories, best practices and elevator pitches. And they are coming to do business. Register now for Softworld 2001 at: <http://www.softworld.org/cfm/regpro.cfm>.

And, as mentioned above, the Science Council of B.C. will hold its annual awards banquet on October 29th. See www.scbc.org for info. This event is usually a total sell-out.

A complete calendar of technology events can be found on [T-Net's Events page](#).

Footnotes

After investing in **Nortel**, I took to heavy drinking. It was pointed out to me that a \$1000 investment in Nortel last year is now worth \$49. But, a \$1000 "investment" in beer (the beverage, not beer company shares) will return \$79 when I take the empty cans to the store!

Can you believe that Switzerland's pride and joy - **SwissAir** is going bust? And, that cannot be blamed on the WTC tragedy. Here at home, **Air Canada** can now be acquired for pocket change - only a quarter of a mill or so and you can buy the company on the market. **WestJet**, on the other hand, the entrepreneurial upstart, has a market cap four times that of Air Canada's.

In this column two weeks ago, I mentioned that it probably won't take long until a "getbinLaden" game hits the market. Well, it sure didn't take long for that prediction to come true. Check <http://www.fielser.com/terror/> for a preview!

The launch of at least one new venture-cap index created by **Standard & Poor's** is planned for December. To spark investor interest, **CDNX** officials have said they would like to see an exchange-traded fund (ETF) based on a new junior-market index. Ironically, the junior, small cap CDNX market is the only one that's performed reasonably well over the past year or two. The plan is to replace the existing CDNX market index on Dec. 10, to coincide with the proposed date for shifting CDNX trading onto the TSE trading engine.

The existing Canadian Venture Exchange index isn't adjusted for the market caps of its included companies. This has drawn criticism because the price movement of tiny stocks has a disproportionate effect on the index performance. In addition, the biggest CDNX companies tend to leave for larger exchanges, creating unusual index turnover.

I like this idea. It'll give investors a chance to play the junior market without having to pick specific winners.

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 meetings.

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

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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.

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