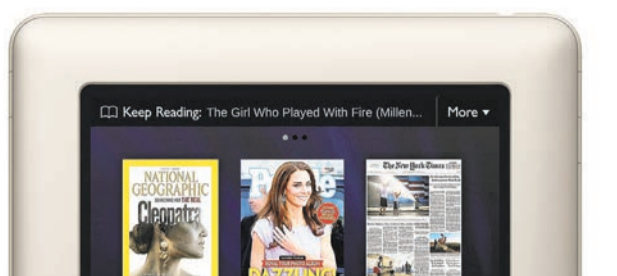


Microsoft's Nook deal

Software giant makes \$300 million (U.S.) investment in e-reader company, **B4**



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BUSINESS & CAREERS

Market watch

S&P/TSX COMPOSITE
54.94 to 12,292.69 0.45%

CANADIAN DOLLAR
0.72 to 101.22 \$1 U.S. = \$0.9879

DOW JONES INDUSTRIALS
14.68 to 13,213.63 0.11%

OIL
6¢ U.S. a barrel to \$104.87

TMX deal clears another hurdle

Maple Group granted extension on deadline for takeover of Toronto Stock Exchange

DANA FLAVELLE
BUSINESS REPORTER

The group of 13 financial institutions seeking to buy the owner of the Toronto Stock Exchange drew a step closer to sealing the deal late Monday.

Maple Group Acquisition Corp. said it had reached agreements with two other financial entities that are central to its bid for the TMX Group.

Maple said it has offered \$175 million to buy the Canadian Depository for Securities Ltd., a kind of back office clearing house where trades are settled.

TMX continued on B2

RBC warns BlackBerry market share could slip

Smartphone world increasingly dominated by just Samsung and Apple, report concludes

JOSH RUBIN
BUSINESS REPORTER

ORLANDO, FLA.—Just as Research in Motion's annual pep rally and developer's conference gets underway, a grim report from RBC predicts the company's once-dominant BlackBerry could slip to a tiny share of the smartphone market, and RIM may start burning through its \$2.1 billion pile of cash by next year.

"Nokia, RIM, Motorola, Sony, LG, and a slew of others are donating market share while Samsung and Apple continue to gain market share," wrote analysts Mark Sue and Paul Treiber in a report issued Monday.

RIM continued on B2

Complex problem needs a complex solution

Think tank says taxing high-income earners just a Band-Aid for income equality

DANA FLAVELLE
BUSINESS REPORTER

The rich pay more than their fair share of taxes and hitting them harder won't solve all the problems of the poor, an Ottawa-based think tank says.

The causes of income inequality in Canada are more complex than they first appear and so are the solutions, a report by the Macdonald-Laurier Institute concludes.

"We don't solve income inequality by just taxing higher income earners and transferring it to lower income earners. To me that's just a Band-Aid," said Jason Clemens, author of *Income Inequality: Oversimplifying a Complicated Issue*. The report comes amid growing public concern about the widening gap between rich and the poor.

INCOME INEQUALITY continued on B2



SUSAN PIGG PHOTOS/TORONTO STAR

Bishop's Block, a Georgian rowhouse from the 1830s, was taken apart and rebuilt brick by brick on the site of the new Shangri-La hotel property. The building is being converted to a SoHo House, an international private club for artists.



Heritage architect Scott Weir, who oversaw the rebuilding of Bishop's Block, keeps a handmade brick from the 1830s building on his desk. The brick features the paw print of a cat.



Bringing back the past

Condo developments are breathing new life into heritage landmarks

SUSAN PIGG
BUSINESS REPORTER

Heritage architect Scott Weir keeps a little piece of Toronto history on his desk — a handmade brick from the 1830s.

Deeply embedded in the brick is the paw print of a cat that Weir figures was wandering the brickyard back in the day.

The delightful find was uncovered recently during one of the most challenging heritage restorations Weir has overseen — the complete dismantling and rebuilding, row by mortared row, of a relatively rare piece of Toronto history called Bishop's Block.

Reviving one of the finest examples of Toronto's Georgian past, and one of the few buildings left in the city from the 1830s, was a passion for Weir, as well as

for the developers of the sleek new Shangri-La hotel that shares the block at University Ave. and Adelaide St.

"A lot of buildings in Toronto are sheets of glass and steel. But this brings character to the site, to have the old building next to the new," says Michael Braun, an executive with Vancouver-based Westbank Project Corp. which is building the 66-storey hotel and condos slated to open in August.

"It signifies what Toronto was and what it is becoming."

As skyscrapers push ever higher into the Toronto skyline, and prime downtown redevelopment sites grow ever scarcer, the pressure to bulldoze history and build condos has seldom been more intense, says Weir.

HERITAGE continued on B2

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» BUSINESS

Developers are finding potential in heritage properties

HERITAGE from B1

Keeping ahead of it all can be a challenge for city planners because developers are looking for any sliver of land left within walking distance of the subway, many home to historic properties that have yet to be officially designated.

MOD Developments, which plans to turn a 1905 Bank of Commerce building into the grand new entrance to its 60-storey Massey Tower development across from the Eaton Centre, sees great opportunity for the condo boom to breathe new life into derelict landmarks.

The bank, empty since 1987, is now undergoing \$3 million worth of restoration and will form the elegant entranceway to the almost 700-unit condo tower.

"This is the most complicated, challenging project that any of us have ever worked on. And we all love it," says MOD Developments founder Gary Switzer.

"We're all rising to the occasion because this is such an extraordinary site. I love dealing with heritage properties and doing projects that I think improve the city."

Where it used to be seen as sufficient for new office and condo towers to just include pieces or facades of heritage buildings, tougher heritage preservation laws make complete demolition of those buildings more difficult and stress the need to protect the integrity of the building beyond just the façade or a few details, says Mary MacDonald, acting manager of heritage preservation for the city's planning department.



PHOTO COURTESY E.R.A. ARCHITECTS INC.

Bishop's Block is seen here in historic Toronto. As developers search for any sliver of land left within walking distance of the subway, heritage buildings are becoming more attractive as condo projects.

"There have been a number of developers now who see that having a heritage property can lend a certain distinction to condo projects."

MARY MACDONALD
ACTING MANAGER
OF HERITAGE PRESERVATION

"There have been a number of developers now who see that having a heritage property can lend a certain distinction to condo projects," says MacDonald.

"Developers seem to understand now that you have a ready-made landmark there and it's a lost opportunity to try to rid yourself of it because there are a lot of people who are interested in not just living

on sites where a heritage property has been retained, but also living within a heritage property."

That's why, for example, the conversion of old churches into condos is now a booming business in Toronto neighbourhoods, says MacDonald.

Bishop's Block had been so neglected by the time Westbank began the development of the five-star Shangri-La, scaffolding was erected just to keep the bulging façade from crumbling into Simcoe St. or Adelaide Ave.

Taking the building apart brick by brick, under the careful supervision of heritage experts at E.R.A. Architects proved to be a blessing in disguise.

The bricks could be culled and carefully cleaned, the Shangri-La could excavate below for underground parking and archeologists

could dig up one of Toronto's oldest blocks with abandon.

A treasure trove of artifacts, uncovered in the dig, will be part of a rotating display at the site. E.R.A. was even able to save and restore some of the old windows.

In the next few months, the 8,000-square-foot Bishop's Block will become the site of Canada's first SoHo House, a private club, restaurant and event space for the film, media and creative industries that started in London in 1995 and now has houses in Europe and North America.

"It didn't take long to find a tenant, but it took a long time to find the right tenant," says Braun, "someone who appreciates what this building is. It just felt like a really good fit and something that would enhance the rest of the development."

Rule change eased concerns over deal

TMX from B1

Maple said it has also offered \$167.5 million for Alpha Trading Systems Inc., a competing alternative stock exchange.

The agreements paved the way for Maple and TMX Group to extend the deadline for their deal to July 31.

Maple's \$3.8 billion offer for the TMX was scheduled to expire Monday. It's still subject to regulatory approval, but the deal won a strong vote of confidence Friday when the federal Competition Bureau said it's most "serious concerns" could be "substantially mitigated" by rules being drafted by the Ontario Securities Commission.

The commission, which regulates the stock market, is drafting a set of rules under which the takeover of the TMX Group may be allowed to go ahead.

The Maple-TMX deal has been criticized for reducing competition as many of the shareholders of Maple — chiefly major banks and pension funds — are also the exchange's biggest customers.

The proposed rules, once drafted, are to be circulated for 30 days for comment.

The agreements with CDS and Alpha are "important milestones in our effort to realize our vision for a stronger and more globally competitive exchange and clearing organization," Maple spokesperson Luc Bertrand said in a statement.

TMX Group chief executive officer Tom Kloet said it continues to work with Maple to secure the required regulatory approvals.

Maple said it plans to complete the proposed acquisitions of CDS and Alpha at the same time or shortly after completing its offer for the TMX.

About 71 per cent of the securities holders in CDS with voting rights have agreed to Maple's purchase. And while the CDS board and shareholders must still approve the deal, it has met the two-thirds minimum requirement.

About 83 per cent of the equity holders in Alpha have agreed to the deal and Maple said it expects to acquire the rest under the terms of



FRANK GUNN/THE CANADIAN PRESS

The Maple-TMX deal has been criticized for reducing competition as many of Maple's shareholders are also the exchange's biggest customers.

Alpha's shareholder agreement.

Non-Maple investors in Alpha, who control 25.6 per cent of Alpha's shares, could go to arbitration to ask for a fair value assessment, which could affect the final price.

The TMX Group board continues to unanimously recommend that TMX Group's shareholders accept and tender their shares under the Maple offer. Maple is offering \$50 per share for the TMX Group.

The companies have set May 31 as

an initial deadline, which would be extended to July 31 as more is known about the timing of regulatory approvals.

The investors in Maple Group include four major Canadian banks, CIBC World Markets Inc., TD Securities Inc, Scotia Capital Inc and National Bank Financial & Co. Inc., along with two major pension funds, the Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan.

Wealth transfer won't solve problem, report says

INCOME INEQUALITY from B1

It is a sentiment that was tapped into by the Occupy Wall Street movement last year.

But just transferring the wealth through higher taxes won't get at the underlying reasons some people can't get ahead, such as lack of education and subsidized day care, Clemens says.

In fact, the wealthy are already paying more than their fair share, the report argues.

The top 20 per cent of Canadians received 46.8 per cent of total income, but paid 54.4 per cent of the total tax bill last year, the report says.

And in the U.S., the figure is even

higher, the report said. The top fifth of Americans earned 54.6 per cent of income but carried 69.7 per cent of the total tax burden, the report notes.

The report, which Clemens says will likely "upset people on both sides" of the political spectrum, also challenges the myth that anyone can get ahead if they just work hard enough or come up with a good business idea.

Some businesses enjoy favourable treatment either because the government has granted them a domestic monopoly or used tariffs to minimize foreign competition.

While Canadians enjoy a fairly high degree of social and economic mobility, between 2 and 6 per cent

of Canadians are permanently mired in poverty, the report says. The "worst case" scenario is a single parent who's a high-school dropout. Without adequate education or day care, they can't get ahead. Clemens said.

"We know right now that we have a real shortage of skilled workers. To fill those positions you need to go to college. But how do you get people to go?" Clemens asks. "Most industrialized countries have this ethos that if you don't go to university you're a failure. Do you know what carpenters make? What plumbers make? There's almost zero chance those skills are going to be replaced by technology."

The income gap between rich and

poor in Canada is widening, but not as much as some reports suggest, the think tank argues.

Comparing the highest and lowest levels of consumption, rather than income, shows that some people are spending more money than they're reporting to the tax man, the report says. Canada's "underground economy" is thought to represent 15.7 per cent of all goods and services produced, according to 2007 Statistics Canada data.

The aim of the non-partisan think tank, whose name is derived from two former prime ministers, one a conservative, the other a liberal, is to "look outside the box" and try to inject some "facts" into the public policy debate, Clemens said.

Shrinking share risk a threat to turnaround

RIM from B1

It came out on the eve of BlackBerry World and BBIOJam. The twin, overlapping conferences bring 5,000 developers, customers, RIM officials and journalists together.

At the BBIO Jam, developers are also expected to get their first real look at RIM's long-awaited BBIO operating system (although the company has cautioned that the phones won't be using the same hardware as the ones which will hit the market).

RIM CEO Thorsten Heins, who took over after the resignation of co-CEOs and co-chairs Jim Balsillie and Mike Lazaridis earlier this year, gives a keynote speech Tuesday morning.

The report said RIM's market share could soon drop below 5 per cent of the smart phone operating system and manufacturer's market, a proportion which would make it exceedingly tough to attract developers who could bolster the number of apps for the BlackBerry. That, in turn, could lead to fewer people wanting the devices.

"The risk of becoming a sub 5 per cent share player is a threat to a turnaround," the report said.

While the company's \$2.1 billion pile of cash (and the fact it's debt free) was touted by billionaire investor and RIM board member Prem Watsa last week, the RBC analysts argued that money could be at risk as market share drops.

To stem the tide, RIM has been cutting the price of many of its BlackBerry models, but even that hasn't been working, the analysts wrote. The company's long-time mainstay — big corporations — aren't as reliable a customer base any more, either, as many companies shift to a "bring your own device" policy, meaning employees can choose their own smart phone, including iPhones or Android phones, rather than being restricted to a BlackBerry.

RBC also downgraded the outlook for RIM, calling the Waterloo-based firm a "speculative risk," down from "above average risk," while rating it "sector perform."

Sue and Treiber estimated RIM may sell just 9 million new BlackBerry in the current quarter, rather than the 10.5 million consensus predicted by other analysts. After its most recent quarterly earnings report in late March, RIM stopped giving analysts guidance on what to expect in coming quarters.

Even the new BBIO operating system likely won't be enough to boost BlackBerry sales all that much, according to the RBC analysts.

"The... device may garner interest from core BlackBerry fans in North America, but we believe RIM is late to the market. Microsoft is still struggling to get consumer interest in Windows, even after two years and Nokia is now in danger of cash burn. Everyone wants apps and RIM has little," they wrote.

RIM has been rolling out the red carpet for developers ahead of the BBIO launch, including paying for many to travel to the BBIO jam in Florida. Going the extra mile to attract partners is just something you have to do when your market share is so low, says Kevin Dede, a research analyst at Auriga USA.

All the time, effort and money of developing an app can be a tough thing to leap at if the end result is aimed at just a sliver of consumers.

"The guys at RIM understand that was a problem, and that's why they did what they did with Android," said Dede, referring to RIM's decision to bolster the lineup of apps for its PlayBook tablet by making it able to use slightly-tweaked apps designed for Android.

CORRECTION

Varsha Jayasankar is a student at Sir Winston Churchill Secondary School in St. Catharines. An April 28 column about winners of bioscience competitions at the high school level incorrectly said she attended Sir Winston Churchill Secondary School in Hamilton.