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Caldwell Securities Ltd.

Independent Investment Advisors

THE SELLOUT
OF CORPORATE CANADA

There was a time in Canada when business people were generally entrepreneurs. They were men and women who risked financial ruin and devoted long hours and energy to building organizations which, in turn, built our country.

Many entrepreneurs became casualties and did not achieve their dreams. Others, more skilled or fortunate, prospered and built great enterprises that hired staff, paid taxes and contributed to their communities. The rewards for the risk-taking or entrepreneurial class came through ownership.

As time went on, many companies became publicly traded corporations and their leadership fell to managers, increasingly disconnected from the personal risk of financial ruin should the business fail.

Ownership and management became separated. Increasingly, power accrued to corporate managers who saw themselves as elite, entitled not only to inflated compensation as hired hands, but also to the rewards of ownership without risk, with options or bonuses related to profits and/or stock price improvements.

Sadly, boards of directors participated in the movement both to disenfranchise shareholders and to undermine the rewards of ownership. Neither legislation nor the requisite "independent" directors succeeded in reversing this trend. Compensation consultants continually justified wildly inflated pay, bonus and options schemes for senior management. At no time were shareholders given a ghost of a chance to counter these events.

To take this broad view of the power shift from owners to managers into the present, one need only look at the current sellout of great Canadian corporations.

The resulting bonuses accruing to their managers often eclipse the compensation of those who spent years building these companies. Years of mediocre corporate management can result in great paydays for managers as other companies, often foreign, benefit from the bargains handed to them. When entrepreneurs fail, it is the end of a dream and often the end of their personal assets as well as their financial prospects. To hear managers described as risk-takers is a joke.

Given the national advantages of many of our major corporations, as well as our goodwill throughout the world, Canadian companies should be on the buying side of events, not the selling side. To reverse the sellout of corporate Canada, directors of our public companies need to be reminded that they have a fiduciary duty to shareholders – a duty to question and to challenge. They are not paid to "go with the flow" or simply side with their friends. As the primary protectors of shareholders, generally speaking, boards of directors have been failures.

The loss of head offices and industrial leadership by Canada is one of the great corporate tragedies of our time. Future generations of Canadians, wishing to climb the corporate ladder, will increasingly be compelled to go elsewhere. The current trend guarantees Canada's losing some of its best and brightest people.

If we wish to stop the current sellout of corporate Canada, a start would be to prohibit managers from receiving bonuses or exercising options if they sell the corporations they were hired to run and build.

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