

Moneymakers

FIVE QUESTIONS WITH STEWART FELDMAN

Listed in Toronto, based in Houston

The Toronto Stock Exchange wants to lure small to midsize U.S. companies across the border to trade in Canada's equity markets.

To generate interest in the exchange, representatives from the TSX Group, who are on a 10-city U.S. tour, visited Houston this week to tout Houston's Northstar Healthcare, which is listed on the Toronto exchange, and Capstone Associated, the company that helped Northstar get on the exchange.

Capstone created a stock offering that took advantage of changing Canadian tax laws and provided a high rate of return for investors, said Stewart Feldman, founder of Houston-based Capstone and a tax attorney.

He said what sets his company apart is that it specializes in a new field called "financial engineering," which draws on expertise in tax law and accounting to create strategies and business deals for its clients.

Reporter Purva Patel spoke recently with Feldman about the Northstar transaction and why some U.S. companies are looking for financing on foreign exchanges.

Q: Are there any other companies beside Northstar Healthcare in the

Houston area that have gone public on the Canadian stock exchange?

A: There are. But what's different about this company is there are no Canadian operations.

All the operations are in Houston, and simply put, we were approached by the company two years ago to design a transaction where we could sell off a significant portion of the company.

We're in discussions now with other companies interested in doing this.

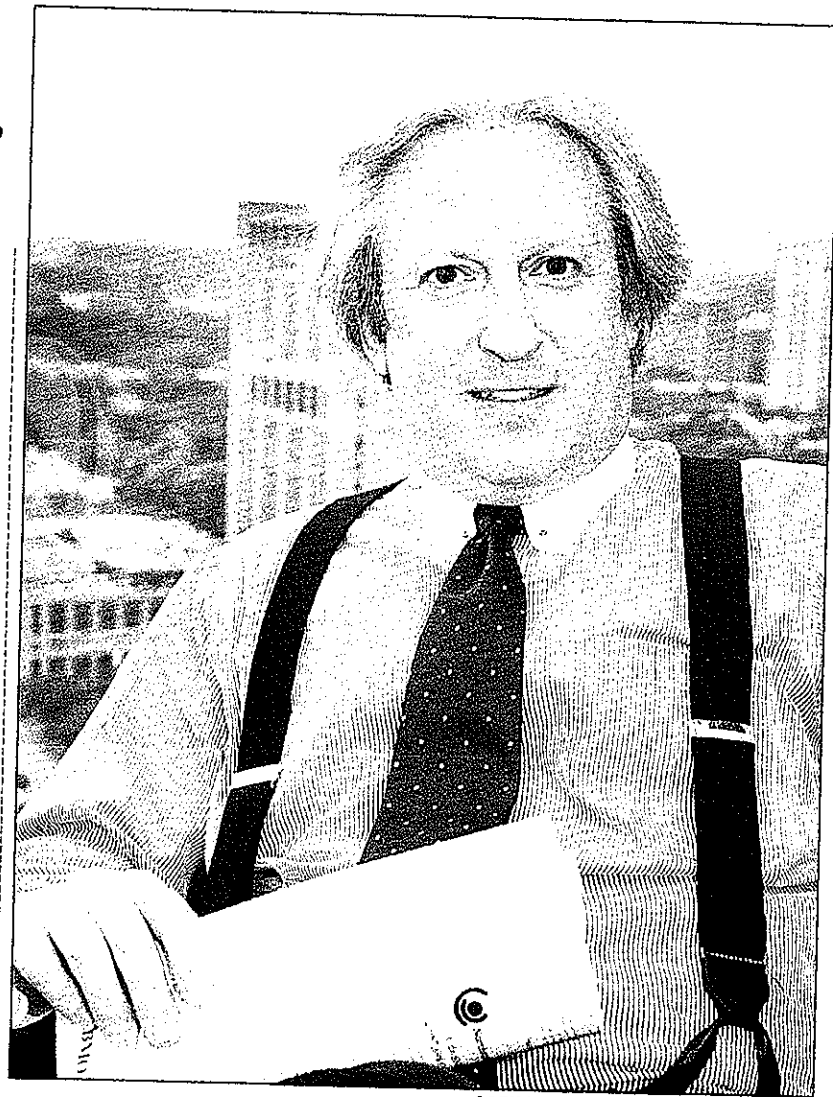
Q: What's behind this trend of going public outside the country?

A: What happens is foreign investors can afford to pay more for U.S. companies than U.S. investors can afford to pay for U.S. companies. It's a different tax structure here, so it's not really a level playing field.

Q: What is it about Canada's tax system that changed?

A: Companies were converting to what's called an "income trust" in Canada, which in the U.S. is like the limited partnership structure.

Canada saw that as a potential loss of tax revenue. So Canada shut



STEWART FELDMAN: "What happens is foreign investors can afford to pay more for U.S. companies than U.S. investors can afford to pay for U.S. companies. It's a different tax structure here, so it's not really a level playing field." **GARY FOUNTAIN: FOR THE CHRONICLE**

down income trusts. That happened on Oct. 31. By December, we came up with an alternative structure of high-yield securities.

Q: Why are companies able to get more per share in foreign markets?

A: A dollar of revenue here will support a

higher price abroad than in the United States, as a general proposition.

Q: How much of the trend can be attributed to companies looking to escape heavy regulation and Sarbanes-Oxley requirements?

A: SOX is a factor. However, Canada has a form of SOX, so that this issue is not dispositive. Canada has a well-regulated securities market. Companies finance abroad for tax and financial reasons.

purva.patel@chron.com