

BUSINESS

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MKS finishes fiscal year on a roll

Software maker manages another profitable quarter, plans hiring spree

By ROSE SIMONE
RECORD STAFF

WATERLOO

Waterloo software maker MKS has ended its fiscal year by proving it can sustain the momentum of revenue growth that recently led its profitable turn-around.

The company yesterday reported a net income of \$583,000 US, or one cent per share, in the fourth quarter, for the three months ended April 30.

That compares to a net loss of \$719,000 or two cents a share in the fourth quarter last year.

The company's cash position improved to \$7.7 million from \$6.2 million

during the quarter.

The company turned a corner in February, when third-quarter results showed that improving revenues had given the company its first reversal of the net losses of previous quarters.

That trend continued in the fourth quarter.

The improvement is largely attributed to licensing of the company's software configuration management (SCM) products, which help software developers in large companies manage their source code.

For the full fiscal 2003 year, the company had a net loss of \$1.2 million, or three cents a share, compared to a loss of \$4.2 million or 12 cents a share for

the 2002 fiscal year.

Total revenue for the fourth quarter was \$9.4 million, an increase of 10 per cent or \$900,000 over the previous quarter. It was also an increase of 23 per cent compared to the last year's fourth quarter, when revenue was \$7.6 million US.

For the full fiscal year, the company had revenue of \$31.9 million compared to \$28.1 million in fiscal 2002.

Revenues from the SCM products in the fourth quarter increased to \$6.4 million, a 37 per cent growth over the SCM revenues of \$4.7 million in the fourth quarter of 2002.

"This is the second consecutive quarter that we've earned a profit, which is very significant for us, and also, cash on hand at the end of the fiscal year of \$7.7 million . . . that's a significant sign that we are generating enough cash from our operations to pay all our bills," said chief financial

officer Robert Dietrich.

"Everybody here is thrilled that the company is entering a stage of stability and growth."

MKS chief executive Philip Deck said the company has been boosting its sales by about \$1 million per quarter, right through the year.

"It's been a very strong trend through the year to higher sales, and we've been very careful on costs, so that extra revenue was bound to find its way to the bottom line," Deck said.

"What our results have demonstrated is that our formula — the combination of our products and the way we sell them and support them — is being extremely well-received by the customer base."

Deck said the biggest challenge to even higher sales is getting enough "feet on the street" — a larger sales force of people trained and productive

in the field.

"It's a bit of a long sales cycle, so there is a lag in getting a larger sales force into the field — that's the primary determinant in how fast we can grow," he said.

The Waterloo headquarters is the company's research and development base, and that's another area where the company will be "hiring aggressively because we can now fund more research and development," Deck said.

The company employs 245 people world-wide, including 125 in Waterloo.

Deck was pleased with the fiscal year-end results. "They are good results, they are on track and we hit our internal targets, so it is good momentum to carry into next year."

Shares in MKS (TSX:MKX) rose 14 cents to close at \$2.09 on the Toronto Stock Exchange yesterday.
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Stewart to fight trading charges

Pleads not guilty, steps down as CEO, chairman of firm

NEW YORK

Martha Stewart, the prim perfectionist who became a paragon of taste, style and "good things," pleaded not guilty after being indicted yesterday in a stock trading scandal that threatens her media empire and could land her in prison.

Federal prosecutors in Manhattan accused Stewart of selling stock in December 2001 based on inside information, then covering her tracks and lying to investigators and shareholders.

Stewart pleaded innocent to all charges in the case which involves just \$45,000 (all figures US) — a pittance compared with other recent high-profile scandals over hundreds of millions of dollars at companies like Enron, WorldCom and Ahold.

Stone-faced and speaking deliberately, Stewart told a federal judge: "Not guilty."

Hours later, the company she founded, Martha Stewart Living Omnimedia Inc., said she will step down as chairman and chief executive, although she will remain a director.

She did not mention the indictment in a brief statement that announced her resignation.

"I love this company, its people, and everything it stands for, and I am stepping aside as chairman and CEO because it is the right thing to do," Stewart said.

The indictment resulted from an investigation into Stewart's decision to sell nearly 4,000 shares of drug maker ImClone Systems Inc. on Dec. 27, 2001 — the day before an unfavourable government ruling on ImClone sent its stock price tumbling.

Stewart has denied she was tipped off. But the scandal has hung over her media empire of self-branded home products, TV appearances and magazines on cooking and decorating.

The 41-page indictment charges Stewart with securities fraud, conspiracy, obstruction of justice and making false statements — charges that could



Martha Stewart leaves court in New York yesterday after pleading not guilty to criminal charges related to a 2001 stock deal.

carry up to 30 years in prison and \$2 million in fines.

Also yesterday, the Securities and Exchange Commission filed a lawsuit levelling similar charges and sought to ban Stewart from ever leading a public company — including Martha Stewart Living Omnimedia.

Prosecutors and securities regulators also charged Peter Bacanovic, Stewart's stockbroker, who the government says gave insider information to

Stewart through an assistant.

Bacanovic was charged with five counts, including perjury and obstruction of justice. Like Stewart, he pleaded not guilty.

The SEC suit asks the court to force Stewart and Bacanovic to pay about \$45,000 — the amount the government claims Stewart saved by dumping ImClone stock before the bad news reached Wall Street.

Stewart attorney Robert Morvillo

said she is being unfairly prosecuted, suggesting she is being persecuted because of her high profile or to offset the failure of authorities to prevent mammoth accounting scandals at Enron and WorldCom.

Or, Morvillo asked: "Is it because she is a woman who has successfully competed in a man's business world by virtue of her talent, hard work and demanding standards?"

U.S. Attorney James Comey said the case is about Stewart's lies — to the SEC, the FBI and her investors.

"Martha Stewart is being prosecuted not because of who she is but because of what she did," he said.

Stewart arrived at the Manhattan courthouse with her lawyers, wearing a khaki raincoat and shielding herself from light rain with an off-white umbrella. She swept past reporters without saying a word.

The criminal indictment says Stewart unloaded her shares of ImClone based on illegal inside knowledge that the family of ImClone founder Samuel Waksal was planning to sell its shares ahead of the government news.

Stewart's sale of the stock came the day before the Food and Drug Administration announced it would not review ImClone's application for approval of Erbitux, which the company had touted as a promising cancer drug. ImClone's stock subsequently plunged.

The indictment does not claim Stewart knew of the FDA decision — only that the Waksals were planning to sell. She was not charged with insider trading, a more difficult charge to prove than fraud.

According to the government, Bacanovic's tip on the Waksals was relayed through Douglas Faneuil, a Merrill Lynch assistant who pleaded guilty last year to a misdemeanour charge of taking gifts to keep quiet about Stewart's stock sale.

The indictment says Stewart deleted a computer log of a phone message in which Bacanovic told her ImClone was "going to start trading downward."

The government also says Bacanovic altered his personal notes about Stewart's portfolio after he learned of a government investigation.

• Associated Press

Dark time for ethics: BBB head

By CHRISTIAN AAGAARD
RECORD STAFF

WATERLOO

It's not enough to worry about profit, the head of the Better Business Bureau system says. Companies have to keep an eye on the ethical bottom line, too.

"This is a dark time with regard to ethics," Ken Hunter told an awards breakfast in Waterloo yesterday. "White-collar crime is at an all-time high. Ethics is at an all-time low."

Hunter is the president and chief executive officer of the Council of Better Business Bureaus Inc. based in Arlington, Va. He said recent corporate scandals, fueled by greed, ego and expediency, have left 80 million Americans uneasy about the long-term health of their retirement savings.

And its not just average Americans who are getting jumpy. Hunter says shady accounting and investing practices, if they are allowed to continue, will undermine the confidence foreign investors have in dealing with U.S. interests.

Nor is the demise of ethics limited to business, he said, pointing to recent scandals involving church fundraising, the sexual abuse of children by clerics and the judging of Olympic figure skating. Hunter spoke at the Waterloo Inn, where the Better Business Bureau Mid-Western Ontario held its third annual business integrity awards.

This year's winners are Duncan McPhee Inc. — The Gift Collection, a downtown Guelph business; and Abelson Siding and Windows of Waterloo.

These businesses are successful, Hunter said in an interview, because they take ethics into consideration when they make business decisions.

"Over the long haul, it's a lot more rewarding to be ethical than unethical," Hunter said. "You go to sleep easier. You don't have to worry about keeping stories straight or avoiding people."

Unethical behaviour weaves a web of untruths that requires a lot of energy to sustain, he said.

"What we've seen, time after time, is that it catches up with you."

The problem doesn't begin in boardrooms, Hunter said. And it can't be solved solely by passing new laws and regulations.

The solution lies in the values that families and schools pass onto children, and in consistent recognition of integrity, he said.

Based in Kitchener, the mid-western Ontario bureau (www.bbbmwo.ca) handled 162,637 inquiries, complaints and mediations last year.

Among the types of businesses that draw complaints, mail-order companies, auto-repair shops, paving contractors and computer sales-and-service outlets rank within the top 10.

Complaints most frequently involve such problems as refunds and exchanges, customer service, contracts and billings.

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Loonie soars, markets reach milestones

TORONTO

The Canadian dollar soared while stock markets rallied to reach milestones yesterday — with the Dow above 9,000 points and the TSX over 7,000 — after positive economic reports from the United States.

Investors also turned their attention to Martha Stewart, who pleaded not guilty after being indicted by a U.S. grand jury on a nine counts relating to an insider-trading scandal. Shares in Martha Stewart Omnimedia closed up 47 cents at \$9.99 US.

For the loonie, suggestions of falling interest rates in Europe and the United States produced a gain of 0.42 cent to 73.66 cents US.

"This is a 'keeping fingers crossed' rally"

AVERY SHENFELD
CIBC WORLD MARKETS

Toronto's S&P/TSX composite index rose 70.08 points to 7,001.33 — its first close above 7,000 since last July.

It was led higher by techs and metals. Research In Motion was up \$2.50 to \$28.30 after U.S. competitors Palm and Handspring announced a merger.

The TSX Venture Exchange was off 3.19 at 1,087.01.

On Wall Street, the Dow Jones industrials rose 116.03 points to 9,038.98 — closing above 9,000 for the first time

since August.

The Nasdaq was up 31.09 to 1,634.65 and the S&P 500 rose 14.68 to 986.24.

For the loonie, back near its highs of last month, "the new focus is on the extent to which both the Fed and the ECB are going to be cutting rates, which in turn gives Canada a larger yield advantage," said Avery Shenfeld, senior economist with CIBC World Markets.

In economic news, U.S. productivity — output per hour of work — grew at an annual rate of 1.9 per cent in the January-March quarter, a bit stronger than the estimate a month ago by the Labor Department.

And the Institute for Supply Man-

agement reported a higher-than-expected reading of activity in the service sector.

Its services index rose to 54.5 in May from 50.7 in April.

"Equity markets are still continuing the run they've had for the last couple of months with the markets banking on (U.S. Federal Reserve chairman Alan) Greenspan's rate cuts and (U.S. President George W.) Bush's tax cuts doing what they're supposed to do for growth," Shenfeld said.

However, "the market still has a wall of worry — this is a 'keeping fingers crossed' rally," he said.

• Canadian Press

Camera circuits produced in Dalsa foundry heading to Mars

By CHRISTIAN AAGAARD
RECORD STAFF

WATERLOO

Waterloo-based Dalsa Corp. has good reason to say bon voyage to two American spacecraft heading to Mars this month.

Dalsa circuits produced at its semiconductor foundry in Bromont, Que., are in the cameras aboard the vehicles making up the Martian exploration rover mission, which begins Sunday with a liftoff from Cape Canaveral, Fla.

The second launch is scheduled for June 25.

"I know the employees at the Bromont foundry are pretty excited

about making a contribution to space exploration," said Dalsa spokesman Patrick Myles.

The Bromont foundry makes "charge-couple devices" and the wafers on which the circuits are mounted before being cut, tested and installed.

In 1997, when it was owned by Mitel Networks, the foundry won the order to provide the Jet Propulsion Laboratory (JPL) in Pasadena, Calif., with imaging circuits for the Mars mission.

The foundry and JPL collaborated to design the components. Dalsa bought the foundry last year.

JPL was particularly pleased that the Bromont foundry could fill the or-

der in just under a month, Myles said.

The two spacecraft will reach Mars on Jan. 4 and Jan. 25, 2004 respectively.

They'll each eject a pod that will enter the atmosphere carrying a wheeled rover about the size of an office desk.

Although the pods will land at two widely separated sites, the rovers have the same mission: to search for evidence of past liquid water activity and conditions that might have sustained life on the planet long ago.

The rovers will rely on cameras to roam around and gather information.

Each rover has nine cameras carrying Dalsa components — three for scientific investigation, six for navigation.

One of the cameras will send back a panoramic view to controllers on Earth. Another will use its high-resolution features to study Martian dirt.

The size and shape of grains can reveal whether the dirt travelled by air or water. Controllers with the National Aeronautics and Space Administration (NASA) will collect data and relay instructions over the course of 90 Martian days (92 Earth days).

The Mars mission isn't the first time that Dalsa products have made it into space. Four cameras on the Canadarm 2 contain the company's circuits.

Dalsa also makes sophisticated cameras and image sensors that are used in industrial and medical process-

es that require high-resolution optical scanning.

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YESTERDAY'S MARKETS

TSX comp.	7,001.33	+70.08
TSX 60	396.76	+3.93
DOW JONES	9,038.98	+116.03
S&P 500	986.24	+14.68
NASDAQ	1,634.65	+31.09
TSX-VE	1,087.01	-3.19
DOLLAR (U.S.)	73.66	+0.42
GOLD (U.S.)	362.75	-2.55