

## Chapter events feature something for everyone

Over the winter, SGH Chapter events have featured speakers on a wide variety of topics, from post-implementation issues around the HST to effective business writing to managing great companies in a reset economic climate.

For early morning risers, the FE Eye-Opener series has featured speakers on building the value of your company, human capital and risk management, and legal alerts for executives.

Based on member input, another exciting program year is being planned



At a joint event with the Toronto Chapter in April, members heard from four of Deloitte's Top 50 Best Managed Companies: Wheels Group, Ideal Supply Company, Harry Rosen and Steam Whistle Brewing.

for the fall and winter of 2011. Watch for further details.

## President's Corner: Engage with FEI



Azam Foda, President,  
FEI Canada SGH Chapter

The SGH Chapter is a special growth story in the FEI Canada history. It has gone through a significant transformation in the last five years. The chapter has re-energized itself, membership

has grown even in a down economy and member engagement is high. As such we offer a very viable and attractive option for FEI Canada members outside of the downtown Toronto core.

We have changed a lot of things in the SGH Chapter. In order to change things one has to "be" that change and in order to succeed one must have tolerance for failure. In SGH we are passionate

about continuously changing things for the better and strongly believe in the prestige and benefit of the FEI Canada brand. The true benefits of membership can be reaped by involving yourself.

I have one call for action to all fellow members of SGH and that is, get yourself actively engaged with the chapter. If you do not know how, get in touch with us and we will find ways. And I have one call for those who are not SGH Chapter members. Come share in our success. We will always be in a building mode.

Spring is upon us. The National Conference is in Ottawa this year from June 8<sup>th</sup>-10<sup>th</sup>. There is still some time to register. Come and participate with the best. Hope to see you there.

*Azam Foda, SGH Chapter President*

***Do you know someone that would benefit from being a member of the leading financial association in Canada?***

## Membership Report: Welcome New Chapter Members

As of the end of March, the SGH Chapter has 95 members. During its current fiscal year the chapter has added nine new members, six since the last Membership Report, and has had three transfers in.

We wish a warm welcome to the following new chapter members:

- Mr. Charles MacDonald
- Ms. Lisa Vohsemer—Vice President, Financial Reporting, Revera Inc.
- Mr. Leslie Bell - Controller—Graphic Packaging Flexible Canada Inc.
- Mr. Ron Boucher
- Dr. Kareen Brown—Assistant Professor, University of Waterloo
- Mrs. Joanne McKee—Associate Vice President, Finance, Brock University

Membership development and retention was the number one priority of FEI Canada last year and continues to be a key platform in the chapter's strategic thinking this year. We started the year with 90 members in the SGH Chapter, with a goal to reach 100 by June 30<sup>th</sup>. So far this year, by including the new members and transfers, we would have had a total of 103 members

which would have allowed us to exceed our goal. Unfortunately; however, the chapter has lost 8 members through resignations or transfers.

If you know of someone whom you think would benefit from chapter membership, please invite them to a meeting so they can see firsthand the benefits of networking and knowledge exchange with their peers. This is a particularly good time to join, as all new members receive free attendance at the Ottawa conference in June. In addition, there are two programs currently in place within the chapter to stimulate membership:

1. Current members or sponsors who refer a prospective member that joins between now and June 30<sup>th</sup> will have their name put into a draw to win a \$200 gift certificate.
2. All new members who join during that same period will be put into a draw to win a full refund on their new membership, a value of over \$1000!

*Ernie Doyle, SGH Chapter  
Director of Membership*

## SME Committee Formed

In January this year, a new Small and Medium Enterprises (SME) Committee was formed in the chapter. The members of the committee are Norm Col, Evelyn Gowan, Ananth Koovappady (chair), Steve Leitch, Frank Murphy and Saurin Patel.

Besides other SME-related activities, the committee has already started preparing for the big SME Day that the chapter has been organizing for the past many years.

Under the chairmanship of Jason Lang (Chair, SME Day), our committee has set the ball rolling. Tentatively scheduled to be held in early November 2011, the SME Day promises, in keeping with the past, to be a great event.

More details of the event will be rolled out in the coming months.

*Ananth Koovappady, Chair, SME Committee*

## The Seven Deadly Sins of Acquisitions

Acquisitions are once again in vogue for many corporations. While buying another company can help in achieving growth objectives, it's important to avoid those things that can significantly erode shareholder value, and possibly be disastrous. The most common reasons for deal failure, or what I refer to as the "7 deadly sins" are as follows:

1. **Lack of strategic fit**  
—Many buyers pursue an acquisition opportunity simply because a company becomes available for sale, rather than it being based on a well-founded strategic plan with clearly established acquisition criteria.
2. **Inadequate analysis**  
—The amount of due diligence is often lacking due to time constraints or to reduce costs. Relying on the seller's representations and warranties is seldom a good substitute.
3. **Overemphasis on EBITDA**  
—While EBITDA (earnings before interest, taxes, depreciation and amortization) is a popular metric when assessing and negotiating an acquisition, that measure ignores key value drivers such as capital spending, taxes and working capital requirements.
4. **Ignoring the balance sheet**  
—Buyers tend to focus on revenues and profit, and they do not adequately consider the working capital and operating assets required to generate those results.

5. **Over-paying for synergies**  
—Buyers frequently over-estimate the amount of cost savings and incremental revenues that an acquisition will generate, and they fail to account for the inevitable costs that will arise.
6. **Focusing only on price**  
—In an effort to negotiate a lower purchase price, buyers forget that the terms of the deal (which dictate when, how and under what conditions the purchase price will be paid) are just as important.
7. **Poor integration**  
—Buyers do not adequately plan in advance for issues that will arise following the transaction. In particular, they fail to fully assess the level of "transaction risk," being the risk of losing key people or major customers after the deal closes.

Corporate acquisitions can be an effective means of creating shareholder value, so long as they are conducted in a disciplined manner and the major downfalls are recognized and avoided. Readers are invited to visit [www.veracap.com](http://www.veracap.com) for additional resources on this topic.

*Howard Johnson is a Managing Director at Veracap Corporate Finance Limited in Toronto. He can be reached at 416-597-4500 or [hjohnson@veracap.com](mailto:hjohnson@veracap.com)*

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## The Uncomfortable Marriage of the CFO and Commercial Contracts

In many organizations, the CFO becomes the keeper of all things “general and administrative”, including such likely possible areas as HR, insurance, governance and legal. Further, due to today’s economic reality of headcount freezes and budget slashing, the CFO often ends up doing frontline duties in these functions which, as long as the house of cards does not tumble, is often just fine for the owners and/or CEO.

This historical “all things DIY” approach for the finance function is understandable given the market and investor pressure on companies to ensure minimized headcount coupled with a logical aversion to outsourcing work to traditional professional services organizations (like law firms or high brow consultancies) and their bloated overheads and “outside looking in” mindsets.

The danger, however, in keeping with this model, and using the commercial contracts area as the focus point, is that it is inherently reactive to problems only if and when they arise, and there are both risks and opportunities below the 5,000 foot level that the CFO will not see. This in turn means lost bottom line to the company whether in the form of greater costs from unnecessary risk exposure or lower revenues resulting from missed contract terms and drafting opportunities.

In subsequent pieces for this publication, I will focus on specific provisions in the contractual structure that can prove to be either a trap door or a lucrative point of leverage, depending on how they are recognized, considered, negotiated. To start with,

however, I wanted to equip the members with this overarching phrase (the only Latin that I remember from law school) which covers a majority of contractual gaps that arise—*Nemo Dat Quod Non Habet*. Or, in English, “You can’t give what you don’t have.”

When it comes down to it, most vendor or procurement contracts, be they in the form of office infrastructure, personnel or software licenses, are for the purpose of equipping the company with the resources it needs to generate revenue—or generate sell-side contracts. Therefore, it is critical in developing supply-side agreements to look at what has already been promised to customers on the revenue-producing side, not to mention what is expected to be required in that regard in upcoming product rollouts or changes, in order to ensure there is no gap.

Similarly, in negotiating revenue-producing agreements with customers or channel partners, it is imperative that in fighting to lock down the sale that one does not lose sight of the limit of what either has been or can be obtained for inputs, again to ensure that company is not exposed in the middle. Applying this principle to the different clauses that are assessed and considered in all forms of contracts will go a long way to keeping the company competitive as well as contractually compliant.

*Joe Milstone is co-founder of Cognition LLP, an innovative legal services organization that provides flexible and affordable in-house counsel services to businesses who are seeking an alternative to hiring a general counsel or using a traditional outside law firm.*

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## Upcoming Events

### Southern Golden Horseshoe Social

Wednesday, May 18, 6:00 pm, Art Gallery of Hamilton  
Free for FEI Canada Members, \$65.00 for sponsors, spouses and guests

Founded in 1914, the Art Gallery of Hamilton is Ontario's third largest public art gallery and owns one of the finest collections of art in Canada, featuring over 9,500 works including historical European, historical Canadian and contemporary art.

For this event, we warmly extend a formal invitation to spouses and guests. In addition to a wonderful meal in the Jean and Ross Fischer Gallery and Lounge, guests will have full access to the Gallery's stunning collection of historical and contemporary art pieces.

### Southern Golden Horseshoe-Robert Half Management Resources Golf Tournament

Monday, May 30, 1:00 pm, Cutten Fields, Guelph  
\$125 per person



Cutten Fields in Guelph, one of Ontario's top 50 courses.

FEI Canada's Southern Golden Horseshoe Chapter is hosting its first Annual Golf tournament and social at Cutten Fields, one of the best 18 hole private golf courses in Southwestern Ontario. Robert Half Management Resources is co-hosting this event with FEI. The tournament will be held on Monday, May 30<sup>th</sup>.

This is a great opportunity for FEI Canada members to play this prestigious private course and be treated to a fine dinner in

the club's private dining room. We welcome golfers and non-golfers of all abilities to come out and enjoy the day in fun-filled scramble format and network and at a premium golf course with truly exceptional dining facilities.

Avid golfers will appreciate playing a layout designed by the world famous and highly regarded Stanley Thompson. Located in the heart of downtown Guelph, only 30 minutes west of Toronto, north of the 401 via Brock Road. The club was rated in the top 50 courses in Ontario by *Ontario Golf Magazine* in 2009. For a virtual tour of the golf course hole-by-hole, visit: [http://htours.ca/serve\\_media/cutten/cuttenmap.html](http://htours.ca/serve_media/cutten/cuttenmap.html)

Space is limited, so register soon. We look forward to seeing you there!

***Register for these events at [feicanada.org](http://feicanada.org)  
(under the events tab).***



The 2011 FEI Annual Conference takes place in Ottawa, June 8<sup>th</sup> to 10<sup>th</sup>.

Under the title, *Capitalizing on the Future*, keynote speakers include Richard Bird, Executive Vice-President, CFO and corporate development, Enbridge Inc. and Sir Terry Matthews, Chairman, Mitel.

#### Save the date!

**September 21  
Dinner & AGM**

Join us at Burlington Golf and Country Club for our annual chapter AGM. The evening will include a presentation on Current and Emerging Technologies and Trends by Mauro Lollo, Co-Founder of Unis Lumin Inc.

## About our Organization

Welcome to the Southern Golden Horseshoe Chapter of Financial Executives International Canada.

Our chapter provides a great forum for peer networking by CFOs and other senior financial executives who want to meet quality people and share with others solutions to the crucial issues that confront them daily.

Our FEI dinner meetings, professional development seminars and informal outings focus on the highest quality speakers and entertainment to facilitate the flow of new ideas, perspectives as well as sound career and business decisions.



southern golden  
horseshoe chapter

Financial Executives International—Canada's pre-eminent association connecting financial executives through networking, knowledge exchange, advocacy and ethical leadership.

## Your Chapter Directors

**President - Azam Foda**  
Director of Finance, Armtec Ltd Partnership  
azam.foda@armtec.com

**Vice-President & Director of Programmes - Tom Evans**  
Chief Agent, GE Employers Reassurance Corp  
tom.evans@ge.com

**Secretary/Treasurer - Dan Bowes**  
VP and GM, Watts Industries  
dbowes@wattscanada.com

**Past-President - Bob Rollwagen**  
CFO, Cascades Recovery Inc.  
brollwagen@recoverycascades.com

**Director of Membership - Ernie Doyle**  
Corporate Controller, Hood Packaging Corp  
edoyle@hoodpkg.com

**Director of Marketing & Communications - Elysia Estee**  
CFO, Unis Lumin  
eestee@unislumin.com

**Director of Sponsorship - Gordon Heard**  
Principal Advisor, The Finance Group  
gheard@financegroup.ca

**Director - Line Trudeau**  
CFO, FEI Canada  
ltrudeau@feicanada.org

## With thanks to our Chapter Sponsors



MARSH



FEI Canada  
Southern Golden  
Horseshoe Chapter

Chapter Administrator  
Jenny Jayavel

Address  
SGH Chapter  
c/o 13 Peter Ave.  
Guelph, ON, N1E 1T5

Phone  
519.837.8266

Email  
FEI.SGH@gmail.com

Website  
www.feicanada.org/  
Chapters/chapters/  
southerngoldenhorseshoe