

CALGARY: AN EMERGING FINANCIAL CENTRE

FINANCIAL SERVICES SECTOR PROFILE



APRIL 2010

CALGARY
ECONOMIC

DEVELOPMENT



ALBERTA

☆ Calgary

Calgary Economic Development has compiled this profile to give companies and decision-makers a comprehensive overview of Calgary's financial services sector.

Since the early 1990s, Calgary's growing financial services sector has become a major contributor to the strong economic growth in Calgary and Alberta, which are considered among the fastest growing economies in North America.

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CALGARY ECONOMIC DEVELOPMENT



Calgary Economic Development (CED) is working to make Calgary the undisputed choice for people and business.

As Calgary's lead economic development agency, we work with businesses to facilitate growth, expedite local, national and international business investment and trade development opportunities to promote sustainable economic growth in the Calgary region.

Calgary is Western Canada's business centre and has more head offices per capita than any other Canadian city. Its key economic drivers are Financial Services, Energy, Transportation and Logistics, Information and Communication Technology, Manufacturing, Film and Creative Industries.

CED concentrates its activities on developing these sectors; an experienced economic development professional is dedicated to each sector. Using a hands-on approach, we are furthering the success and growth of existing businesses, helping businesses grow their markets globally and promoting the Calgary region as the ideal location for business investment.

By working with business and partners proactively and collaboratively, we will be able to achieve higher levels of success for Calgary and the surrounding region.

www.calgaryeconomicdevelopment.com

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CALGARY'S FINANCIAL SERVICES SECTOR

The economic crisis of 2008-2009 had a significant impact on the financial and banking systems of countries across the globe. The International Monetary Fund (IMF) has praised Canada and the resilience of Canadian banks, indicating that Canada is better positioned than many countries to weather the global financial turbulence and worldwide recession. According to the IMF, “Canada’s banks were well capitalized entering the downturn and have avoided the large losses experienced in other countries.”¹

While Calgary’s overall economy did not escape the impacts of the global recession, its financial services sector remained strong. In the spring of 2009, Calgary Economic Development (CED) brought together the Financial Sector Advisory Committee, which includes a group of key industry influencers, to leverage the critical mass and sophistication of the capital markets in Calgary and continue the growth of the financial services sector. This profile forms part of CED’s ongoing efforts to position Calgary as a Global Financial Centre.

History of Growth

Over the last 10 years, Calgary’s financial services sector has become a major contributor to the strong economic growth in Calgary. The city is considered among the fastest growing urban economies in North America, with an estimated Real GDP growth rate of 3.4 per cent annually from 2000-2009. The economy is expected to grow at an even pace in the coming years, with a forecast of 3.0 per cent in 2010 and 4.4 per cent for 2011-2014.² While Toronto has traditionally been viewed as Canada’s financial centre, the pace of economic growth in Calgary and its strength in the energy sector means that the city has been gaining a reputation as a global financial centre of high regard. A recent article in *The Economist* stated that, “for the first time in a century, Toronto’s status as Canada’s pre-eminent city is being challenged – the contender is Calgary, the western base of the country’s booming energy industry.”³

“Over the last decade, Calgary has demonstrated to the global capital markets that it is a pre-eminent financial centre.”

*George Gosbee
President & CEO, G Capital Inc.
Co-Chair, Financial Sector Advisory Committee*



Such strong growth provides an ideal setting for financial services companies. For the foreseeable future financial services companies can expect to benefit from the continuing economic growth in Calgary and Alberta. The influx of new residents and new companies translates into new customers. Calgary's financial services sector includes, among others, all six of Canada's major banks, strong regional banks, international investment banks and other financial investment firms. Calgary is Western Canada's business centre and has a higher head office employment per capita than any other Canadian city. The significant concentration of corporate head offices, many with an international focus, provides access to the necessary decision makers.

Calgary's strength and uniqueness lies in its knowledgeable experience and the sophistication of its workforce, particularly when it comes to the sell-side of the transaction. The continued economic growth in the city will soon add to the amount of assets under management, pushing Calgary to the forefront of global financial centres.

CANADA'S NEW FINANCIAL CAPITAL

An attractive market for firms in financial services is the concentration of capital-intensive companies, high deal velocity and large deal size. The energy sector in Calgary is such a market. Alberta produces about 70 per cent of Canada's crude oil and 80 per cent of its natural gas, while close to 80 per cent of total industry spending takes place in Alberta. The Western Canadian Sedimentary Basin (WCSB) has reserves of five billion barrels of conventional oil and 60 trillion cubic feet of natural gas. The province also has the world's largest recoverable oil sands deposits, currently estimated at an output of 1.2 million barrels per day in 2007. With anticipated growth, this level of production could reach 3.5 million barrels per day by 2020 and possibly even 6 million barrels per day by 2027.⁴

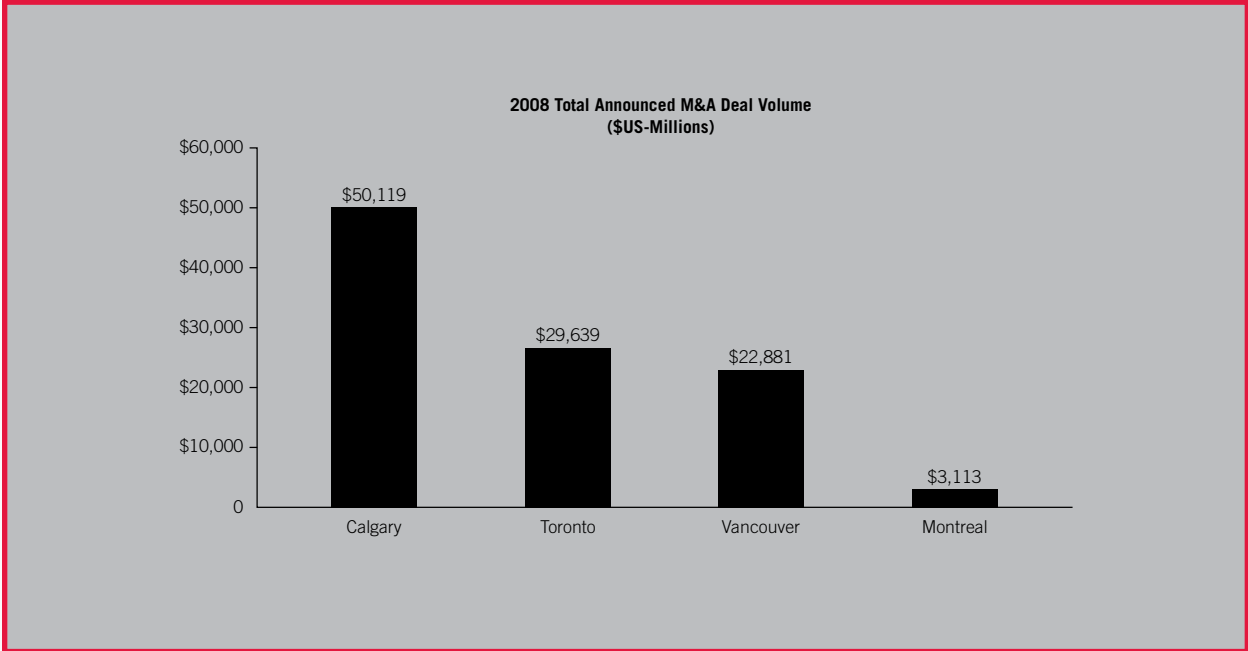
The capital needed to finance the energy sector, and the revenue it generates cannot be understated – no other sector in Canada requires the capital infusion that the energy sector does. The oil sands are an especially capital-intensive form of extraction, with a disproportionate amount of capital as compared to production. A recent study of the profitability of the upstream oil and gas sector by ARC Financial Corporation concluded that the upstream oil and gas industry, which generated \$100 billion of revenue for the first time ever in 2005, will be able to sustain that level through 2008. The oil and gas industry is the most profitable sector in Canada, with an average return on capital of 13 per cent and return on equity averaging 19 per cent.⁵

In the first quarter of 2008, the Daily Oil Bulletin reported that Canadian producers booked a record combined profit of \$5.9 billion, up \$1.16 billion from the same three months in 2007, and slightly ahead of the previous first quarter record of \$5.65 billion achieved in the first quarter of 2003.⁶ As of July 2008, Canadian oil and gas producers' 2008 capital budgets added up to \$60.03 billion.⁷

DEAL FLOW

Beyond the high spending and record revenues, the WCSB is also known as a trading basin. The velocity of deal flow, whereby approximately 8 per cent of all assets are traded (as compared to 1-2 per cent average in other jurisdictions), means that companies operating in Calgary's financial services sector are used to dealing with the large volume of transactions. The large number of deals that occur in Calgary is what makes the city unique. As a result of this deal velocity, there is a certain sophistication and knowledge that operates within the sector.

TABLE 1 – 2008 TOTAL ANNOUNCED M&A DEAL VOLUME (\$US-MILLIONS)

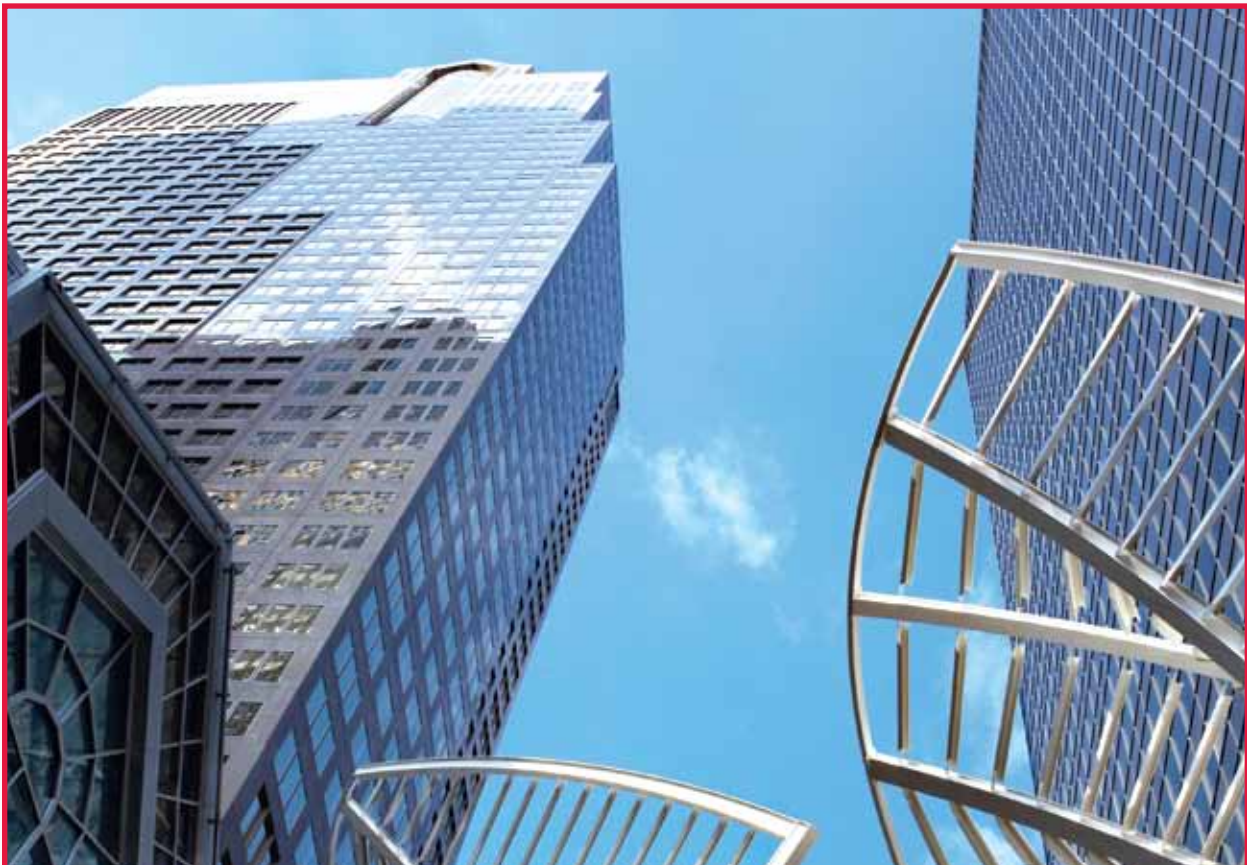


Source: Bloomberg, CIBC World Market and CED

TABLE 2 – TOP 10 CANADIAN M&A DEALS OF 2009

The Deals	Ranking Value, Including Debt of Target (\$US billions)
Suncor Energy buys Petro-Canada	\$18.25
Sinopec buys Addax Petroleum	\$9.02
CPPIP buys Macquarie Communications	\$6.46
Agrium bids for CF Industries*	\$4.49
Korea National Oil buys Harvest Energy Trust	\$3.86
Hydro-Quebec agrees to buy New Brunswick Power*	\$3.06
Petrobank Energy buys TriStar Oil and Gas	\$2.70
International Petroleum buys NOVA Chemicals	\$2.27
Petro-China buys stake in Athabasca Oil Sands assets	\$1.74
Viterra buys ABB Grain	\$1.67
<i>Bold: Either the acquirer or the target or both are based in Calgary</i>	
<i>*Pending deals</i>	

Source: The Globe and Mail, Thursday, March 4th, 2010 and Calgary Economic Development



Throughout the 1970s, '80s and '90s, Calgary's energy sector achieved a critical mass that eventually led to virtually the entire sector shifting its head office operations to the city. With industry's major players all located in Calgary, the city is known as the decision-making centre of the energy sector. Calgary has emerged as the administrative, financial, and head office centre for the Canadian energy industry. No other centre in Canada has such a large concentration of activity as Calgary does. Every part of the energy sector's value chain has a significant presence in Calgary, and as a result, a strong financial community has emerged to address the needs of all parts of the energy sector.

TABLE 3 – EXAMPLES OF FOREIGN FINANCIAL INSTITUTIONS OPERATING IN CALGARY

Bank of America	Corporate finance
Citigroup	Corporate finance and retail banking
Barclays Capital	Investment banking and investment management
Deutsche Bank	Corporate finance and investment banking
Fidelity Investments	Wealth management
Fortis Bank	Corporate finance
Franklin Templeton (Bissett)	Investment advisory
Goldman Sachs	Corporate finance
HSBC	Full services
ICICI Bank	Retail and commercial banking
ING	Insurance and online banking
Macquarie	Asset management and investment banking
MF Global	Brokerage-stock, commodity, and foreign exchange
Merrill Lynch	Corporate finance and investment banking
Marsh	Insurance brokerage
Morgan Stanley	Investment banking
Royal Bank of Scotland	Corporate finance and investment banking
Société Générale	Corporate finance and wealth management
UBS	Corporate finance and wealth management

Thanks to the large amount of capital spending and the velocity of deal flow, Calgary is quickly being recognized as more than just Canada's energy capital. It is also becoming a financial services centre, where Calgary companies are recognized as being at the forefront of financing and developing global natural resources. A number of foreign financial institutions have recently established their presence in Calgary, further defining Calgary's role as Western Canada's financial centre. Oil and gas companies from all over the world come to Calgary to look for capital investments and they're not just getting it from Canadian companies – foreign businesses will often come to Calgary to seek advice and structure the deal in Calgary as opposed to other larger centres because of the experience and expertise that exists in the city.

A result of the success of the energy sector is that most major Canadian financial institutions and lenders have a presence in Calgary, along with a growing list of international financial groups. In addition to their corporate activities, many of these international banks also have a retail side in order to serve Calgary's diverse population.

Size of the Financial Services Sector

Calgary is Western Canada's financial centre and its financial services sector is a fast-growing one, a major contributor to the tax base and a source of high quality jobs.

“As a leading investment bank, it is imperative that we be able to service our clients in Calgary, the country's fastest growing, urban metropolis and lead energy centre. The city's rapidly growing financial services sector, highly educated workforce and tremendous head office concentration, make Calgary a natural choice for CIBC World Markets.”

*Arthur N. Korpach
Vice-Chairman, Head Global Oil & Gas
CIBC World Markets*

It should be noted that this report focuses on three sub-sectors of the larger business and financial services sector. While insurance, real estate, and other professional services play an important role in the city's economy, this report is centred around Calgary's competitiveness in the securities and investment banking sectors.

From 1999 to 2008, the sector surpassed the Canadian (2.8 per cent) and Albertan (4.1 per cent) employment growth with a 7.6 per cent annual average. This growth provides markets, infrastructure and employees to allow financial services companies to prosper.

TABLE 4 – FINANCIAL SERVICES SUMMARY

Employment 1999	17,600
Employment 2008	24,600
Jobs Created, 1999-2008	7,000
Average Annual Rate of Employment Growth (1999-2008)	7.6%
Financial Services Employment as a Proportion of Total Calgary Employment, 2008	3.2%
Number of Business Establishments 2008	1,363
Change in number of Business Establishments, 2004-2008	12.6%

Source: Statistics Canada, Labour Force Survey

EMPLOYMENT GROWTH

The following are employment highlights of the financial services sector in Calgary.

TABLE 5 – CALGARY EMPLOYMENT: 1999 AND 2008

Sector	1999 Employment	2008 Employment	Jobs Created
Credit Intermediation and Related Activities	13,400	17,200	3,800
Securities, Commodity Contracts, and Other Financial Investment and Related Activities	4,200	7,400	3,200
Total	17,600	24,600	7,000

Source: Statistics Canada, Labour Force Survey

Approximately 70 per cent of the 9,900 jobs created in the sector in Alberta over the past 10 years were in the Calgary region.

Demonstrating the strength of Calgary as a leading financial centre in Western Canada, financial services employment accounts for 3.2 per cent of overall employment in the region, greater than in Alberta (2.4 per cent) and Canada (3.1 per cent).

Over the last 10 years, Calgary's financial services sector has surpassed the Canadian and Albertan employment growth with a 7.6 per cent annual average. Over the same period, employment growth in the sector was 4.1 per cent for Alberta and 2.8 per cent for Canada.

TABLE 6 – SECTOR EMPLOYMENT GROWTH RATES

Region	10 Year Total Growth 1999 - 2008	10 Year Average Annual 1999 - 2008
Canada	25.9%	2.8%
Alberta	26.2%	4.1%
Calgary Region	39.8%	7.6%

Source: Statistics Canada, Labour Force Survey

TABLE 7 – AVERAGE ANNUAL EMPLOYMENT GROWTH (1999 – 2008)

	Canada	Alberta	Calgary
Financial Services Total	2.8%	4.1%	7.6%
Sub-Sectors			
Credit Intermediation and Related Activities	2.6%	4.0%	8.1%
Securities, Commodity Contracts, and Other Financial Investment and Related Vehicles	4.0%	6.8%	10.3

Source: Statistics Canada, Labour Force Survey

Securities, commodity contracts and other financial investments is the fastest growing sub-sector in Calgary's financial services sector employment, with an annual average growth of 10.3 per cent, which outpaced the growth in Alberta and Canada. Over the same period, employment in the sub-sector in Alberta grew by 6.8 per cent and in Canada by 4.0 per cent.

CALGARY REGION BUSINESS ESTABLISHMENTS

Over 1,300 firms with employees in the financial services sector operate in Calgary. Small businesses (those with less than 50 employees) dominate this sector of Calgary's economy, representing 94 per cent of all financial services companies. Within the sector, firms operating in the field of securities, commodity contracts and other financial investment and related activities represent the greatest number of companies with 67.6 per cent of the total.

TABLE 8 – BUSINESS ESTABLISHMENT BY NUMBER OF EMPLOYEES (2008)

Calgary Economic Region	Total Firms	1-49	50-99	100-199	200-499	500+
Total Financial Services Sector	1,363	1,285	37	13	17	11
Monetary Authorities – Central Bank	1	0	1	0	0	0
Credit Intermediation and Related Activities	405	386	8	2	6	3
Securities, Commodity Contracts, and Other Financial Investment and Related Activities	922	869	26	10	11	6
Funds and Other Financial Vehicles	35	30	2	1	0	2

Source: Statistics Canada, Canadian Business Patterns

Within these categories, Calgary has 14 investment firms that are regulated by the Investment Industry Regulatory Organization of Canada (formerly known as the IDA), representing approximately 7 per cent of the Canadian marketplace. Toronto leads the nation with over half (52.6 per cent) of the membership.



CASE STUDY :: MACQUARIE GROUPwww.macquarie.com/ca

Macquarie Group is a global provider of banking, financial, advisor, investment and funds management services. Listed in Australia, Macquarie has five operating groups and two operating divisions within which individual businesses operate. Macquarie has been active in Canada since the late 1990s and today has approximately 1,000 staff located in 14 office locations across the country.

Macquarie's activities in Canada include specialized asset management, advisory and capital markets, financial markets and lending. Macquarie Capital Markets Canada has an office in Calgary and is a leading broker of Canadian equities servicing global institutional and corporate clients. The Calgary office also offers corporate advisory services on mergers and acquisitions, project financing, capital restructuring, strategic options evaluations and other financial advice. The Calgary office also specializes in providing corporate finance advice to clients in the natural resources sector across the globe.

Macquarie boosted its energy advisory business in September 2009 with the acquisition of Tristone Capital, an industry-leading firm founded and based in Calgary. Tony Ferguson, Chairman of Global Resources Group, Macquarie Capital, in a 2009 Macquarie press release said: "The fusion of Tristone's operations further establishes Macquarie's credentials as a leading global energy advisory firm with unrivaled international reach. When combined with Tristone, Macquarie ranks #1 on a deal count basis for global upstream E&P transactions in 2008. The end result of this transaction is the creation of one of the largest resources-focused financial services providers globally, offering full service capabilities in key natural resources markets and energy hubs around the world."

Calgary has a diverse group of companies operating in the financial services sector. They include all major Canadian banks, foreign financial institutions, sell-side firms (i.e. retail brokers and research departments that sell securities), and asset management firms (investing institutions such as mutual and pension funds that buy securities for money-management purposes). Some leading companies are listed here:

TABLE 9 – LEADING CALGARY FINANCIAL SERVICES COMPANIES

Canadian Banks	Canadian Boutique Investment Firms	Global Banks	Asset Management Firms	Regulatory & Government Institutions
ATB Financial	Acumen Capital Finance Partners Limited	Bank of America	32 Degrees Capital	Bank of Canada
BMO Financial Group	Blackmont Capital Inc.	Barclays Capital	AGS	Business Development Bank of Canada
Bridgewater Bank	Canaccord Capital Corp.	Citibank	ARC Financial Corp.	NGX (Natural Gas Exchange)
Canadian Western Bank	Cormark Securities Inc.	Credit Suisse (Investment Banking)	Bissett Investment Management	TSX/TSXV
CIBC	Dundee Securities Corporation	Deutsche Bank AG	Brickburn Asset Management	
CIBC World Markets	Emerging Equities Inc.	Goldman Sachs	Brownstone Asset Management Inc.	
Citizens Bank of Canada	Evergreen Capital Partners Inc.	HSBC Bank	Canadian Wealth Management	
First Calgary Savings	FirstEnergy Capital Corp.	ICICI Bank of Canada	Guardian Capital Advisors L.P.	
Laurentian Bank	Genuity Capital Markets	ING Bank of Canada	Hesperian Capital Management Ltd./ Norrep Funds	
National Bank of Canada	GMP Securities L.P.	JP Morgan	Humboldt Capital Corporation Ltd.	
Pacific and Western Bank of Canada	J.F. Mackie & Company Ltd.	Korea Exchange Bank	Jarislowsky Fraser Limited	
RBC Royal Bank	Jennings Capital Inc.	Macquarie Group Limited	JOG Capital	
Scotiabank	Leede Financial Markets Inc.	Merrill Lynch & Co., Inc.	KERN Partners	
Servus Credit Union	Lightyear Capital Inc.	MF Global	Longbow Capital Inc.	
TD Bank Financial Group	Paradigm Capital Inc.	Morgan Stanley	Man Investments Canada Corp	
	Peters & Co. Limited	Rabobank Nederland	Matco Financial Inc.	
	Portfolio Strategies Securities Inc.	Royal Bank of Scotland	Mawer Investment Management Ltd.	

TABLE 10 – LEADING CALGARY FINANCIAL SERVICES COMPANIES (CONTINUED)

Canadian Banks	Canadian Boutique Investment Firms	Global Banks	Asset Management Firms	Regulatory & Government Institutions
	Raymond James Ltd.	Société Générale	McLean & Partners Wealth Management Ltd.	
	Stephen Avenue Securities Inc.	UBS	Oleum West Capital Ltd.	
	Thomas Weisel Partners Canada Inc.		Origin Capital Management Ltd.	
	G Capital Inc.		Palisade Capital Management Ltd.	
	Wellington West Capital Markets Inc.		Polar Securities Inc.	
			Priviti Capital Corporation	
			Portland Investment Counsel	
			Quest Capital Corp.	
			StoneBridge Merchant Capital Corp.	
			Vantage Point Investment Management Inc.	

Five of Calgary's key assets/companies are explored in more detail below:

- **ARC Financial Corp:** ARC is an employee owned firm that was founded in 1989 as a boutique investment and financial advisory firm focused on the Canadian energy industry. With over \$1.88 billion of capital under management, ARC Financial is one of the world's leading energy focused private equity firms.
- **Mawer Investment Management:** Mawer is an independent investment counseling firm that was founded in 1974. The firm provides investment management for corporate pensions funds, foundations and endowments, individual investors and a family of mutual and pooled funds. The firm's World Investment Fund was recognized as the 2007 International Equity Fund of the Year and was also ranked among Canada's top three funds in 2004 and 2006.
- **Bissett Investment Management:** Founded in 1982 as Bissett & Associates, the firm invested over \$5 billion for a broad group of private and institutional investors and sponsored its own family of mutual funds, before being acquired by Franklin Resources, Inc., a global investment organization operating as Franklin Templeton Investments.
- **Barclays Capital:** Barclays established an office in Calgary in 2005 in order to be closer to its clients in the energy sector. The initial focus was on commodities products, but an investment banking team was added in 2008 to increase the focus on Calgary-based energy firms.

■ **Calgary's Chartered Financial Analyst (CFA) Society:** Another one of Calgary's assets is a very active Chartered Financial Analyst (CFA) Society. The CFA is a professional designation based on examinations administered by the CFA Institute (formerly known as AIMR) and is primarily oriented towards training for buy-side finance professionals. The Calgary chapter is one of the largest in the world, with a membership of 1,305, which represents a 17 per cent growth rate from the previous year. The Calgary CFA Society is very active, notwithstanding Calgary's small size compared to other large North American cities. The Calgary CFA Society's Annual Forecast Dinner is well attended, with over 1,200 participants, making it the largest in North America. Top employers in Calgary for those with the CFA designation include: RBC, BMO Financial Group, Nexen Inc., TD Bank Financial Group, Franklin Templeton Investments, TransCanada, TransAlta Corporation, CIBC, Mawer Investment Management and FirstEnergy Capital Corporation.



“The success of the Calgary CFA Society parallels the success of Calgary's economy and the city's increasing importance as a financial centre. We contribute to that success through our vibrant and growing membership base of financial professionals who are committed to the highest ethical standards and ongoing financial education and professional development.”

*Robert Cook
Past President, Calgary CFA Society
Senior Vice-President, ARC Financial Corp.*

CASE STUDY :: JARISLOWSKY FRASER LIMITEDwww.jfl.ca

Jarislowsky Fraser Limited is a registered investment counseling firm, managing pension funds, endowment funds and corporate and private portfolios for clients in North America and overseas.

Founded in 1955, it has offices in Montreal, Toronto, Calgary and Vancouver (the Calgary office opened in 1999). The firm manages investment funds on behalf of governments, corporation, universities, labour unions and individuals with assets exceeding \$40 billion Canadian dollars. Across the country there are approximately 120 employees, including 42 investment professionals.

James Morton is the Managing Partner of the Calgary office, and moved to the city from Toronto in 2006. When he moved to Calgary, one of the first things James noticed was the close-knit community feel of both the city itself and, more particularly, those working in the oil patch. There is a similar feeling in the financial services sector and James felt welcomed into that community immediately.

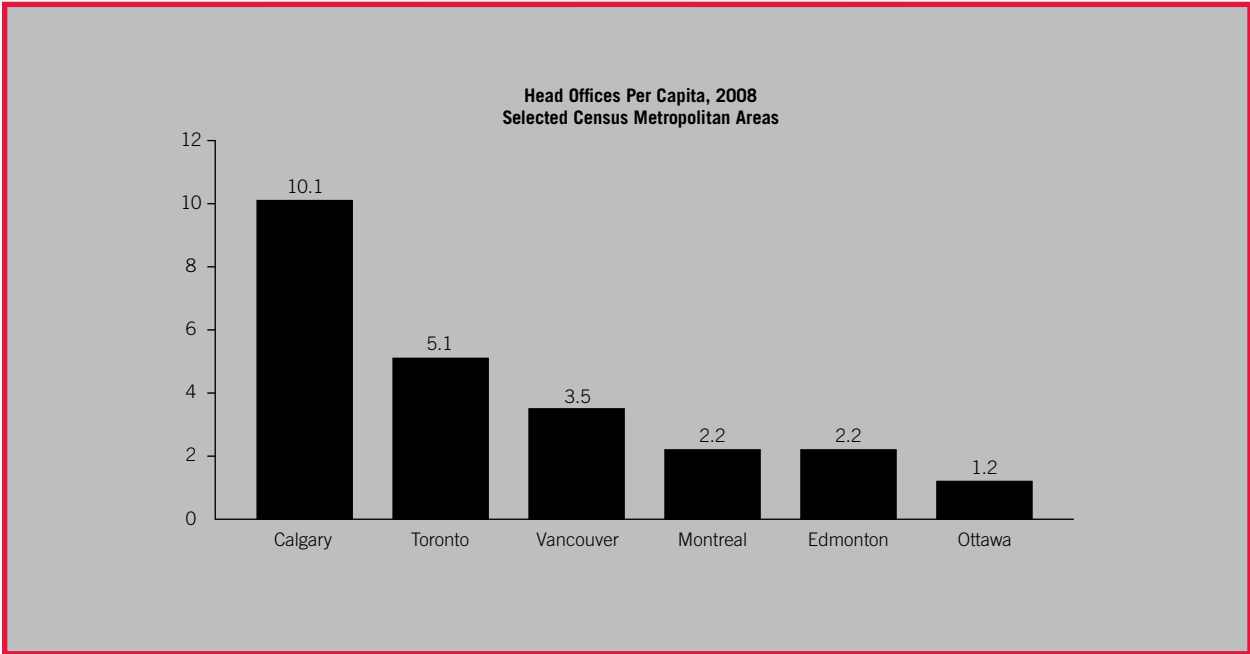
After having worked in London and Toronto, James is of the belief that financial services professionals working in Calgary are as good at what they do as those working in other global financial centres. James thinks Calgary is a great place for Jarislowsky Fraser Limited to continue to grow as it is not yet an over-served financial market and it is the place to be if one wants to work in financial advising for the energy sector.

HEAD OFFICES

Head offices are highly desirable for any city as they provide the base of corporate decision making. The importance of corporate head office activity can be observed in the economic impact generated beyond that directly associated with the head offices themselves. They attract more professional business and financial services companies, creating a larger and more knowledgeable professional community – one that can offer greater access to high-quality services for surrounding companies. Over the past several years, Calgary has emerged as Western Canada’s head office centre and Canada’s most concentrated headquarter location.

There are 119 Calgary-based companies on the FP500 list, and 10 of these are among the top 50 in Canada. In order to fully understand the real economic effect of head office activity in a city, it is essential to adjust for population, rather than just use absolute numbers. When looking through this lens, Calgary overwhelmingly had the highest concentration of head offices among the selected cities. In 2006, Calgary boasted 9.7 major corporate headquarters per 100,000 population. Two years later, by 2008, Calgary reached a concentration of 10.1 head offices per 100,000 population, nearly doubling Toronto’s rate of 5.1 head offices per capita.

TABLE 11 – HEAD OFFICES PER CAPITA



Source: Statistics Canada, FP500 2009 Database

Calgary is home to approximately 1 in 7 of Canada’s major corporate headquarters. As Canada’s energy centre, it is no surprise that the majority of top corporations in Alberta and specifically Calgary are energy-related, with 91 of Calgary’s 119 top head offices representing energy firms. That said, there are a significant amount of non-energy sector head offices representing a diverse mix of industries, including Agrium, CP Rail and WestJet, the last of which is one of the few profitable airlines in North America.

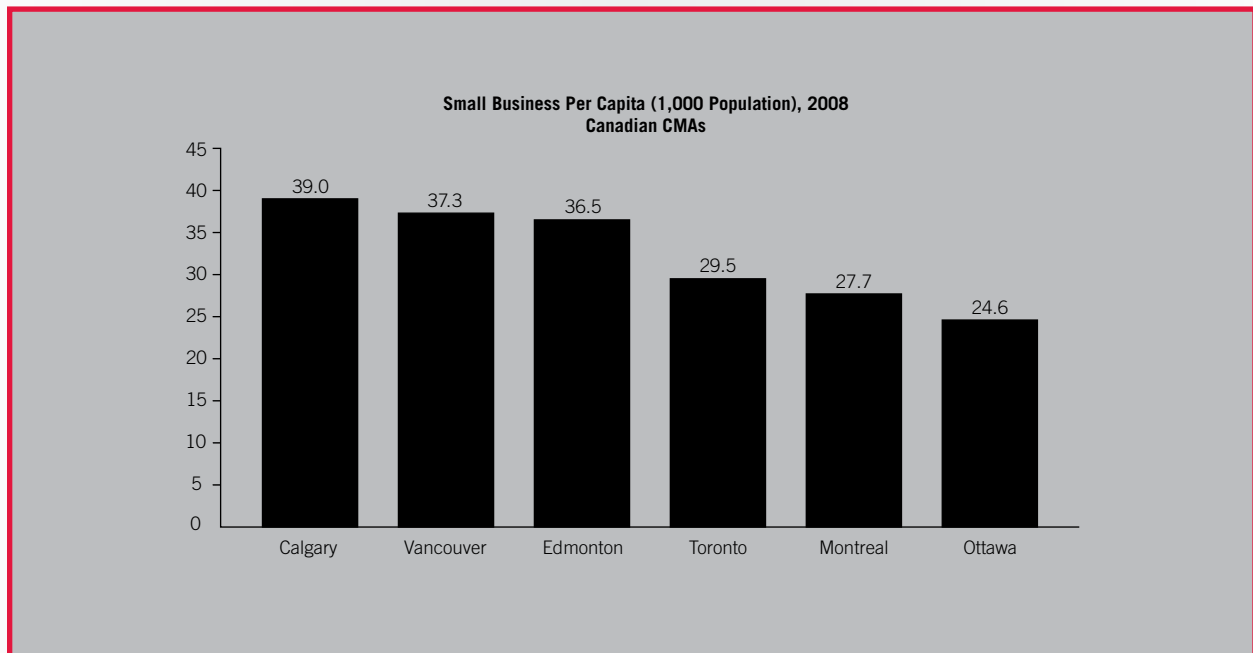
For company leaders, employees, investors and customers, the location of a corporation's headquarters is an important element of its identity in terms of image, personality and positioning. Calgary offers the exceptional business environment and internationally renowned lifestyle that today's companies are seeking.

SMALL BUSINESS

The presence of head offices is also a driver for small businesses, as larger firms will often sub-contract work to some of the smaller, more specialized firms. According to BMO's small business report, Calgary is, "clearly one of Canada's hotbeds for small business. The importance of the oil & gas industry in Calgary, with its large associated sector of small consulting and service shops, is the main explanation for Calgary's position as Canada's small-business hotbed."⁸

Relative to its population, Calgary had the highest number of small businesses per capita in Canada in 2008, at a rate of 39.0 per 1,000 population.

TABLE 12 – SMALL BUSINESS



Source: Statistics Canada, Canadian Business Patterns, Custom Tabulation

The strong spirit of entrepreneurship encourages start-up companies, most of which require capital and other services, which are provided by financial services companies.

“The strength of the energy sector combined with a significant base of risk-taking entrepreneurs, makes Calgary an ideal home for money management. We located our headquarters in Calgary as a means to provide successful local executives the ability to diversify their capital outside of the energy sector.”

*Bob Thompson
President & CEO
Brownstone Asset Management*



CASE STUDY :: PORTLAND INVESTMENT COUNSEL www.portlandinvestmentcounsel.com

With roots dating back to 1987, Portland Investment Counsel offers customized portfolios drawing on expertise in equity and fixed income management. In addition to this, Portland Investment Counsel currently advises a number of third-party retail and closed-end mutual funds in Canada, including funds under the AIC and Copernican fund families.

James Cole is a Senior Vice President and Portfolio Manager with Portland Investment Counsel. He moved from Toronto to Calgary in 2006 to set up a local office. James moved to Calgary because the values at the core of Calgary's culture – pioneer spirit, entrepreneurialism, self-reliance – are an important part of doing business in the city. In his opinion, he could do his job anywhere, so why not Calgary? The environmental aspects that Calgary has to offer – sunshine, clean air, proximity to mountains and less traffic congestion – were all a bonus to the financial imperatives that led him to move.

James is of the belief that there is no reason for Calgary not to be one of the world's foremost financial centres, as it has the transportation and communications infrastructure, a critical mass of people, and a solid head office base. Canada's population has shifted west for the past 100 years and there is no reason for this to change. As James points out, Calgary is already home to 30 per cent of the TSX-listed companies, and should continue to attract more as its economy grows.

Regulators and Exchanges Environment

Canada as a whole is recognized as having an effective regulatory system that protects all consumers and minimizes the risk to the financial system. Generally speaking, the regulatory environment is one of the most important competitive factors for a financial centre. However, regulatory structures are just one aspect of the overall business environment.

The Economist Intelligence Unit's Business Environment Ranking assesses the world's 82 largest economies. The ranking measures the quality or attractiveness of a country's business environment (adjusted for its size) and its components, which include: political and institutional environment; macroeconomic stability; market opportunities; policy towards private enterprise; policy towards foreign investment; foreign trade and exchange regime; tax system; financing the labour market; and, infrastructure. Canada is ranked third, and the top 10 countries, with some other countries selected for comparison, are shown in the following table.

TABLE 13 – BUSINESS ENVIRONMENT

	2009-13 Total Score	2009-13 Rank	2004-08 Total Score	2004-08 Rank	Change in Total Score	Change in Rank
Finland	8.31	1	8.53	3	-0.22	2
Singapore	8.27	2	8.87	1	-0.61	-1
Canada	8.24	3	8.52	4	-0.28	1
Hong Kong	8.24	4	8.59	2	-0.36	-2
Switzerland	8.20	5	8.52	5	-0.31	0
Denmark	8.19	6	8.51	6	-0.32	0
Australia	8.08	7	8.20	11	-0.12	4
Sweden	8.00	8	8.21	10	-0.21	2
Norway	7.96	9	8.06	14	-0.10	5
Netherlands	7.91	10	8.33	8	-0.42	-2
New Zealand	7.88	11	8.19	12	-0.30	1
U.S.	7.83	12	8.36	7	-0.53	-5
Germany	7.80	13	8.04	15	-0.24	2
Ireland	7.70	14	8.28	9	-0.58	-5
Chile	7.69	15	7.83	18	-0.14	3
Taiwan	7.66	16	7.65	20	0.01	4
France	7.56	17	7.81	19	-0.25	2
Belgium	7.52	18	7.99	16	-0.47	-2
Qatar	7.50	19	7.17	27	0.33	8
Austria	7.47	20	7.95	17	-0.48	-3

Source: Economist Intelligence Unit, May 2009

Calgary has the advantage of being the headquarters for the TSX Venture Exchange (TSXV), which provides access to capital for companies at the early stages of their growth, while offering investors a well-regulated market for making venture investments.⁹ The TSXV is the result of the merger of the Vancouver and Alberta exchanges. Serving the public venture equity market, the exchange provides access to capital for companies at the early stages of their growth while offering investors a well-regulated market for making venture investments. TSX Venture complements the activities of angel investors and venture capitalists and bridges the gap between private and public financing. It has its head office in Calgary, and also has a presence in other cities across Canada. TSX Venture listed companies are active primarily in the mining, oil and gas, manufacturing, technology and financial services sectors. The TSXV offers an alternative form of capital to private funds and plays a major role in the success of small Canadian companies.

As of December 2007, there were 2,459 companies listed on the TSXV, with 460, or 18.7 per cent of them located in Alberta. Alberta companies also represent over \$5 billion, or 12.32 per cent of the total value of companies traded on the TSXV in 2007. Of the 1,612 companies listed on the main index, the TSX, 298, or 18.5 per cent of them are located in Alberta – only Ontario, with 47 per cent, has more. The Alberta companies represent approximately 25 per cent, or \$407 billion of the total value of companies traded on the TSX.¹⁰

According to a recently published overview of Alberta's capital market published by the Alberta Securities Commission, Alberta's capital market is second only to Ontario's in terms of aggregate public company market capital, and almost 2.5 times greater than that of Quebec which is the next most significant jurisdiction. Alberta also has the third largest number of publicly listed companies after Ontario and British Columbia.¹¹ Of the top Canadian companies by market capitalization, 18 of the top 50 are located in Calgary, with a combined market capitalization of almost \$4 trillion.¹² Calgary-based companies represent some of the biggest money-makers in Canada, with profits totaling \$37.4 billion, which represents 24 per cent of all company profits in Canada.¹³

Alberta is also the birthplace of the Junior Capital Pool (JCP) program, which is now known as the Capital Pool Company (CPC) program. CPCs are shell companies, devoid of all assets except cash, which are allowed to register on the CDNX for the sole purpose of raising public capital in order to purchase other companies. It allows an alternative for companies that don't want the large costs associated with a traditional IPO. By these means, the CPC's capital is injected into a company with assets but in need of funding and the previously privately-held company's securities become publicly traded.¹⁴ The fact that this program was supported by the Alberta securities regulator and adopted country-wide speaks to the innovative and experienced nature of Alberta's financial sector.

Human Capital

Calgary is a city of young, skilled and professional workers. The city has the youngest population in Canada, with an average age of 35, and has the highest net interprovincial migration in Canada, attracting more than 11,000 people annually from 1997 to 2006. Overall, Calgarians are known as confident, hard working, and entrepreneurial. Calgary has one of the best educated populations in Canada; approximately 73 per cent of Calgarians have attended a post-secondary institution, resulting in a highly skilled labour pool for the financial services sector.

“The success of our business is our people. We have found that candidates are now attracted to either relocate or stay in Calgary instead of going to the traditional financial centers of either Toronto or New York. Calgary is now recognized as one of those “go to” financial centres that has the added benefit of being a city that offers an active, balanced lifestyle that many of our people are drawn to.

In addition, Calgary now offers a more diversified base of wealth that is no longer necessarily dependent on the energy sector. This has made wealth management companies like ourselves much more stable in its sources of revenue.

With the number of head offices in Calgary, we have access to and relationships with management teams that a number of other firms do not enjoy.”

*Craig Senyk
Director of Portfolio Management
Mawer Investment Management*



A recent study done by McKinsey & Company assessing New York's financial services sector found that senior executives consider the availability and talent of professional workers to be the most important factor in the success of a financial centre.¹⁵ In an age of global competitiveness, the strength of a city's human capital and knowledge base is becoming increasingly important.

A major asset for Calgary's financial services sector is the Haskayne School of Business at the University of Calgary, which is a progressive and innovative business school with an international reputation for influencing the practice of management and leadership through quality teaching and research. There are more than 3,000 full and part-time students currently enrolled in the bachelor's, master's, PhD and executive education programs. The business school has close to 16,000 alumni in 50 countries around the globe. The Financial Times (UK) ranked the Alberta/Haskayne executive MBA program 28th out of 90 programs worldwide, and ranked it top in Canada for career progress of graduates. Additionally, Haskayne's MBA and undergraduate programs have been ranked second out of 46 Canadian business schools by Corporate Knights. It has also been named one of Princeton Review's best business schools worldwide.

The Haskayne School has a variety of programs and faculty that are involved in supporting Calgary's financial sector, and the asset management side of the investment industry in particular. One unique program is known as The Calgary Portfolio Management Trust (CPMT). A joint venture between the Haskayne School and the Calgary CFA society, the CPMT is a two-year course for 16-20 select BComm and MBA students. The Calgary CFA Society contributes approximately \$12,000 to the CPMT Trust Fund, and also provides mentors with practical hands-on training. The students manage the CPMT Trust Fund (which is destined to generate scholarships for Commerce students) during their two years in the program. In the first year of the program, students are known as Associates and in the final year, they are Fund Managers. In addition, some of the students are trained as Compliance Analysts, to make sure that the fund is operated within its Charter and within the ethical guidelines of the CFA Society.

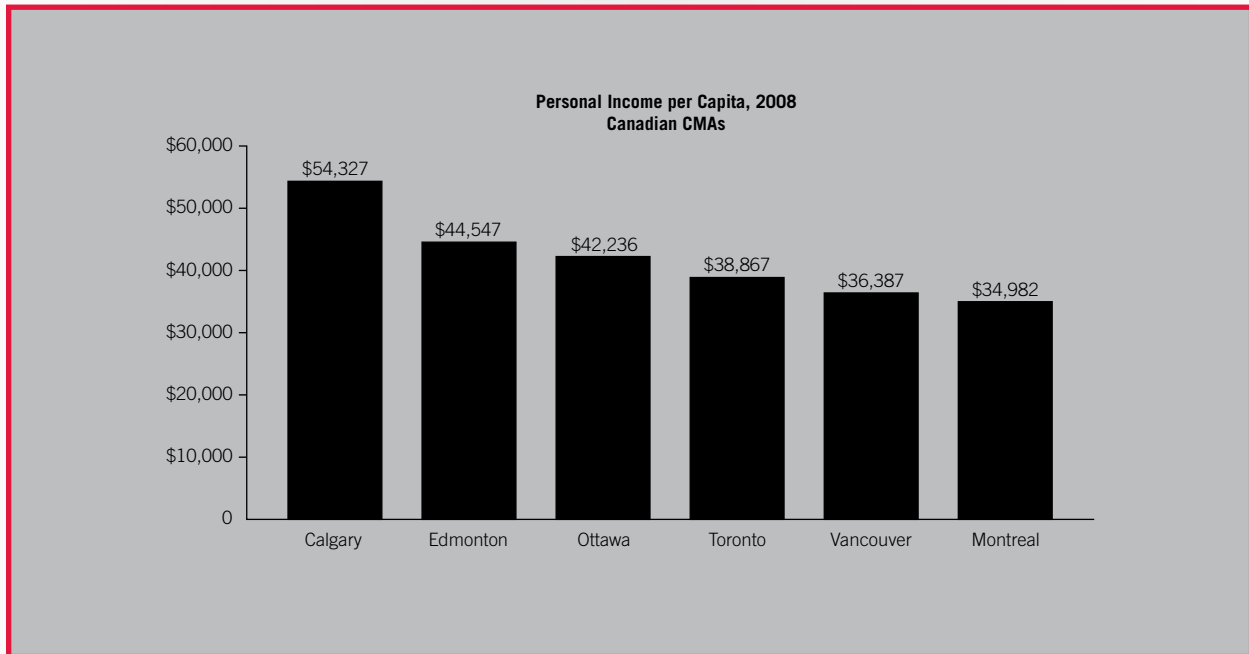
The faculty at the Haskayne School is world-renowned and its research activity encompasses work in the following areas:

- Venture capital
- Junior and private capital markets
- Family business and private equity
- Asset pricing
- Credit risk
- Volatility measurement
- Relationship between the macro economy and asset returns
- Systemic risk in the banking industry
- Financial risk management
- Mergers and acquisitions
- Mathematical finance
- Capital budgeting
- Real options
- Commodity pricing
- Evaluation of resource assets

Individual Wealth

Calgary is home to incredible wealth, which is beneficial to the financial services retail market. In 2008, Calgary's labour force boasted the highest personal income per capita in Canada at \$54,327, and represents the highest annual growth over the past 10 years at 5.5 per cent.

TABLE 14 – PERSONAL INCOME, SELECTED CMAS, 2008



Source: Conference Board of Canada, Metropolitan e-data

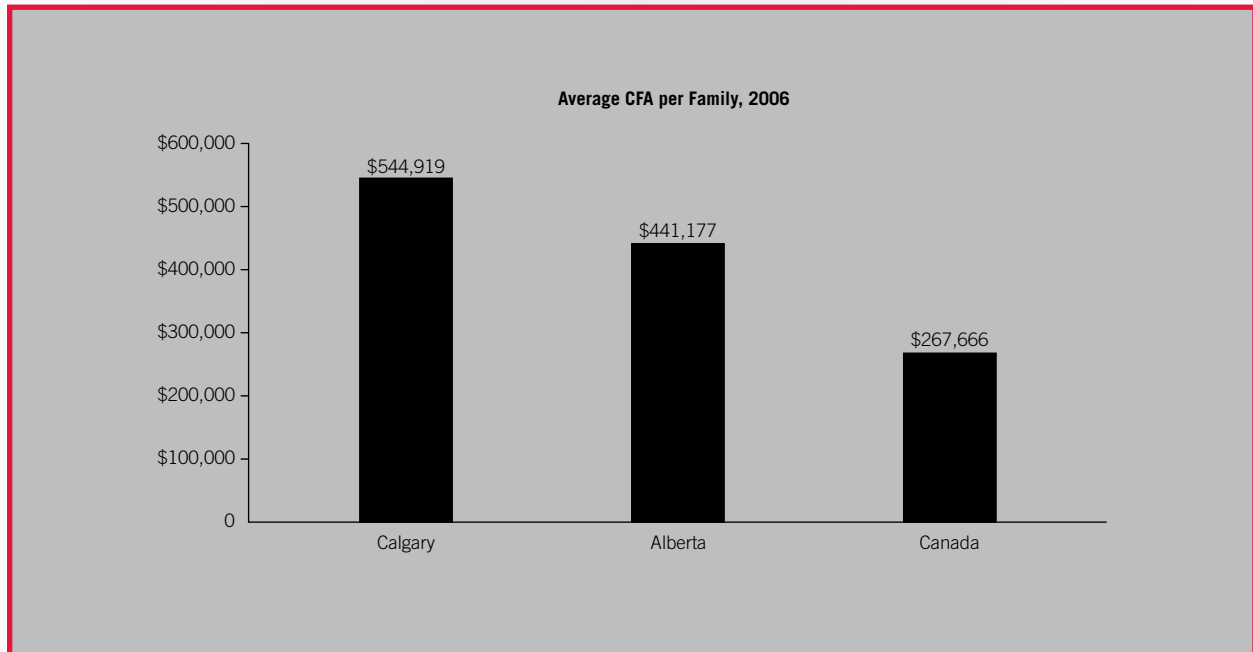
Calgary has the highest number of millionaires in Canada (persons reporting personal income of \$1 million or over), on a per capita basis, at 215.8 per 100,000 population.

As of 2006, 45.7 per cent of Calgary families had Calculated Financial Assets (CFA), resulting in 234,170 Calgary families generating an investment total of \$127.6 billion, an average of \$544,919 per family with CFA. During the same period, Calgary families' average investment (\$544,919) exceeded the provincial (\$441,177) and national (\$267,666) averages.

Peters & Co. Limited is an independent, fully integrated investment dealer which has specialized in investments in the Canadian energy market for over 39 years. Founded in Calgary in 1971, Peters & Co. provides investment services to institutional investors and private clients; performs specialized and comprehensive investment research on the oil and natural gas, energy infrastructure and oilfield services industries; and is an active underwriter for, and financial advisor to, companies and trusts active in the Canadian and international energy industries. Peters & Co. has participated in a significant number of financing and merger and acquisition transactions involving oil and natural gas, energy infrastructure, and oilfield services corporations and income trusts.

The company continues to maintain its core base of operations in Calgary due in large part to the excellent business climate and the entrepreneurial, hard-working workforce. According to Christopher Potter, President of Peters & Co., both the Calgary-based management teams of the various companies and trusts in which institutional and private clients invest, and the quality of the financial sector professionals structuring the transactions, are frequently the most important elements of the continued success. Potter believes that those professionals working in Calgary's financial and legal sectors are highly experienced due to the significance and volume of the financing and merger and acquisition transactions that have taken place in Calgary over the past 20 years. As a result of Calgary's smaller size relative to other major financial centres, Potter says the high relative concentration of knowledgeable, entrepreneurial, experienced management teams and financial and legal professionals make for a winning combination and thereby more successful financial investments.

Calgary's communications infrastructure is such that Peters & Co.'s professionals and employees can effectively execute on advisory services and stock brokerage and trading functions with their North American and international clientele without leaving the city – but when travel is required, Calgary's excellent transportation infrastructure makes it easy to fly directly to most key North American and international destinations. Over the years, Potter has noticed that Calgary's financial sector has begun to diversify both within the energy sector itself and beyond the energy sector, as it has become easier to attract capital to Calgary that is not necessarily linked to the energy sector.

TABLE 15 – CALCULATED FINANCIAL ASSETS

Source: Statistics Canada, Small Area and Administrative Data Division, Custom Tabulation

In October 2005, a report by Tristone Capital Inc. and The Globe and Mail found the calculated wealth in the oil and gas sector alone was more than \$13 billion when measured using the value of options, shares, trust units and monthly distributions held by the industry's executives.

Another way of measuring wealth comes from the buying power of individuals. In 2008, Calgary had the highest retail sales per capita at \$18,156 and boasted the highest total and average annual retail sales growth over the past 10 years, at a rate of 110.8 per cent and 8.3 per cent respectively.

“Our new presence in Calgary reflects the growing demand for alternative investment solutions to compliment the accelerated growth pattern in the region. Calgary, and all of Western Canada, is home to an increasingly high number of sophisticated investors who demand unparalleled experience, high-quality service and access to a wide variety of products, funds and global markets.”

Toreigh Stuart

CEO

Man Investments Canada Corp.



Summary

As Calgary's economy has grown, so too has its financial services sector. The city is quickly becoming recognized as Canada's new financial centre, mainly because of the activity and needs of the energy sector. As the sector and its need for financial backing has grown, Calgary's role as a capital market has strengthened. The vast amounts of capital required to finance the growth of the energy sector around the world are being managed from Calgary, and as a result, leaders in the financial sector have established offices in the city.

It is not just one factor that makes a financial centre successful, but a combination of factors. Calgary certainly has many of the key factors – proven economic growth, an industry base that continues to diversify, a high concentration of head offices, an internationally renowned securities market, individual wealth, and an experienced pool of talent. Calgary also has a diverse population that has led to a large number of international banks setting up retail branches to serve their growing foreign nationals in the city.

Due to the experience of those working in the oil and gas sector, as well as the safety net that the sector provides, Calgary has an underlying asset base that can translate across all financial services. The sell-side of Calgary's financial services sector has shown itself to be incredibly strong and diverse, and has been recognized internationally for its knowledgeable experience and number of successful deals. The city is becoming more competitive in its ability to attract both the capital and the people needed to make deals happen, as exemplified by a recent report by the Toronto Financial Services Alliance, which stated that Calgary is, "attracting available resources and potentially diminishing Toronto's eminence as the financial centre of the nation."¹⁶

Despite Calgary's position as Western Canada and Alberta's financial centre, there is still room to grow. Significant opportunity exists for Calgary to leverage the existing capital flows from the energy sector and broaden capital availability and expertise across all sectors to create Canada's financial capital and a global capital epicenter. Deloitte's recent global financial services survey cited moves into new markets as a top driver of profits over the next three to five years.¹⁷ Thanks to the continued growth of Calgary's economy, especially as other jurisdictions in North America face an economic downturn, Calgary has the opportunity to be the market for these re-locations and increase its assets under management.

Financial Sector Advisory Committee

One of the goals of the 10-year Calgary Economic Development Strategy (approved by Calgary City Council January in 2008) is to position Calgary as a global financial centre. To help reach this goal, Calgary Economic Development created the Financial Sector Advisory Committee (FSAC). The FSAC was created because more work can be done to focus efforts to diversify Calgary's capital market base and attract global firms to Calgary for more than just energy transactions. This, in turn, will assist in leveraging the critical mass and sophistication of the capital markets in Calgary to help grow the sector.

The Committee is made up of key financial executives and economic development experts in Calgary who together will work to: target gaps and challenges facing the industry; address opportunities and constraints of the industry in the long run; raise awareness to the public, industry and government about this growing sector and the role Calgary can play; and promote Calgary's financial sector domestically and globally. Currently, the membership sits at 25 individuals and includes:

NAME	COMPANY	TITLE
Gosbee, George	G Capital Inc.	President & CEO
Graham, Bruce	Calgary Economic Development	President & CEO
Anderson, Chris	Bissett Investment Management	Vice President and Chief Operating Officer
Cook, Robert	Calgary CFA Society	Director
Davidson, James	FirstEnergy Capital Corp.	Chairman & CEO
de Bever, Leo	AIM Co	CEO
Englot, Perry	HSBC Bank Canada	Vice-President, Energy Financing
Fildes, Shane	BMO Capital Market	Executive Managing Director, Head of Canadian Energy
Fritsche, Alexander	Bank of Canada	Senior Economist
Gobert, Wilfred	Calgary Economic Development	Chairman of the Board of Directors
Halliwell, Michael	Canadian Western Bank	VP & Regional Manager, Prairies
Hankins, John	Calgary Economic Development	Vice President, Investment & Trade Development
Kelly, Paul	First Calgary Savings	President & CEO
Kitchen, Tim	Barclays Capital	Managing Director, Head of Canadian Investment Banking
Korpach, Art	CIBC World Markets	Vice Chairman, Head, Global Oil & Gas
MacIntyre, Drew	TD Securities Inc.	Vice Chairman and Senior Vice President
Marlatte, George	ScotiaBank	Sr. Vice President - Prairie Region
Mezei, Michael	Mawer Investment Management	President
Mowat, Dave	ATB Financial	President & CEO
Potter, Christopher	Peters & Co. Limited	President
Rice, Bill	Alberta Securities Commission	Chair & CEO
Ritchie, Gordon	RBC Dominion Securities	Vice Chairman
Thompson, Bob	Brownstone Asset Management	President & CEO
Waverman, Leonard	Haskayne School of Business	Dean
Yin, Rachel	Calgary Economic Development	Business Development Manager - Financial Services

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Nickel's Energy Group
Statistics Canada
Toronto Financial Services Alliance
TSX Group

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