



Above Board

5 organizations defining corporate governance

The business press is full of examples where reporters nearly drowned on their own spit praising this or that CEO or president only to have to swallow hard a year later as their golden lion loses an accounting scandal or management crisis. The best example in Canada involved Frank Roth, the former Nortel chief. It used to be that Mr. Roth's confident, smiling visage regularly graced the covers of business magazines and newspaper sections. These days there's nary a word about Roth as Nortel

continues to struggle its way back into the good graces of investors.

So it is with equal measures of trepidation and caution that we embark on our annual salute to effective corporate governance. This year we sought out a range of companies representing a broad sector of corporate management in Atlantic Canada. We ended up with a couple of junior exploration companies - one in oil, the other in minerals - that both seem to endure in the very trying exploration

business. We also widened the parameters to include non-profit groups and organizations that represent industries. The Nova Scotia Division of the Canadian Cancer Society impressed us with its strenuous efforts to fashion a board of directors that is both forward-looking and responsive to its "shareholders." Similarly, the Offshore/Onshore Technologies Association of Nova Scotia, better known to everyone in the oil and gas business by its acronym, OTANS, also caught our

attention. Finally, for advice in what to look for when appointing a director, we went to the professor emeritus of entrepreneurship in Atlantic Canada, Harry Steele, who is still chairman of Newfoundland Capital Corporation.

We begin with the junior companies, where in an age when the business press is demanding larger boards and oversight committees by the score, reality proves that small can still be effective.

Corridor Resources

Norm Miller has been around a while. And he looks it. With his mop of limp, white hair and wary eyes, the president of Corridor Resources looks like someone who has witnessed and weathered the many vagaries of the oil business. But things are looking up for Miller. The company he helped found a decade ago and kept going through years of raising risk capital - even once falling victim to a jurisdictional dispute between provinces - is finally on to a good thing. Or so it seems.

With two gas wells in production and serving a small local market, Corridor's

McNully field near Sussex, New Brunswick has been estimated to contain over one trillion cubic feet of gas-in-place. With nine other wells drilled and in various stages of testing, Corridor's goal is to prove enough reserves to make building a pipeline to markets in New Brunswick and New England viable.

And with other exploration properties scattered from Anticosti Island to PEI and Cape Breton, it's not surprising that Miller looks for people with strong regional connections and experience when recruiting board members for the Halifax-based company. His six member board, he says, keeps the company nimble.

Miller says it's important that everyone on the board understand what the company is doing and why. "Especially for a small company," Miller adds. "When you're in close communication with the board they can help you keep out of the ditch and help guide the company."

Corridor's board includes Miller; vice president Paul Hopkins, who has been with the company since its start-up after having worked in the North Sea with Ranger Oil and before that with Shell

Canada when it tested 22 wells on the Scotian Shelf offshore Nova Scotia; chairman Charles MacDonald, who is also the president of two mining companies, Tanqueray Resources and Absolut Resources; Jacques Plante, an independent petroleum consultant with over 40 years in the Canadian oil and gas industry; J. Douglas Foster, a partner with Bennett Jones LLP; and Jack Bray, president of Richland Properties, a property development firm in the United States. The directors receive no direct remuneration, but from time to time are offered stock options.

Cornerstone Capital Resources

"I think a record of integrity and success is something you look for immediately," Cornerstone chairman John Fleming says when asked to describe the qualities needed in a good director.

Like Corridor Resources, Cornerstone operates in the highly speculative world of exploration. For Cornerstone, it's

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minerals: gold, nickel, copper, whatever is buried in the ground in Newfoundland and Labrador. This past year, the company spread its interests and acquired options on exploration properties in Ecuador.

Like many junior mining companies, Cornerstone doesn't have a large number of directors. "Flexibility is very essential," explains president Glen McKay who has been with the company since its founding eight years ago and its public listing in 1999. "Most times actually, our board meetings are done through telephone or e-mail, depending on the issue. It's an expedient process. We don't find at the board level that things get bogged down. So from that perspective, our board is very efficient."

To that Fleming adds that the board's independent directors play a crucial role, especially when it comes to things like financial oversight, given that their role is to make sure the interests of shareholders at-large are represented. After all, in most junior exploration companies, the principal company officers are also usually the principal, or largest, shareholders.

All but one of Cornerstone's directors have been with the company since its initial public offering in 1999. They include: McKay and Fleming, the latter a former deputy minister in Newfoundland's Department of Mines and Energy; executive vice president John Clarke, who is a St. John's lawyer; Donald

Worth, a former vice president and mining specialist at the Canadian Imperial Bank of Commerce; John Crosbie, a lawyer with Patterson Palmer as well as a former federal and provincial politician and cabinet minister; and Colin McKenzie, vice president of Skye Resources, who was appointed to Cornerstone's board in early 2006. The directors receive no direct remuneration but are offered stock options.

OTANS

Unlike the publicly-traded companies, members of the Offshore/Onshore Technologies Association of Nova Scotia seek election to the board of directors and are not appointed. Chairman Tom Hickey, who also runs Frontline Safety in Halifax as its company president, says the competition for the posts is keen.

That has remained the case despite the recent spate of discouraging news about Nova Scotia's oil and gas industry. For Hickey and the other members, the downturn is only temporary and just part of the cycle in what is a highly cyclical industry. So while the OTANS members wait for the local industry to turn around and for exploration to pick up, they're busy doing things like lobbying governments for a more streamlined regulatory process.

"I think it's been a real critical year for us," says Hickey. "With a lot of good thinkers around the table we're trying to

attract business to the area. The one thing we can't do is find the gas or the oil. But we can sure make the area is more attractive to outside investors. So those types of conversations are what we've been getting into a lot this past year and I think we've had some success."

OTANS' s board of directors include Hickey; past chairman Tim Brownlow of J.D. Irving Offshore Limited; Tina Battcock of ID Paso Canada Pipeline; Richie Mann of Corporate Strategic Consulting; treasurer Jeff Somerville of Nova Scotia Community College; vice chairman Barry Clouter of CHC Global; Bill Johns of Cougar Helicopters; Fred Dickson of Patterson Palmer; Rob Whitwham of Maritimes & Northeast Pipeline; Dan Gibson of The Shaw Group; Ann Wylie of CBCL Limited; Donald Kerr of Halifax Shipyard; Steve Fudge of Jacques Whitford; Sean Reid of Mulgrave Machine Works; Troy Ritzky of Moody International; David Richard of PV Inspection Services; Gordon MacDonald of Guysborough Country R.D. Authority; Tim Gilroy of Strait of Canso Superport Corporation; and John Hughes of Secunda Marine Services. The board members receive no remuneration, only gratitude. "And sometimes not even that," Hickey jokes.

Nova Scotia Division, Canadian Cancer Society

"As a non-profit we look to be as responsible, as accountable and as transparent in how we're operating as the for-profit sector," says executive director Maureen Summers.

The society started examining and revamping itself in the late 1990s, she points out, following the report of the Panel on Accountability and Governance in the Voluntary Sector, headed by former NDP Leader and current Member of Parliament Ed Broadbent.

"It really was the first stab at looking at the non-profit sector as a legitimate sector and as a major contributor to the Canadian economy," explains Summers.

Since then the board of directors has changed its style from being a reactive body to one that sets policies and goals for its staff and volunteers and makes a determined effort to build connections with its "shareholders," which include donors, cancer patients and Nova Scotians at large.

"We're really cognizant of who our owners are and what we need to be doing

to effectively address cancer and cancer control in this province," says Darren Dick, the society's volunteer president. "We go through quite a rigorous recruitment exercise when seeking new members for the board, looking for different talents, different qualities, based on discussion that is held at the board table."

The Nova Scotia society's directors include Summers and Dick; president elect David Samson; past president Hub MacDonald; treasurer Blois Hennigar; honorary solicitor Trisha Robertson, and directors at-large Rolene Barrett, Dr. Jonathan Blay, Sam Boutilier, Geraldene Collins, Brian Gilbertson, Cheryl Hebert, David Jones, Sarah Lea, Vincent MacLean, and Darlene Morrison. They receive no remuneration.

Newfoundland Capital Corporation

Perhaps no other corporation in Atlantic Canada has moved as seamlessly and as successfully through a succession of different industries than has NCC. From airlines to ground and marine transportation to printing and publishing and now commercial radio, NCC's founder and long time president Harry Steele has demonstrated a knack for spotting the next big opportunity before everybody else.

These days, the presidency of NCC is in the hands of Steele's son, Robert, but the family patriarch remains involved in the company as chairman of the board of directors.

Steele attributes much of his success to the successful people who have served on his boards over the years.

"It's impossible to function without a good board," says Steele. "And a good board is not one that tells you what you want to hear. A good board is one that is going to tell you what the facts are. I've been fortunate over the years because some of the people on our board have been some of the most successful guys in the country, like Rolie Frazee, who used to be the chairman of the Royal Bank and Bob Bandeen who ran CN, and Bill Sobey, who ran Sobey Brothers, and Seymour Schulich who was chairman of EPA when I had it."

Steele looks for two things when recruiting a director these days. One is knowledge of the new rules on corporate governance that is sweeping across publicly traded companies.

"The other important thing that people don't talk about much is that if a guy takes a job on a board of directors, he's got to be able to put the time in to do it. I think that's very important," Steele says. "There is a bit of pomp and circumstance to it, but there's a lot of hard work to it too."

NCC's current board of directors include Steele, his son Robert, CHC Helicopter executive chairman Craig

Dobbin; David Matheson, a lawyer with McMillan Binch LLP; and Donald Warr of chartered accountants Blackwood & Warr. NCC's directors receive quarterly fees of \$5,000 each, plus \$1,000 for each meeting they attend and \$500 for each committee meeting. The chairman of the audit and governance committee also receives an annual fee of \$2,000. The total fees paid to directors in 2004 amounted to \$91,000.

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