

Non-Dividend Sprinkling Share Structure for a Law Corporation

This chart summarizes the rights and restrictions associated with the standard set of non-dividend sprinkling articles that are suitable for a law corporation. Commonly, the class A non-voting common shares are issued to a family trust, a holding company or among various family members.

| Class | Dividends | Voting Rights | Liquidation Entitlement | Redeemable/Retractable | Redemption Amount | Purpose |
|-------|-------------|---------------|-------------------------|------------------------|-------------------|--|
| A | Yes | No | 5 | No | N/A | These non-voting common shares are the only class of shares which are entitled to dividends to the extent that they do not impair the value of the issued preferred shares. Paragraph 27.10(1) of the articles describes who can own these shares. |
| B | No | Yes | 4 | No | N/A | These vote-only shares must be owned by a member of the law society or a law corporation: see paragraph 27.10(2). |
| C | Conditional | No | 1 | Yes | Set by directors | These are standard non-voting, redeemable, retractable, preferred shares with a price adjustment clause 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 | \$100 per share | These shares have a par value of \$.01 per share and can be used to pay stock dividends which are sometimes used to permit distributions to be made to the different members of the class A non-voting common shares at different times. |
| E | Conditional | No | 3 | Yes | \$100 per share | These shares have a par value of \$100 per share and on rare occasion are used to capitalize shareholder loans. |

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