

The Boy Wonder of Bay Street

by Mike Hamilton

➤ **Like most Canadian boys,** Scott Paterson dreamt of playing hockey in the NHL. But unlike most other boys, he also dreamt of heading his own corporation, with his buddies surrounding him in key positions.

"I was quite active in sports and like the other kids I dreamed of playing in the NHL. Somehow by the time I was fifteen, I knew that the only way I'd ever play in the NHL was if I owned the team," Paterson jokes sitting in his corner office on the thirty-first floor of BCE Place, overlooking Toronto Harbour.

Well, the son of divorced parents who was embarrassed because he lived across the street from an Ontario housing complex in St. Catharines didn't make it to the NHL, but he has made it on Bay Street, and made it big, a Young Turk in the financial world where success is measured in only one currency – mega bucks.

As a youngster he talked constantly, to anyone who would listen he recalls, about someday being a big financial success story.

"I'd tell my friends about my latest plans – Paterson Telecommunications, Paterson Life, Paterson Hotels, Paterson Trucking, Paterson Enterprises, to name a few – and what jobs

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St. Catharines Kid With A Vision Makes All-Star Investment Team

they'd have and they'd just laugh at me."

But no one is laughing now. At just thirty-five, he is the Chairman, Chief Executive Officer and the largest shareholder of Yorkton Securities Inc., the tenth largest (and growing) investment house in Canada. In his office, a prestigious spot at Toronto's Bay and Wellington streets in the heart of Canada's financial district, the St. Catharines native constantly checks the stock exchange monitor built into his desk. And he doodles, drawing numbers and logos, as he speaks.

But the ride to the thirty-first floor of BCE Place was not straight up. With an economics degree from the University of Western Ontario and experience from two summer jobs in the stock market in hand, Paterson began his Bay Street career with Dominion Securities at the tender age of twenty-one. His ability to phone people he had never met and successfully giving them his pitch, made him Dominion's top first-year performer with an income of some \$175,000 and earned him the nickname 'Cold-Call Cowboy'. But something was missing.

"I remember talking to my grandmother and telling her that something was out of whack – a young kid like me, and I'm not diminishing the hard work, time and energy I put into it, making that kind of money relative to my clients, who had been in their profession for years and years."

While he did very well quickly, his dream of heading his own company was not fulfilled, so in 1987, just two years after joining Dominion, he incorporated Patcor Capital on the Alberta Stock Exchange. To give his company respectability he convinced some financial world big names, including Brian Hewat, then executive vice-president of Bell Canada, and Sol Zuckerman of Taurus Footwear, to sit on his board of directors. Things did not go well for Patcor Capital.

"I took all of the money I had made, and a whole pile more, and made a series of very high risk investments, \$25,000 here, \$50,000 there, all designed to get rich fairly quickly. I think it was the only time that making money became the object for me."

But the touch was gone; Scott Paterson crashed in no uncertain terms.

"At one point I owed the bank \$580,000 on a portfolio that was virtually worthless. I had a negative net worth and I felt like a loser."

Paterson's parents divorced when he was three years old. He was raised by his mother, Susan Drake, then a teacher at Lakeport Secondary School and now an associate professor of education at Brock University, and his grandparents, John and Margaret

Drake who lived on Ridgewood Road. He played Kiwanis hockey and it was his grandfather, who still lives on Ridgewood and golfs and curls at the St. Catharines Golf and Country Club, would take him to his 5:30 a.m. hockey practices.

"At the time I didn't think it was all that unusual but now I realize just what he did for me," says Paterson. He and his wife Barbara Stoneham, a professional children's portrait photographer, have three daughters, six-year-old Emilie, Adeline 21 months, and six-month-old Catherine.

Paterson acknowledges his grandmother, who he claims made the best chicken-rice soup when he was sick, and his mother, who taught him to visualize the future, as the two biggest influences in his life. While others his age watched the Flintstones at lunch, Paterson watched the Watergate Hearings with his grandmother, who got him interested in the stock market by buying five shares of Abitibi Price Paper for his 14th birthday.

"They had the most profound affect on my vocation. My grandmother was always there for me, looking after me. My mother's sacrifice for me, to put me in Ridley, cannot be overstated. She taught me that there are no ceilings on what can be accomplished and she taught me to visualize where I'd be 15 to 20 years in the future – picture my office, picture my desk, picture my window."

It was that ability to visualize, and a sense of ethics learned from his grandmother and mother, that rescued Paterson from the edge of the financial abyss.

"There I was, the kid who had made all those boasts about how great I was going to be and I had failed. I now had a lower-paying job and a huge debt. Many people suggested bankruptcy but I couldn't do that. Bankruptcy was not an option. I believe that you pay your debts. I think back about how close I came to throwing in the towel but I didn't."

So for a long time, cheese sandwiches were the main staple of Paterson's diet. He was limited to two dress shirts, with worn-out elbows and frayed French cuffs.

"A friend asked me about the shirts and I said I couldn't afford \$35 for a new shirt. This is not folklore. I also had to turn in my cable company's selector. And I was using cash advances from my credit card to pay the interest on my debt."

It was, as Paterson calls it, a watershed in his life.

"I had to face the possibility of never being financially successful and the possibility of not being financially successful was something that had never ever occurred to me before."

Being goal-oriented helped Paterson turn his situation around.

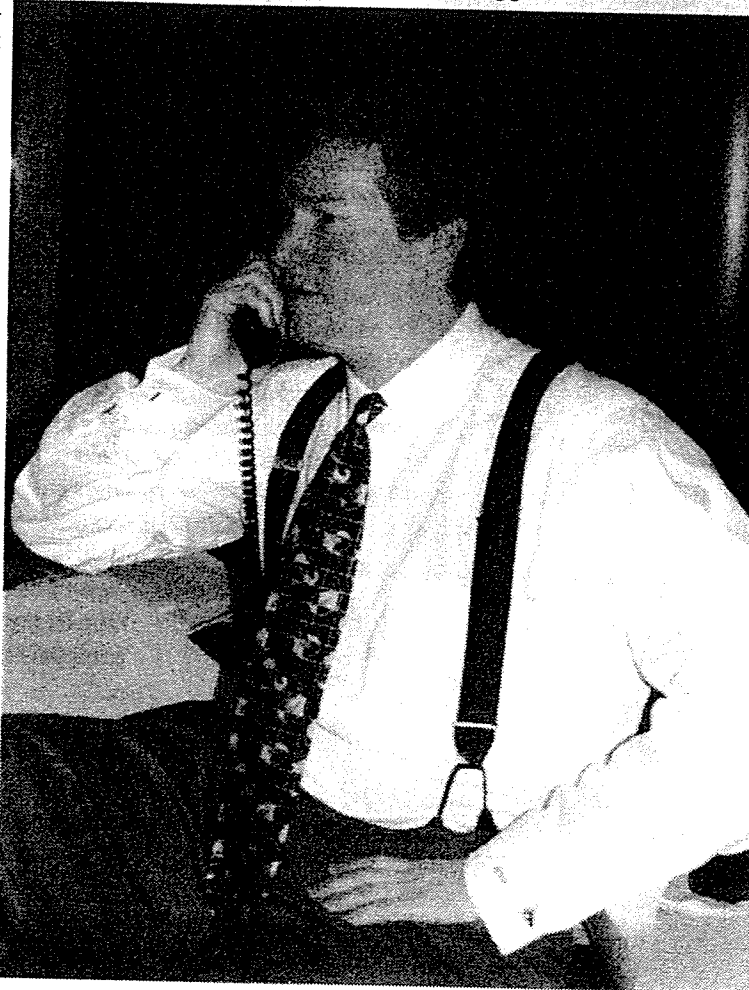
"I struggled for about three months to figure out what my goal should be. It has to be something personal and not generic, like good health or being a good person, and not something like having a huge portfolio. And that's something I'd like to pass on to younger people – make your goals and dreams yours, personalize them, visualize them, and make them attainable."

His goal turned out to very simple.

That goal – "To be 50 and be able to jump off my dock on one waterski."

Implicit in that goal is health and some wealth. He admits he visualized his dock, his boat and his ski, along with being physically fit.

"And as soon as I made that my goal, everything started to change. I wasn't working for the money anymore," said Paterson. "I'd like to think that except for that brief period, I never



really was in it for the money."

Paterson insists it's the challenge, the competition and the recognition. He admits he needs the recognition of his peers on Bay Street.

"I live off it, it's what drives me. Beating competitors, that's what it's all about, it's never about the money," noting that he completed one mega deal while flying to Vancouver. The flight time was four hours, fifty-five minutes; the 'phone time, four hours, thirty-one minutes. The deal was successful. The 'phone bill was \$3,910.00

But there's more to it than just the competition, says Paterson who insists there must be another purpose to the wheeling and dealing.

"At the end of the day, there must be a mine in the ground, a plant starting up, something. It's about job creation, especially in certain sectors like health care, leisure, entertainment because the paper shuffling itself adds no value.

"I would like," Paterson adds thoughtfully "nothing better than to have funded the company that found a cure for cancer."

Paterson attended Glenridge and Lady Churchill elementary schools before going to Sir Winston Churchill Secondary School and Ridley College. He began his career selling programs at two stock car speedways, Merrittville and Ransomeville, and at fifteen, was the assistant track announcer, helping the St. Catharines Standard's long-time sports editor Jack Gatecliff at the mike. He also wrote high school sports summaries for The Standard.

"A lot of people thought I was going to be a journalist."

And he was always proud of his hometown.

"I used to brag that, well before cable, we had more television stations than anywhere because of being between Toronto and Buffalo. I love St. Catharines. It has all the advantages of a larger city without most of the problems."

Paterson was a decent enough student but a self-admitted troublemaker.

"At one point my mother said if I didn't shape up she'd send me to Ridley. I jumped at the chance. I was always fascinated by Ridley," recalls the redheaded Paterson noting that a reputation as a troublemaker is hard to lose.

"My first week at Ridley, a friend called me to say that there had been a gigantic food fight at lunch at Sir Winston. The vice-principal asked the teacher in charge who started it and she said 'Paterson'. I wasn't even there."

At Ridley, things were different.

"I was amazed. There was hardly any supervision at all in the lunchroom and yet not a bun was thrown."

It was visiting the homes of his Ridley friends that opened his eyes.

"It's a stretch to say that I didn't know what a summer cottage was before that but . . . I saw boats, canoes, everything you could imagine. It was incredible. Not that I was motivated by the material things, but it opened my eyes. I saw what can be achieved," said Paterson who drives a five-year-old car.

He admits attending Ridley was an asset but doesn't think it affected his life's direction very much. He now sits on the private school's board of governors.

"It was an experience but I can't say that if I hadn't gone to Ridley that I would not have been as interested in the business or would not have achieved the success. But it certainly contributed in terms of discipline, getting to chapel on time, and having more respect for our institutions, that kind of thing. I support Ridley but I believe in both private and public education."

Paterson joined Yorkton in late 1994, as an equal shareholder to Frank Giustra who had built the firm up. By the spring of 1998 he had been promoted to President. He gives a lot of credit to yet another woman in his life, Dorothy Rogers, described by Peter Newman in his excellent and revealing new book *Titans*, as the best executive assistant on Bay Street.

"I'm very fortunate to have her. She's incredibly professional and supportive. Without her . . .," Paterson shakes his head. Rogers is not there on this day and Paterson can't find anything. "She's part of our family now."

Not all of Paterson's wheeling and dealing has been in the world of high finance. He has established several post secondary

bursaries and personally funds his private Merry-Go-Round Children's Foundation which provides state-of-the-art home computer systems to financially disadvantaged school children under the jurisdiction of two Toronto school boards.

"I don't want to take anything away from all the great charitable organizations, and I support many of them, but I wanted to do something different, something I visualized. I read about something like this in the States. The schools identify children who are financially challenged but who have a burning desire to learn."

Students get an on-line mentor. Some are businessmen, others are Metropolitan Police Officers. The pilot project has now placed computers in thirty homes.

"Now in Regent Park (regarded as Toronto's toughest area) when a police officer goes to a house it's not always to tell the parents their child did something wrong. Sometimes it's to help the child fix his printer."

His philanthropy resulted in Paterson being named one of Canada's 'Top 40 Under 40', nominated by Loyall Cann, deputy chief of Metropolitan Toronto Police, Executive Support Command, who is on the foundation's board and was involved with Merry-Go-Round almost from the beginning.

"The whole philosophy is what goes around, comes around. I once told my mother that I was going to make \$100 million and she said 'What on earth for?' and I said to give it away."

Paterson is very bullish on Canada, believing it will be a major player in the world because of its technological expertise in the future.

"I believe that the country which has a computer in every home ten years from now will be the most powerful nation on Earth. I believe the government has to change its thinking on welfare for example. That term now means food, shelter, clothing but it should be expanded to have technology as a part of that."

Ironically, while bullish on technology and business, Paterson admits to some idiosyncrasies - he does not know how to operate a computer, does not have the technical skills that relate to traditional investment banking and does not know how to do spreadsheets.

Peter Newman, perhaps Canada's best-known writer on the Canadian Establishment, devotes an entire chapter to Paterson in his latest book, *Titans*. Among other things, Newman reports that sources estimate Paterson's 1997 earnings at \$7,000,000 and suggests that there are many who would like to see Paterson, and others of the new Bay Street breed, fail.

"I don't think about it much. Some of my corporate allies have commented on it. I'm flattered because people have big expectations about my future. And there are always people looking for the fall. Some of them are my peers, some are in the press; part of that is human nature and I think part of that is very Canadian. We traditionally don't like our people to be too successful. It's our conservative nature and there's nothing wrong with conservatism. But Canada needs leaders who are outspoken about the things that have to happen in this country, the things that will let Canada take its proper place in the world. ☒