

Paladin Labs buys troubled Labopharm

LOGICAL SAVIOUR

Wild stock swings, deep restructuring dogged Montreal-area drug developer

NICOLAS VAN PRAET
POSTMEDIA NEWS

Crippled drug developer **Labopharm Inc.** has finally been pulled out of its misery with a cross-town rescue from pharmaceutical firm **Paladin Labs Inc.**

The two Montreal-area companies on Wednesday announced they have made an agreement whereby Paladin will buy Labopharm for 28.57 cents per share in cash, representing a premium of 68 per cent over Labopharm's closing

stock price Tuesday.

Based on Labopharm's roughly 71.5 million shares outstanding, the offer values the company at about \$20.4 million.

Paladin was a logical saviour for Labopharm. The company currently markets one of Labopharm's key products in Canada and the two firms are also partnering in other countries on drugs in Labopharm's pipeline. No other suitor is seen as being able to generate better economics from a Labopharm

acquisition.

"We believe Paladin's offer is fair, particularly given Labopharm's (second quarter) disclosure that its level of annual expenditures and debt service obligations were expected to exceed its anticipated revenues and net cash position," Desjardins Securities analyst Pooya Hemami said in a research note.

Once an \$11 stock, Labopharm has undergone several wild swings over the past decade and has tallied annual losses every year since 2005. Its fate culminated in a deep restructuring in recent months after its two of its key products were not as successful as expected. Its shares have tumbled to below \$1.

In March, the company lost

its well-known chief executive, James Howard-Tripp. He was replaced by Mark D'Souza, formerly chief financial officer. In June, it was forced to delist its common shares from the Nasdaq.

A month later, Labopharm cut its staff further by one third to 71 employees. The company was maintaining a bare-bones staff – just enough to keep core operations including research going as its corporate management executed a strategic review.

Labopharm's board of directors has approved the agreement and recommends shareholders back it at a special meeting and vote scheduled for early October.

"The offer from Paladin provides compelling value,

certainty and liquidity to our shareholders," Labopharm chairman Santo Costa said in a statement. "(The board) has concluded that this all-cash offer ... is the best way to maximize shareholder value."

For its most recent quarter, Labopharm reported a profit of \$2.1 million or 3 cents a share from continued operations, reversing a loss a year earlier.

Labopharm specializes in controlled-release drugs. It has two main products, both of which have now been launched commercially: Oleptra, an antidepressant marketed in the United States and approved in Canada; and a once-daily version of the painkiller tramadol, marketed in 19 countries includ-

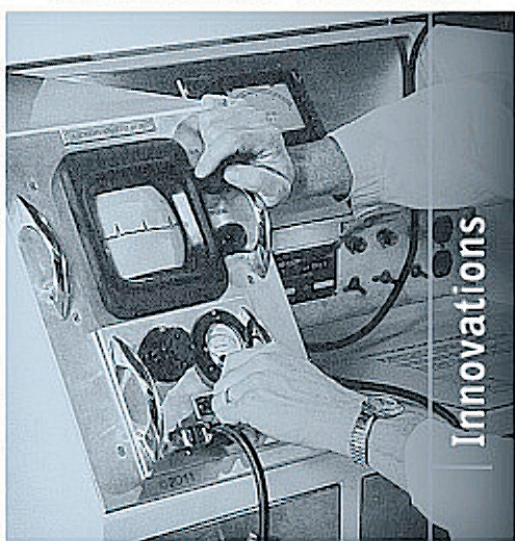
ing the United States.

A third product, a twice-daily formulation of tramadol-acetaminophen, is approved in multiple countries with launches anticipated later this year. The company also has other drugs in development.

Buying Labopharm represents "a unique opportunity" for Paladin to boost its painkiller business, Paladin chief executive Jonathan Goodman said in a statement. "Moreover, Labopharm's emerging specialty pharmaceutical technology platforms offer longer-term potential in promising new drug fields."

The agreement includes a standard break fee and the opportunity for Paladin to match any other offer Labopharm receives.

Pacemaker Stimulateur cardiaque



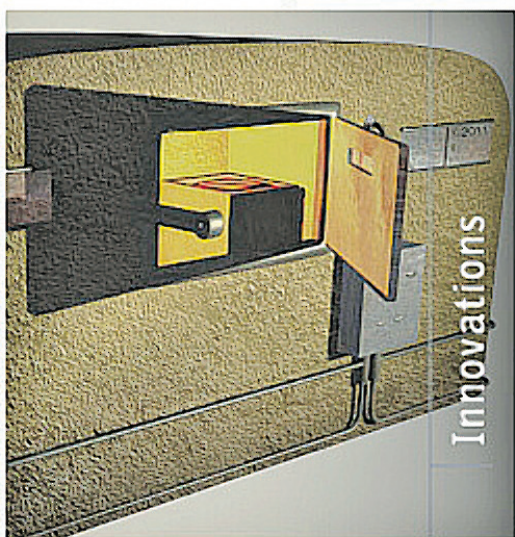
Canada 59

BlackBerry



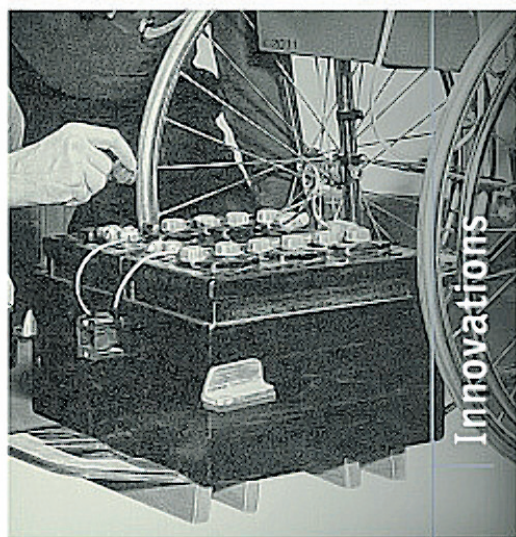
Canada 59

Electric Oven Four électrique



Canada 59

Electric Wheelchair Fauteuil électrique



Canada 59

Canada Post's new line of stamps celebrates Canadian inventions, like the BlackBerry, and electric wheelchair.

Canada Post commemorates our inventions

POSTMEDIA NEWS

OTTAWA— The BlackBerry can now help you mail a letter – sort of.

Canada Post has put the ubiquitous smartphone on a stamp, as part of a new series of stamps released Wednesday that feature four Canadian inventions.

The other three Canadian

creations are the electric oven, the electric wheelchair and the cardiac pacemaker.

"This series shines a spotlight on the 'Made in Canada' leaps of science and creativity that have changed lives here in Canada and around the world," said Jim Phillips, Canada Post's director of stamp services.

The world's first electric

oven was invented in 1882 by Canadian Thomas Ahearn. It was originally made of brick and, according to the newspapers of the time, was hot enough to "roast an ox."

Dr. John Hopps developed the cardiac pacemaker while he was studying hypothermia in 1950, though the first device was much too big to be placed inside the body.

The electric wheelchair was created in 1952 by George J. Klein, one of Canada's most prolific inventors, for quadriplegics.

Research in Motion's BlackBerry was introduced much later; of course, in 1999, and is now an all-in-one digital communications device many people claim they can't live without.

Back off mining sector, consultants say

ROBERT GIBBENS
THE GAZETTE

Quebec's Bill 14 proposes to add a third level of regulation for mining exploration projects, running counter to the Plan Du Nord. The province's program is designed to spur \$80 billion of investment over 25 years, says a study by international consultant Grant Thornton.

"Bill 14 is highly complex, but essentially it would mean companies have to get a permit from the local municipality to go on drilling," said Anand Beejan, Thornton's mining sector partner.

The Plan du Nord is aimed primarily at spurring mining and social infrastructure

development in Northern Quebec, said Beejan. It has already strengthened Quebec's reputation as one of the world's best places for mining investment, despite an increase in royalties from 12 per cent to 16 per cent.

"The mining industry is accustomed to federal and provincial oversight and it's watching Bill 14's progress very closely," Beejan said. "Some of its provisions could compromise investments already undertaken by mining companies."

He said governments must resist seeing mining as an endless revenue stream and recognize that excessive intervention stifles mining exploration and investment.

The Quebec Mineral Exploration Association says Bill 14 is "a veiled expropriation and suspension of rights that the government has forced on hundreds of small and medium-size mining companies ... so far the Government has not been willing to listen to them."

The Thornton study covers threats of rising taxation, regulation and nationalization in Latin America, Africa and Australia, saying the tipping point is near. "Increasing and unpredictable government intervention across the world's leading mining jurisdictions is adding risk for investors, clouding corporate valuations – making it harder to raise new capital."

Call centre employees file lawsuit

OSHAWA, ONT. – A \$30-million class-action lawsuit has been filed by 600 Ontario call centre employees who claim they were laid off without notice or severance.

Some of the employees who have worked for more than 10 years for **IQT Solutions** in Oshawa, located outside Toronto, said they walked into work on July 15 and were dismissed without notice or their last paycheck.

Their allegations have not been proved in court. The U.S. company ran the customer support line for **Bell Canada**.

POSTMEDIA NEWS

Generation Y to work longer

Aging population will strain social programs

JOHN MORRISSY
POSTMEDIA NEWS

OTTAWA— Canada's labour force is aging rapidly and by the year 2021 as many as one in four workers could be age 55 or over, according to a report Wednesday by Statistics Canada.

The shift has negative implications for the Canadian economy, as the federal agency's survey also forecasts a slowing in the growth of the labour force, primarily as a result of the retirement of the baby boomers.

"The economic implications are quite clear – if we have a slowing labour force, our economy will grow at a slower rate than in the past," said Sal Guatieri, senior economist at BMO Capital Markets.

One of the reasons, he said, is that the participation rate – or the percentage of the population over the age of 15 and taking part in the labour force – is also forecast to decline.

That will place added pressure on highly costly social programs as growth in the number of working taxpayers declines.

"There's no doubt that an aging population and the declining participation rate over the next one or two decades will put an added strain on our pension system and health care system," Guatieri said.

The survey points out, for instance, that in 1981 there were about six people in the labour force for each retiree, who at that stage of their lives become beneficiaries of the Canada Pension Plan and have increasing needs for health-care services.

But by 2031, the ratio is expected to decline to fewer than one in three.

The result, Guatieri said, is that people will need to work longer than previously thought, as governments will be unable to put more stress on the younger working population by raising their taxes, and will have to find ways to boost productivity rates to compensate for the slower labour force growth.

One mitigating factor is the support immigrants are providing to the job market. The survey projects that by 2031, about one in three people in the labour force could be foreign-born, if recent immigration levels were to continue.

Statistics Canada's study shows that between 1971 and 1976, when a large number of baby boomers were entering the labour market, the workforce grew at an average rate of more than four per cent a year. It slowed to 1.4 per cent between 2006 and 2010. By 2016, it will decline again to below one per cent. In 2010, the labour force totalled about 18.5 million and is projected to grow to between 20.5 million and 22.5 million by 2031.

Boomers face debt and savings crunch

POSTMEDIA NEWS

OTTAWA— Baby boomers might be keen to get their retirement nest eggs in order, but a new survey suggests many face difficulties because they're still paying down a mortgage or other debt.

A survey released by Canadian Imperial Bank of Commerce on Wednesday showed 46 per cent of respondents ages 45 to 64 said they had an outstanding mortgage. Seventy-five per cent said they have some kind of debt.

CIBC referred to a previous survey, released in January, that showed saving for retirement was the top financial goal of baby boomers this year. However, 30 per cent in this recent poll said they are doing a poor job on building retirement savings so far this year.

Among those who have debt, 42 per cent said it was an obstacle to achieving their financial goals.

The results were based on a phone survey of 890 Canadians from June 30 to July 10.

Appointment Notice
Michael Pecho
Fondation Armand-Frappier
Executive Director

The Fondation Armand-Frappier is proud to announce the appointment of Michael Pecho as Executive Director effective August 1, 2011. Until recently, Michael Pecho was Director of Development for the Montreal Children's Hospital Foundation. A lawyer by training, he has also held senior positions at the United Nations Children's Fund (UNICEF). Mr. Pecho joins the Fondation Armand-Frappier team to further strengthen the position of the organization as a leader in the area of health research. For more than 30 years, the Fondation Armand-Frappier has been fully dedicated to its mission in supporting young researchers and the advancement of health research in all areas for which INRS-Institut Armand-Frappier research centre is renowned: influenza, hepatitis, bacterial infections, organ rejections, cancer, environmental health, toxicology, etc. The Fondation Armand-Frappier is a registered non-profit organization. You may contact M. Pecho at: Michael.Pecho@iaf.inrs.ca.