

The following is an official response from The SPACEPOL Corporation with regard to Bill S-11 and the ongoing Consultation on the Canada Business Corporations Act or CBCA. In particular, this official corporate response addresses:

#### I Executive Compensation

#### II Shareholder Rights

#### III Other Corporate Governance Issues, including

Canadian residency requirements for CBCA directors,

#### V Corporate Transparency, including

improved access to accurate and timely information, by competent authorities such as law enforcement and tax authorities, on beneficial ownership of corporations, including possibly through the establishment of a central repository of corporations incorporated under the CBCA;

### VII. DIVERSITY OF CORPORATE BOARDS AND MANAGEMENT

With regard to the above issues, The SPACEPOL Corporation as a Canadian privately held corporation responds as follows:

#### I Executive Compensation

Executive compensation is logically and customarily a matter covered by the By-laws and Directives of a corporation. Publicly held and privately held corporations will meet differing challenges and circumstances.

Small, family-owned corporations and large diversely held corporations will have very different circumstances.

Corporations within different economic sectors and industries will have very different operating conditions and expectations placed upon their executives. These simple facts dictate that the CBCA is adequately silent on these issues so as not to OVERREGULATE or REGULATE IN TOO MUCH DETAIL matters that it cannot perceive in advance. The SPACEPOL Corporation therefore supports the CBCA as it currently stands on this issue.

#### II Shareholder Rights

The corporate system in general unites the extent of investment a shareholder has in a corporation with the amount of influence on the affairs of the corporation. This principle is in harmony with the general western ethical concept of responsibility/contribution and influence/reward. Any provision which attempts to negate the fact that some shareholders have a larger stake in the future and progress of the corporation is against the basic principles of free enterprise. The SPACEPOL Corporation supports the rights of shareholders to be adequately heard and make their constructive ideas and critique known to corporate leadership and other shareholders. In matters that regard the election of officers of a corporation, The SPACEPOL Corporation supports all measures which seek to ensure that officers are elected based upon their own qualifications and merits and that all qualified potential officers have an equal opportunity to compete for office.

### III Other Corporate Governance Issues, including

#### Canadian residency requirements for CBCA directors

The CBCA as it stands is due for an update on the matter of residence requirements for officers of Canadian corporations.

The current western economy includes a degree of mobility which was not present at the time when the original CBCA came into force and even at the time where many of the most important updates were made. Means of communication, including Public Key Infrastructure Certificates, Facsimile, Email, VOIP Telephony and Telegram render the absolute need for service in person of official documents unnecessary. A corporation must have persons who are ultimately responsible and must answer for the Corporation. And these officers must be reachable by some legally recognized means. To ensure this "reachability" regardless of location is more important than the existence of Canadian residence or a Canadian address.

Matters of Canadian presence of a corporation are best determined for tax, banking, law enforcement, licensing and other purposes which are relevant to registered corporations to varying degrees. The CRA may require securities for businesses with high transaction amounts posing a significant risk, but will not generally do so with small corporations that are not even presenting a high enough turnover to be registered for HST.

Thus, a business may or may not need to have a resident officer if it is not involved in one of the above example situations which require it.

Another category of Canadian business registrants which has received very little attention and to which The SPACEPOL Corporation originally belonged was that of Canadian expats located abroad who wish to maintain or renew their ties to Canada and may do this in part by registering their business activities as Canadian (by registering it as a Canadian corporation). The corporation is taxable in Canada, while the Canadian expat may be taxable in Canada (dividends) and in the host country (for income tax). While a little more complex than the typical registration of a Canadian resident, the activities are beneficial to Canada both in terms of licensing fees, taxation to Canada and the association of Canada to the potential new innovations or accomplishments of the business.

With a view to the above, The SPACEPOL Corporation supports changes to the residency requirements of the CBCA which recognize that the world is more mobile today, that businesses may be more virtual and have a more distributed model than previously and that "reacheability" and responsibility mean more than mere Canadian residence.

#### V Corporate Transparency, including

improved access to accurate and timely information, by competent authorities such as law enforcement and tax authorities, on beneficial ownership of corporations, including possibly through the establishment of a central repository of corporations incorporated under the CBCA;

The SPACEPOL Corporation supports accountability of corporations and officers to Canadian agencies with a legitimate responsibility for governing legislation directly relevant to corporations. The current system in place at Industry Canada ensures that newly registered Canadian corporations are provided

with a CRA business (taxation) number and that relevant data about the corporation and its officers are sent to CRA.

As such, the CBCA does not need revision and the implemented system is similar to other G8 country practices, including France.

There is a problem with the trend in "openness" and "transparency" which needs to be addressed. Firstly, actual stakeholders of a corporation (in particular of a privately held corporation) will tend to be very limited (creditors, customers, tax authorities, regulatory authorities, licensing bodies, etc.). Secondly, government needs to admit that there is a problem with anti-corporate use of corporate information, identity theft, fraud and irresponsible re-distribution of corporate data which contributes to the foregoing. Corporation information can be used to damage the reputation of corporations and to stalk directors and defame directors which can result in significant loss of business and ultimately effect the economy.

Not all potential users of freely accessible data have good intentions.

Freely allowing access to corporate and director data to foreign governments and to the public entails that abusers are more difficult to track down, as there is no trace left as to when systems were accessed and by whom before an incident occurred. In many cases smaller company directors or the directors of companies working in aerospace and defense would naturally not want their director and corporate data available all around the Internet or otherwise. Corporate espionage very often employs the initial stage of gathering public source corporate data. The Government of Canada should not aid this process.

The SPACEPOL Corporation therefore opposes any further repositories of sensitive director and corporate information, including the allowing of syndication of the current database of federal corporations by foreign and Canadian private sector information brokers who have shown little or no responsibility in the protection of access to these data!

## VII. DIVERSITY OF CORPORATE BOARDS AND MANAGEMENT

Corporations in the private sector are subject to the laws of the market for their products and services. They are also responsible for ensuring that the best and the brightest talent is able to flow into governing bodies of the corporation.

This is a time tested system. Quotas and other "principles" are most often proposed to corporations by groups or individuals who have little or no experience of the business world and who have little or no track record of successful business or innovation pursuits. Even radical special interest groups attempt to put pressure on leaders and businesses to comply with their particular ideologies which may or may not be directly relevant to the actual situation and needs of businesses.

The SPACEPOL Corporation supports the recruitment and appointment of corporate officers based upon the PRINCIPLE OF MERIT, upon their ability and proven track record of meeting the types of challenges which are relevant to the corporation recruiting them. The SPACEPOL Corporation opposes the imposition of quotas, ideological principles and political programmes on business corporations as something foreign to western democracy and to the principle of free enterprise. We therefore resolutely and strongly oppose any attempt to modify the CBCA to reflect this foreign ideology and bring to the attention of the Government that in the EU where this has been attempted with some success, significant numbers of businesses have expressed their intention to relocate to regions free of this type of interference. One municipality in Finland (Larsmo) only recently approved a resolution condemning this highly questionable EU legislation which meddles in the affairs of private corporations and blurs the longstanding divide between government and the activities of the private sector.

Yours Respectfully for  
THE SPACEPOL CORPORATION

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