

## Dividend Sprinkling Share Structure for a Law Corporation

This chart summarizes the rights and restrictions associated with the standard set of dividend sprinkling articles that are suitable for a law corporation. Exclusionary dividends can be paid on the class A1 through class A6 common shares. The class A.3 through class A.6 shares are redeemable for their paid-up capital. A separate class of dividend sprinkling shares should be issued to each family member. The April 2015 changes to section 55 of the *Income Tax Act* (Canada) make it problematic to issue dividend sprinkling shares to a corporate shareholder.

Class	Dividend Entitlement	Voting Rights	Liquidation Entitlement	Redeemable/ Retractable	Redemption Amount	Purpose
A1	Yes	No	7	No	N/A	These are non-voting common shares on which dividends can be paid on an exclusionary basis
A2	Yes	No	7	No	N/A	These are non-voting common shares on which dividends can be paid on an exclusionary basis
A3	Yes	No	6	Yes	Paid-up capital	These are redeemable non-voting common shares on which dividends can be paid on an exclusionary basis
A4	Yes	No	6	Yes	Paid-up capital	These are redeemable non-voting common shares on which dividends can be paid on an exclusionary basis
A5	Yes	No	6	Yes	Paid-up capital	These are redeemable non-voting common shares on which dividends can be paid on an exclusionary basis
A6	Yes	No	6	Yes	Paid-up capital	These are redeemable non-voting common shares on which dividends can be paid on an exclusionary basis
B	No	Yes	5	No	N/A	These are vote-only shares must be owned by a member of the law society or a law corporation: see paragraph 27.15(2).
C	Conditional	No	1	Yes	Set by directors	These are standard non-voting, redeemable, retractable preferred shares suitable for issuing under §51/85/86 of the <i>Income Tax Act</i> . These shares are used in conjunction with a §85(1) election to transfer certain property to a law corporation on a tax-deferred basis
D	Conditional	No	2	Yes	Set by directors	These are standard non-voting, redeemable, retractable preferred shares suitable for issuing under §51/85/86 of the <i>Income Tax Act</i> . These shares are used in conjunction with a §85(1) election to transfer certain property to a law corporation on a tax-deferred basis
E	Conditional	No	3	Yes	Set by directors	These are standard non-voting, redeemable, retractable preferred shares suitable for issuing under §51/85/86 of the <i>Income Tax Act</i> . These shares are used in conjunction with a §85(1) election to transfer certain property to a law corporation on a tax-deferred basis
F	Conditional	No	4	Yes	\$100 per share	These shares have a par value of \$100 per share and on rare occasion are used to capitalize shareholder loans