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## DIVIDENDS

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## EXPLANATION

A dividend is a proportionate distribution of a portion of the company's earnings, profits, capital or otherwise to its shareholders. Generally, the *Articles* of the company provide that the directors may authorize the distribution of the dividend as they deem advisable, but occasionally the *Articles* grant the shareholders the power to authorize dividends. A dividend is usually in cash, but it may be in the form of shares (called a “**stock dividend**”) or other non-cash consideration.

If a company has more than one class of shares, the **Special Rights and Restrictions** contained in the *Articles* may provide that not all shareholders are entitled to receive their proportionate share of any dividends declared and paid. Shares that carry the right to participate in the profits of the company (i.e. by way of dividends) are sometimes called “**participating shares**” and shares that do not carry such right are sometimes called “**non-participating shares**”.

The Act does not restrict the payment of dividends except for the provision in section 70(2) which states that a company cannot declare or pay a dividend if there are reasonable grounds for believing that the company is insolvent, or the payment of the dividend would render the company insolvent.

Directors who vote for, or consent to, a resolution authorizing the payment of a dividend contrary to Section 70(2) are jointly and severally liable to the company to make good any loss or damage suffered by the company (s. 154(1)(c)).

However, the directors are not liable if they relied, in good faith, on:

- the financial statements of the company;
- a written report of a lawyer, accountant or other professional; or
- other statements of fact as described in s. 157(1) of the Act.

There are several kinds of dividends:

- **cash dividends:** are dividends paid in cash to the shareholders;
- **eligible dividends:** are dividends which are payable by Canadian corporations to Canadian residents only and are eligible for favourable tax treatment (see notes opposite *Directors Resolution Declaring an Eligible Dividend and Authorizing its payment* – page 18). These dividends may be paid in cash, as stock dividends, as in specie dividends or as “deemed dividends” upon the redemption of shares;
- **stock dividends:** are dividends paid in shares or stock and are expressed as a proportion of the number of shares already held by the shareholder (e.g. a shareholder holding 100 class B shares might receive 10 class C shares for each class B share the shareholder holds, or a total of 1,000 class C shares). For a complete explanation of stock dividends, see the notes opposite the *Directors Resolution* declaring this kind of dividend (page 14);
- **capital dividends:** are dividends paid out of the company's capital dividend account (usually half of the net capital gains realized by the sale of capital assets by the company, or the proceeds of a life insurance policy received on the death of a shareholder). Such dividends receive more favourable tax treatment than ordinary dividends;
- **in specie (asset) dividends** are dividends declared in a cash amount but paid by the distribution to the shareholders of assets of the company of equivalent value

(sometimes used as a vehicle for transferring securities or other assets from the company to shareholders). The value of the property to be distributed must not exceed in value the amount of the dividend. In specie dividends are relatively rare and are not covered in this *Guide* at this time;

- **cumulative dividends** are dividends that must be declared in each year and if not paid in the year that they are declared, are carried over from year to year until paid. They are usually conferred by a special right attached to preferred shares in the company's *Articles*. This special right entitles the preferred shareholders to receive a set dividend in each year that must be paid each year before any dividends are paid to the common shareholders.
- **Non-cumulative dividends** means dividends that are not required to be declared and which are not carried forward to the following year if they are not declared. However, once any dividend is declared, it becomes a debt of the company and must be paid to the shareholder entitled to it.
- **preferred dividends** are dividends, which are paid to the holders of one class of shares in priority to the payment of any dividends to another class or classes.

The *Articles* of the company, and more specifically, the **Special Rights and Restrictions** attached to the various classes of shares, may specify:

- entitlement – the right to receive dividends;
- frequency – when and how often dividends are declared; or
- amount or percentage – how much is paid.

The **Procedure/Checklist** (page 4) lists the items in the **Special Rights and Restrictions** that should be checked before preparing a dividend resolution. The supervising solicitor should notify the client and the company's accountants if the declaration of the intended dividend will contravene the company's *Articles*.

The timing of the approval of the payment of the dividend also determines the kind of resolution to be prepared:

- a dividend which has **not yet** been paid – in most cases, the law firm is instructed by the directors or the company's accountants to prepare a **Directors Resolution** declaring a dividend be paid on a specific date; or
- a dividend which has **already** been paid – in some cases, the directors of the company meet, decide to declare a dividend and pay the dividend out. The law firm is then asked, after the fact, to prepare a **Directors Resolution** or minutes of a meeting of the directors **ratifying** and confirming the declaration and payment of the dividend as at the date the dividend was declared and paid.

Bonuses may be declared payable to the management of the company at the time that dividends are paid – usually after the company's fiscal year end. Dividends and bonuses differ:

- a **dividend** is paid to the **shareholders**; and
- a **bonus** is paid to the **management** of the company.

However, both dividends and bonuses are generally paid from the surplus or profits of the company.

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## PROCEDURE/CHECKLIST DIVIDENDS

1. Check that your instructions contain the following information:
  - on which class or classes of shares the dividend will be paid
  - the **record date** which is a date set by the directors for establishing a list of shareholders holding shares of the company on that date – the record date determines which shareholders qualify to receive the dividend
  - the date on which the dividend is to be paid (which may be different from the record date)
  - the effective date of the resolution (i.e. the date on which the dividend is declared)
  - the aggregate amount of the dividend or the amount per share (if **stock dividends**, the class of new shares and how many new shares per existing share will be issued)
  - whether or not a bonus is also payable
  - whether or not the dividend is an eligible dividend pursuant to subsection 89(14) of the Income Tax Act (Canada) (the “Act”)
  - whether or not the dividend is a capital dividend pursuant to subsection 83(2) of the Act

If the instructions do not indicate the kind of dividend (for example, cash, eligible or capital dividend), contact the accountant or the client to clarify the instructions

2. Check the **Articles – Special Rights and Restrictions** attached to the class of shares on which the dividend is declared, to verify:
  - if there is more than one class of shares, whether or not the class of shares in question is **participating** (entitled to dividends) or **non-participating** (not entitled to dividends)
  - whether there is a provision giving other classes of shares priority with respect to dividends over the class in question
  - whether any class of shares is entitled to dividends upon the occurrence of a triggering event such as the company ceasing to be deemed a small Business Corporation under the *Income Tax Act* or the failure of the company to pay for shares that have been redeemed
  - whether or not the directors have the right to declare and pay a dividend on one class of shares to the exclusion of another class (sometimes called “dividend sprinkling”)
  - how the amount of the dividend is to be determined – for example, whether the amount is left to the discretion of the directors (sometimes called a “discretionary dividend”) or is a fixed percentage of the paid up or redemption amount of the shares
  - whether there are any restrictions on the payment of dividends on one or more classes of shares, such as a provision that the payment of the dividend must not reduce the value of the net assets of the company to less than the aggregate of the redemption amounts of the classes of shares specified in the **Special Rights and Restrictions**

3. Prepare a **Waiver** of right to receive a dividend, if applicable (page 6)
4. Prepare one of the following **Directors Resolutions** for:
  - (a) a **cash dividend**: if the dividend has **already** been paid, **Directors Resolution (Ratifying and Confirming Payment of a Cash Dividend)** (page 8)
  - (b) a **cash dividend**: if dividend **not yet** paid, **Directors Resolution (Declaring a Cash Dividend and Authorizing its Payment)** (page 10)
  - (c) an eligible **dividend**: **not yet** paid, **Directors Resolution (Declaring an Eligible Dividend and Authorizing its Payment)** (page 18) <sup>(1)</sup>
  - (d) a **capital dividend**: **Directors Resolution (Declaring a Capital Dividend and Authorizing its Payment)** (page 12) <sup>(2)</sup>
  - (e) a **stock dividend**: **Directors Resolution (Declaring a Stock Dividend and Authorizing its Payment)** (page 14)
  - (f) **management bonuses**: **Directors Resolution (Declaring Management Bonuses and Authorizing their Payment)** (page 16)
5. For step 4(c), prepare **Notice (Eligible Dividend)** (page 22) and, if applicable, **Receipt** (page 24)
6. For step 4(d), prepare a **Certified Copy** of the resolution (see the **Miscellaneous** chapter. The **Certified Copy** must be forwarded to the company’s accountants promptly since the election must be filed before the dividend is paid out
7. For step 4(e), prepare new **Share Certificates** – see the **Records** chapter <sup>(3)</sup>
8. Prepare the Transmittal Letter (Forwarding Documents for Signature) (page 30)

**When the documents have been signed and returned:**

9. Date and time stamp each document when they are received by the law firm
10. File the documents in the **Records Book** as follows:

Tab in Records Book	Documents
<b>Directors’ Minutes/Resolutions</b>	<b>Directors Resolution</b>
	<b>Waiver(s)</b>
	<b>Receipt (if applicable)</b>
<b>Share Certificates</b>	<b>Share Certificate(s)</b> <sup>(1)</sup>

11. Update or prepare the **Central Securities Register** <sup>(1)</sup> for step 4(e)
12. Update database, if applicable
13. Prepare the **Report Letter (to accountants or client)** if applicable (page 34)

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<sup>(1)</sup> If it is your office policy or required, prepare the Concurrence on page 28  
<sup>(2)</sup> If it is your office policy or required, prepare the Concurrence on page 26  
<sup>(3)</sup> Only required for **stock dividends**, i.e. when new shares are issued.

## WAIVER

### General Notes

Before preparing this document, you should check the *Articles* to determine whether it is necessary to prepare it. Usually, a *Waiver* is prepared when:

- a dividend is declared on one class of shares to the exclusion of another class or classes of shares and there are **no** “dividend sprinkling” provisions (giving the directors the right to declare a dividend on one class of shares to the exclusion of other classes of shares). This *Waiver* is not necessary if the other class or classes of shares are not entitled to dividends;
- another class of shares is entitled to dividends in priority to the class of shares on which the dividend is to be declared; or
- a **stock dividend** is declared, and one or more other classes of shares are entitled to such stock dividend.

Note. Although a stock dividend is an allotment of shares, the provisions of the Pre-Existing Company Provisions with respect to the allotment of shares do **not** apply (see P19(b)(iv) of the Regulations).

### Preparation

**Note:** You may prepare separate *Waivers* for each shareholder holding the class of shares on which the dividend is not paid or one *Waiver* to be signed by all the shareholders holding shares of that class.

- ① Insert the date on which the dividend is payable (not the date on which you are preparing the documents).
- ② Insert the total amount of the dividend (multiply the number of shares on which the dividend will be paid by the amount to be paid on each share).
- ③ Insert the description of the class of shares on which the dividend is declared.
- ④ Insert the **record date** (i.e. the date on which a shareholder must be listed as a shareholder on the *Central Securities Register* of the company to qualify to receive the dividend).

Insert the description of the class or classes of shares on which the dividend is **not** declared.

- ⑥ Insert the effective date of the dividend, or a prior date.
- ⑦ Insert signature lines for all the holders of the class of shares who do not receive dividends. If preparing separate *Waivers*, insert only one signature line per *Waiver*.

### Processing

This document is signed concurrently with the *Directors Resolution* relating to the dividend. Once it is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

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WAIVER

To:           {NAME OF COMPANY}

And to:       THE DIRECTORS THEREOF

WHEREAS:

- A.     The directors of the company propose to cause a dividend to be paid on {date} in the aggregate amount of \$     to the holders of Class     shares of the company who are shareholders of record as at the close of business on {Date} ;
- B.     The directors of the Company do not propose to cause a dividend to be paid to the holders of Class     shares of the Company;
- C.     The Articles of the Company provide that the holders of Class     shares are entitled to receive dividends in priority to or pari passu with any dividends paid to the holders of Class     shares.

THE UNDERSIGNED hereby waive(s) any rights the undersigned may have to receive a dividend in respect of Class     shares held by the undersigned in priority to or pari passu with the payment of dividends in the aggregate amount of \$     to the holders of Class     shares of the Company, and the undersigned hereby consents to the directors of the Company declaring and causing such dividends to be paid to the holders of the Class     shares without declaring or causing a dividend to be paid to the undersigned.

Dated effective: {Date} .

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{NAME OF SHAREHOLDER NOT RECEIVING A DIVIDEND}

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{NAME OF SHAREHOLDER NOT RECEIVING A DIVIDEND}

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**DIRECTORS RESOLUTION**  
(Ratifying and Confirming Payment of a Cash Dividend)

General Notes

Sometimes the directors of a company meet, declare a dividend, and pay the dividend without preparing formal minutes of the meeting or documenting the resolution declaring the dividend in writing. At some later date, the directors or the accountants for the company request that the law firm prepare a resolution in writing ratifying and confirming the payment of the dividend.

This resolution is prepared when a dividend has already been paid and it is necessary to:

- ratify and confirm such payment; and
- document the payment of the dividend for the company's records.

Notes: Canada Revenue Agency may object to the ratification of dividends previously declared. Check with the supervising solicitor before preparing this resolution and use with care.

Many accountants and lawyers prefer to prepare Minutes of a meeting of directors that has been held to document a transaction in the past (such as the payment of a dividend) (see the Minutes of a Meeting of Directors (Actually held)) in the Miscellaneous chapter). If a dividend has been paid, presumably the directors did discuss the payment.

Preparation

Insert the date on which the dividend was actually paid.

Insert the total amount of the dividend: multiply the total number of shares on which the dividend was paid by the amount paid on each share.

Insert the description of the class of shares on which the dividend was paid.

Insert the amount paid on each share.

Insert an effective date after the dividend has been paid.

Check the Register of Directors of the company and insert all the names of the directors.

Note: If a bonus was also paid, you should ratify its payment in the same manner – see Directors Resolution (Declaring Management Bonuses and Authorizing their Payment) (page 16).

Processing

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see Transmittal Letter (Forwarding Documents for Signature) (page 30).

**DIRECTORS RESOLUTIONS**  
**OF**  
**{NAME OF COMPANY}**  
**(the “Company”)**

**WHEREAS:**

- A. On *{Date}*<sup>①</sup> the Company directors paid a dividend in the aggregate amount of \$<sup>②</sup> to the holders of Class <sup>③</sup> shares of the Company;
- B. The directors of the Company are satisfied that:
- (a) the Company was solvent at the time of the payment of such dividend; and
  - (b) the payment of such dividend did not render the Company insolvent;
- C. It is necessary to document the payment of this dividend.

**RESOLVED THAT:**

The declaration and the payment of a dividend of \$<sup>④</sup> per share on the issued and outstanding Class <sup>③</sup> shares of the Company on *{date}*<sup>①</sup> be ratified and confirmed as payable as if this resolution had been passed on that date.

Dated effective: *{date}*<sup>⑤</sup>.

\_\_\_\_\_  
⑥ *{NAME OF DIRECTOR}*

\_\_\_\_\_  
⑥ *{NAME OF DIRECTOR}*

## DIRECTORS RESOLUTION (Declaring a Cash Dividend and Authorizing its Payment)

### General Notes

The power of the directors to declare dividends is exercised by a written resolution. A resolution declaring a cash dividend which has **not yet been paid** is the most common of all dividend resolutions (as opposed to a *Directors Resolution* ratifying and confirming the payment of dividends which have **already** been paid – see page 8).

For a **capital dividend** use the *Directors Resolution (Declaring a Capital Dividend and Authorizing its Payment)* (page 12).

For an **eligible dividend**, use the *Resolution Declaring an Eligible Dividend and Authorizing its Payment* (see page 18).

### Preparation

- ① Insert the total amount of the dividend (multiply the number of shares on which the dividend will be paid by the amount to be paid on each share).
- ② Insert the description of the class of shares on which the dividend will be paid.
- ③ Delete the remainder of this sentence if there are no preferred shares ranking ahead of the class of share on which the dividend will be paid.
- ④ Insert the amount to be paid on each share.  
Insert the effective date for the payment of the dividend.
- ⑥ Insert the **record date** (i.e. the date on which a shareholder must be listed as a shareholder on the *Central Securities Register* of the company to qualify to receive the dividend).
- ⑦ If appropriate, insert “*by way of credit to the shareholder’s account*” or, if payment will be made by way of Promissory Note, insert “*by way of execution and delivery of a non-interest-bearing Demand Promissory Note in the amount of \$*① *to* ⑧ *{Name of Shareholder}*”.
- ⑧ Insert the name of each shareholder of record and the number of shares of the class receiving dividends held by each shareholder of record (see ⑤ above) .
- ⑨ Insert the total amount of the dividend payable to each shareholder.
- ⑩ Check the *Register of Directors* of the company and insert all the directors’ names.

### Processing

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 26).

**DIRECTORS RESOLUTIONS****OF*****{NAME OF COMPANY}*****(the “Company”)****WHEREAS:**

- A. The directors wish to declare a dividend in the aggregate amount of \$<sup>①</sup> on the Class <sup>②</sup> shares of the Company;
- B. The directors of the Company are satisfied that:
- (a) the Company will be solvent at the time of the payment of such dividend; and
  - (b) the payment of such dividend will not render the Company insolvent <sup>③</sup> nor reduce the net asset value of the Company to less than the aggregate redemption amount of the issued and outstanding Class <sup>②</sup> of the Company.

**RESOLVED THAT:**

A dividend in the aggregate amount of \$<sup>①</sup>, being \$<sup>④</sup> per share on the issued and outstanding Class <sup>②</sup> shares of the Company, be declared payable on *{date}*<sup>⑤</sup> to the shareholders of record of the Class <sup>②</sup> shares of the Company at the close of business on *{date}*<sup>⑥</sup> <sup>⑦</sup> and that the payment be allocated as follows:

<b>Name of Shareholder</b>	<b>Number and Class of Shares</b>	<b>Dividend per Share</b>	<b>Total Dividend Payable to Shareholder</b>
<sup>⑧</sup> <b><i>{NAME OF SHAREHOLDER}</i></b>	<sup>⑧</sup> Class <sup>②</sup>	<sup>④</sup>	<sup>⑨</sup>
<sup>⑧</sup> <b><i>{NAME OF SHAREHOLDER}</i></b>	<sup>⑧</sup> Class <sup>②</sup>	<sup>④</sup>	<sup>⑨</sup>

***Add the paragraph below if the payment of the dividend is to be evidenced by a Promissory Note:***

To evidence the payment of the dividend by the Company, any director or officer of the Company, signing alone, be authorized to execute and deliver the Promissory Note and to do such further acts, as may be necessary to give full effect to these resolutions.

Dated effective: *{date}*.

\_\_\_\_\_  
<sup>⑩</sup>***{NAME OF DIRECTOR}***

\_\_\_\_\_  
<sup>⑩</sup>***{NAME OF DIRECTOR}***

**DIRECTORS RESOLUTION**  
**(Declaring a Capital Dividend and Authorizing its Payment)**

**General Notes**

This resolution is used when the company wishes to pay a **capital dividend** (usually a dividend declared out of the capital gains realised when the company disposes of assets or receives life insurance proceeds on the death of a shareholder).

The accountants should give clear instructions that a **capital dividend** is to be declared, as opposed to an ordinary **cash dividend** described on the previous pages, since the tax treatment of a capital dividend in the hands of the recipient is different from the tax on ordinary dividends. In order to claim the capital dividend, an election in the proper form must be filed under the *Income Tax Act*. The company's accountants usually attend to this filing. Note that the dividend cannot be paid out until after the election has been filed.

**Preparation**

- ① Insert the total amount of the dividend (multiply the number of shares on which the dividend will be paid by the amount to be paid on each share).
- ② Insert the description of the class of shares on which the dividend will be paid.
- ③ Insert the effective date for the payment of the dividend.
- ④ Delete the remainder of this sentence if there are no preferred shares ranking ahead of the class of share on which the dividend will be paid.
- ⑤ Insert the number of issued and outstanding shares of the class on which the dividend will be paid.
- ⑥ Copy the amount per share from the instructions received from the accountants.
- ⑦ Insert the **record date** (i.e. the date on which a shareholder must be listed as a shareholder on the *Central Securities Register* of the company to qualify to receive the dividend).



See additional paragraph with respect to the *Concurrence* of the shareholders on page 26

- ⑧ Insert the effective date of the resolution.
- ⑨ Check the *Register of Directors* of the company and insert the names of all the directors.

**Processing**



Prepare a *Certified Copy of the Resolution* for the accountants to attach to the *Income Tax Act* election form (see the *Miscellaneous* chapter – *Certified copy of Resolution*).

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

When the signed documents have been returned, forward the certified copy of the resolution to the accountants, if the client has not already done so (see *Report Letter (To Accountants or Client)* – page 34).

**DIRECTORS RESOLUTIONS**  
**OF**  
*{NAME OF COMPANY}*  
 (the “Company”)

**WHEREAS:**

- A. The directors wish to declare a dividend in the aggregate amount of \$<sup>①</sup> on the issued Class <sup>②</sup> shares of the Company to be paid on *{date}*<sup>③</sup> and to elect, in respect of the full amount of the dividend in the prescribed manner and prescribed form specified by subsection 83(2) of the *Income Tax Act* (Canada) (the “Act”), to have such dividend paid from the capital dividend account of the Company.
- B. The directors of the Company are satisfied that:
- (a) the Company will be solvent at the time of the payment of such dividend; and
  - (b) the payment of such dividend will not render the Company insolvent <sup>④</sup> nor reduce the net asset value of the Company to less than the aggregate redemption amount of the issued and outstanding *{Share Class(es)}* of the Company.
- C. There are *{number}*<sup>⑤</sup> Class <sup>②</sup> shares issued and outstanding.

**RESOLVED THAT:**

1. A dividend (the “Capital Dividend”) in the amount of \$<sup>⑥</sup> per share be declared payable on *{date}*<sup>③</sup> to the shareholders of record of the Class <sup>②</sup> shares of the Company at the close of business on *{date}*<sup>⑦</sup>.
2. Pursuant to section 83(2) of the Act, the Company elect to pay the full amount of the Capital Dividend out of its capital dividend account and that any one director or officer of the Company be authorized to sign and file on behalf of the Company with the Minister of National Revenue an election in the prescribed form together with the prescribed documents.
3. The Dividend shall not become payable by the Company unless and until the Company files at the appropriate District Taxation Office of Canada Revenue Agency, a completed form T2054, together with a certified copy of this Resolution and any further documentation required, but the dividend shall be payable promptly after such filing.

ð See additional paragraph with respect to the Concurrence of the shareholders on page 12
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4. Any officer or director of the Company be authorized and directed to complete, sign and file an election in form T2054, together with certified copies of these resolutions pursuant to the Income Tax Act (Canada) prior to payment of the Capital Dividend and to sign and deliver all other documents and to do all other acts which are necessary or desirable in connection with these resolutions.

Dated effective: *{date}*<sup>⑧</sup>.

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⑧ *{NAME OF DIRECTOR}*

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⑧ *{NAME OF DIRECTOR}*

## **DIRECTORS RESOLUTION**

### **(Declaring a Stock Dividend and Authorizing its Payment)**

#### **General Notes**

The *Articles* of most companies permit the payment of dividends by **issuing paid up shares of the Company as a stock dividend**. Such dividend is paid in shares or stock expressed as a proportion of the number of shares already held by the shareholder (e.g. a shareholder holding 100 class B shares receives 10 class C shares for each class B share he or she holds, for a total of 1,000 class C shares). To pay this dividend the directors allot and issue a specified number of new shares of the company at a specified price. This **stock dividend** is not to be confused with a dividend payable in property (which is known as an **asset dividend**).

Be careful to confirm the allotment price of the shares to be issued (usually the aggregate of the par value of the new shares). Often such shares have a low par value and a higher redemption amount. In the future, the company may redeem the shares if it has sufficient funds.

As with the declaration of any dividend, ensure that the payment of the dividend is permitted by the *Articles* and does not contravene the **Special Rights and Restrictions** attached to any other classes of shares of the company. The power of the directors to declare and pay a stock dividend is exercised by a written resolution as set out opposite.

#### **Preparation**

- ① Insert the description of the class of shares on which the stock dividend will be paid.
- ② Insert the description of the class of shares being issued as the stock dividend.
- ③ Insert the **par value** of the shares being issued.
- ④ Multiply the par value of each share to be issued by the **total number of shares to be issued**. For example: for 1,000 class C shares with a par value of \$1.00 each, you should insert \$1,000.

If stock dividends are declared in shares without par value, the directors must fix the consideration for the issuance of such shares in order to determine the number of such shares to be issued.

Insert the effective date for the payment of the dividend.

- ⑥ Insert the number of shares being issued for each share on which the stock dividend is declared.
- ⑦ Insert the **record date** (i.e. the date on which a shareholder must be listed as a shareholder on the *Central Securities Register* of the company to qualify to receive the dividend).
- ⑧ Complete the table showing the new *Share Certificate*(s) number(s), the name(s) of the shareholder(s), the number of shares being issued to each shareholder, and the class of shares being issued.
- ⑨ Insert the effective date of the Resolution.
- ⑩ Check the *Register of Directors* of the company and insert all the directors' names.

#### **Processing**

Prepare the Share Certificates referred to in ⑧ above.

Once the Resolution and the Share Certificates are prepared, checked and approved by the supervising solicitor, they are sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

DIRECTORS RESOLUTIONS

OF

{NAME OF COMPANY}

(the “Company”)

WHEREAS:

- A. It is in the best interests of the Company to declare and pay a stock dividend on the issued Class    shares of the Company in fully paid and non-assessable Class shares of the Company with a par value of \$    each.
- B. The directors of the Company are satisfied that:
- (a) the Company will be solvent at the time of the payment of such dividend; and
- (b) the payment of such dividend will not render the Company insolvent.

RESOLVED THAT:

1. A dividend in the aggregate amount of \$    be paid on {date}    by the issuance of {number}    Class    shares of the Company, with a par value of \$    each, for each outstanding Class    share of the Company, to be paid pro rata to the shareholders of record of the Class    shares at the close of business on {date}    .
2. The following Class    shares with a par value of \$    each be allotted and issued as fully paid and non-assessable to the following shareholder(s) and the following Share Certificate(s) be issued:

Share Cert. No.	NAME OF SHAREHOLDER	Number and class of shares being issued

3. The name(s) of the shareholder(s) and other necessary particulars be entered in the Central Securities Register of the Company and the said Share Certificates be signed by the proper signing officers of the Company.

Dated effective: {date}    .

\_\_\_\_\_  
{NAME OF DIRECTOR}

\_\_\_\_\_  
{NAME OF DIRECTOR}

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**DIRECTORS RESOLUTION**  
**(Declaring Management Bonuses and Authorizing their Payment)**

General Notes

At the end of a successful financial year, the directors often pay management bonuses to the senior officers of the company. The power of the directors to declare bonuses is exercised by a written resolution.

Preparation

Insert the date on which the bonuses were declared (not necessarily paid).

Insert the month that the bonuses were paid out.

Insert the total amount of the bonuses paid.

Insert the date of the company's fiscal year end.

Insert the name of each officer receiving a bonus.

Insert the office of the individuals to whom the bonus(es) was or were paid (e.g. president, director, etc.).

Insert the amount of each bonus.

Insert the effective date of the resolution.

Check the Register of Directors of the company and insert all the directors' names.

Processing

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see Transmittal Letter (Forwarding Documents for Signature) (page 30).

**DIRECTORS RESOLUTIONS**  
**OF**  
*{NAME OF COMPANY}*

(the “Company”)

**WHEREAS:**

- A. The directors did, on *{date}*<sup>①</sup>, declare (a) bonus(es) payable to the Executive Officer(s) of the Company;
- B. In or about the month of *{month}*<sup>②</sup> the Company did pay out the bonuses in the total amount of \$<sup>③</sup> as set out below;
- C. It is necessary to document the payment of these bonuses.

**RESOLVED THAT:**

The payment of (a) bonus(es) to the following Executive Officer(s) in the amounts set forth opposite their names for the fiscal year ended *{date}*<sup>④</sup> be approved:

Name	Office	Amount
<i>{NAME OF OFFICER}</i>	⑥ <i>{Office}</i>	⑦ <i>{Amount of Bonus}</i>
<i>{NAME OF OFFICER}</i>	⑥ <i>{Office}</i>	⑦ <i>{Amount of Bonus}</i>

Dated effective: *{date}*<sup>⑧</sup>

\_\_\_\_\_  
 ⑨*{NAME OF DIRECTOR}*

\_\_\_\_\_  
 ⑨*{{NAME OF DIRECTOR}}*

## **DIRECTORS RESOLUTION**

### **(Declaring an Eligible Dividend and Authorizing its Payment)**

#### **General Notes**

To achieve tax integration where the company has already paid corporate tax on the income, and avoid double taxation, the Canadian income tax system uses a dividend gross-up and a dividend tax credit mechanism which essentially results in the individual paying a lower amount of tax on a dividend he receives in order to account for the tax that the company has already paid. Pursuant to Section 89(14) of the *Income Tax Act* (Canada) (“ITA”), a company may designate all or a portion of a dividend to be an **eligible** dividend<sup>(1)</sup>. This kind of dividend is taxed at a significantly lower rate than an ordinary, ineligible dividend.

For a dividend to qualify as an eligible dividend, the following criteria must be met:

- the dividend must be paid after 2005 by a Canadian corporation. Since the ITA is a federal act, it applies to all Canadian corporations, including British Columbia companies;
- the recipient (a person or a partnership) must be a resident of Canada;
- a company should designate the dividend to be an eligible dividend at the time (or before) the dividend is paid.<sup>(2)</sup>
- the company must provide the recipient with notice that the dividend is eligible pursuant to subsection 89(14) of the ITA.
- the dividend must not exceed the General Rate Income Pool (known as “GRIP”) for a Canadian-controlled private company.

An eligible dividend may be in the form of cash, a stock dividend, an “in specie” dividend or a “deemed” dividend resulting from a redemption of shares.

#### **Preparation**

- ① If the dividend is not in the form of a cash dividend, insert the appropriate wording: for a stock dividend resolution (see page 14). If paid by Promissory Note see the **Miscellaneous** chapter and insert a description of the Promissory Note or insert a description of the in specie dividend, as the case may be. For a deemed dividend resulting from a redemption (see Chapter 11 – *Directors Resolution Approving Redemption as Deemed Dividend*).
- ② Insert the total amount of the dividend (multiply the number of shares on which the dividend will be paid by the amount to be paid on each share).
- ③ Insert the description of the class of shares on which the dividend will be paid.
- ④ If the entire dividend is designated as an eligible dividend, use the first **B**. If the aggregate amount of the dividend is to be split between eligible and ineligible dividends, use the second **B** and complete the amount to be designated as an eligible dividend.
- ⑤ Delete the remainder of this sentence if there are no preferred shares ranking ahead of the class of share on which the dividend will be paid.
- ⑥ Insert the amount to be paid on each share.
- ⑦ Insert the effective date for the payment of the dividend.
- ⑧ If the entire dividend is designed as an eligible dividend, use the first **I**. If the aggregate amount of the dividend is to be split between eligible and ineligible dividend, use the second **I**.
- ⑨ Insert the **record date** (i.e. the date on which a shareholder must be listed as a shareholder on the *Central Securities Register* of the company to qualify to receive the dividend).

*Continued...*

<sup>(1)</sup> The designation of a portion of a dividend applies only to dividends declared after March 29, 2012. For dividends declared before that date, a separate resolution must be passed declaring the ineligible portion of the dividend.

<sup>(2)</sup> Section 89(14.1) of the *Income Tax Act* permits a late designation of an eligible dividend if the company makes the designation within three years after the day on which the designation was required to be made (that is within three years after the company has paid a taxable dividend) provided that Canada Revenue Agency determines that it would be just and equitable in the circumstances. Such late designation is retroactive to the date on which the dividend was paid and only applies to dividends paid on or after March 29, 2012. No late designation relief is available in respect of dividends paid before that date.

**DIRECTORS RESOLUTIONS**

OF

**{NAME OF COMPANY}**

(the “Company”)

**WHEREAS:**

A. ①The directors wish to declare a dividend in the aggregate amount of \$② on the Class ③ shares of the Company;

④B. Pursuant to section 89(14) of the *Income Tax Act* (Canada) (“ITA”), the Company has determined that the dividend may be designated as an “eligible dividend” as that term is defined by section 89(1) of the ITA;

*or:*

④B. Pursuant to section 89(14) of the *Income Tax Act* (Canada) (“ITA”), the Company has determined that the amount of \$***{amount of eligible dividend}*** may be designated as an “eligible dividend” as that term is defined by section 89(1) of the ITA;

C. The directors of the Company are satisfied that:

(a) the Company will be solvent at the time of the payment of such dividend;

(b) the payment of such dividend will not render the Company insolvent ⑤ nor reduce the net asset value of the Company to less than the aggregate redemption amount of the issued and outstanding ***{Share Class(es)}*** of the Company.

**RESOLVED THAT:**

⑧1. ①A dividend in the aggregate amount of \$②, being \$⑥ per share, on the issued and outstanding Class ③ shares of the Company, be declared payable on ⑦ to the shareholders of record of the Class ③ shares of the Company at the close of business on ⑨ and that the payment be allocated as follows:

*or:*

⑧1. ①A dividend in the aggregate amount of \$②, as set out below on the issued and outstanding Class ③ shares of the Company, be declared payable on ⑦ to the shareholders of record of the Class ③ shares of the Company at the close of business on ⑨ and that the payment be allocated as follows:

*Continued...*

**DIRECTORS RESOLUTION**  
**(Declaring an Eligible Dividend and Authorizing its Payment)**

**Preparation (Continued)**

- ① If the entire dividend is designated as an eligible dividend, use the **first** table. If the aggregate amount of the dividend is to be split between eligible and ineligible dividends, use the **second** table.
- ② Insert the name of each shareholder of record and the number and description of the class of shares held by each shareholder of record on which the dividend will be paid (see ⑧ on the previous page).
- ③ Insert the amount of **eligible** dividend to be paid on **each share**.
- ④ Insert the **aggregate** payable to each shareholder.  
  
Insert the amount of **ineligible** dividend to be paid on **each share**.
- ⑥ Insert the aggregate amount of the **eligible** dividend to be paid to the shareholder.
- ⑦ Insert the aggregate amount of the **ineligible** dividend payable to the shareholder.
- ⑧ Insert this paragraph if all of the recipients of the eligible dividend are also directors signing this resolution. If you are inserting this paragraph, you may omit paragraph 3 and the *Notice* (see page 22).
- ⑨ Insert the effective date of the resolution (which may or may not be the same date as the effective date for the payment of the dividend).
- ⑩ Check the **Register of Directors** of the company and insert all the directors' names.

**Processing**

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see **Transmittal Letter (Forwarding Documents for Signature)** (page 26).

**Directors Resolution  
(Declaring an Eligible Dividend  
and Authorizing its Payment)**

**Page 2**

①

Name of Shareholder	Number and Class of Shares	Dividend per Share	Total Dividend Payable to Shareholder
②{NAME OF SHAREHOLDER}	②	\$③	\$④
②{NAME OF SHAREHOLDER}	②	\$③	\$④

①

Name of Shareholder	Number and Class of Shares	Eligible Dividend per Share	Ineligible Dividend per share	Total Payable to Shareholder
②{NAME OF SHAREHOLDER}	②	\$③	\$	Eligible: \$⑥
				Ineligible: \$⑦
				Total: \$④
②{NAME OF SHAREHOLDER}	②	\$③	\$	Eligible: \$⑥
				Ineligible: \$⑦
				Total: \$④

2. The dividend be designated by the Company as an eligible dividend pursuant to section 89(14) of the ITA.

*or:*

2. The amount of *amount of eligible dividend* be designated by the Company as an eligible dividend pursuant to section 89(14) of the ITA.

3. At the time of the payment of the eligible dividend, the Company provide each shareholder receiving the eligible dividend with notice in writing advising the recipient that the dividend has been designated as an eligible dividend.

4. ⑧By signing these resolutions, the Directors hereby acknowledge that they are the only recipients of the dividends referred to above and that they have knowledge that the dividends have been designated as eligible dividends.

é See additional paragraph with respect to the Concurrence of the shareholders on page 28

Effective date: ⑨

⑩ {NAME OF DIRECTOR}

⑩ {NAME OF DIRECTOR}

## NOTICE (Eligible Dividend)

### General Notes

One of the main requirements for a dividend to qualify as an “eligible dividend” pursuant to section 89(14) of ITA, is that the company must provide the recipient with notice that the dividend is an eligible dividend before the dividend is paid (see notes opposite the *Directors Resolution Declaring an Eligible Dividend and Authorizing its Payment* – page 18).

The Notice should be prepared by the law firm and forwarded either to:

- the shareholders receiving the dividend; or
- the company to be forwarded to the recipients of the dividend.

In addition, in order to ensure that the recipients of an eligible dividend are aware of the designation, the shareholders may be asked to sign a *Receipt* (see page 24).

### Preparation

#### Separate Notices may be prepared for each shareholder receiving an eligible dividend.

- ① Insert the name of each shareholder from the *Directors Resolution Declaring an Eligible Dividend and Authorizing its Payment* – page 21) – Item ②.
- ② Sometimes the redemption of shares results in a “deemed” dividend to the shareholder. Such a deemed dividend may qualify as an eligible dividend. Check with the accountant if not specified and insert “*deemed*” if appropriate (see *Directors Resolution Approving Redemption as Deemed Dividend* in Chapter 11).
- ③ Insert the amount of the eligible dividend to be paid on each share.
- ④ Insert the description of the class of shares on which the eligible dividend will be paid.  
  
Insert the total amount of the dividend payable to this shareholder (which will be the amount of the cheque to this shareholder) (see item see item ④ on page 21).
- ⑥ Insert the total amount of the **eligible** dividend payable to this shareholder (see item ④ or ⑥ on page 21).
- ⑦ Insert the effective date for the payment of the dividend (see item ⑥ on page 18).

### Processing

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

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**NOTICE****{NAME OF COMPANY}**

(the “Company”)

**To:** ①**Re: Payment of a ② Dividend of \$③ per Class “④“ share**

We enclose our cheque in your favour in the amount of \$⑤, being the payment of the above ② dividend.

Please note that ⑥ *{the amount of \$\_\_\_\_\_ off}* this dividend has been designated by the Company as an “eligible dividend” pursuant to section 89(14) of the *Income Tax Act* (Canada).

Eligible dividends received by Canadian resident individuals will be entitled to an enhanced gross-up and dividend tax credit that is not available on dividend payments that have not been designated as eligible dividends. Please consult your accountants in this regard.

Date: ⑦

**{NAME OF COMPANY}****Per:** \_\_\_\_\_  
Authorized signatory

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**RECEIPT****General Notes**

This receipt is optional but may be used to verify that the shareholder received advance notice of the eligible dividend.

**Preparation**

**Separate Receipts may be prepared for signature by each shareholder receiving an eligible dividend.**

- ① Insert the total amount of the eligible dividend payable to this shareholder – see *Directors Resolution Declaring an Eligible Dividend and Authorizing its Payment* – page 21) – item ④ or ⑥.
- ② Insert the date of the payment of the eligible dividend or leave it blank.
- ③ Insert the effective date for the payment of the dividend (see item ⑧ on page 18).
- ④ Insert the description of the class of shares on which the eligible dividend will be paid (see item ③ on page 18).

Insert the name of each shareholder from page 21).

**Processing**

Once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

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**RECEIPT**

**TO:** *{NAME OF COMPANY}* (the “Company”)

**Re:** **Payment of eligible dividend**

**THE UNDERSIGNED** acknowledges receipt of the amount of \$<sup>①</sup> on <sup>②</sup>*{Date}* in full payment of the dividend declared by the Company on <sup>③</sup>*{Date}* on the Class “<sup>④</sup>” shares of the Company held by the undersigned and acknowledges that such dividend has been designated by the Company as an “eligible dividend” under subsection 89(14) of the *Income Tax Act* (Canada).

Dated effective: <sup>③</sup>*{Date}*

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*{NAME OF SHAREHOLDER RECEIVING DIVIDEND}*

## CONCURRENCE – CAPITAL DIVIDENDS

### General Notes

Any capital dividends issued in excess of the amount in a company's capital dividend account are subject to an additional tax. In order to avoid penalties, companies that make excessive capital dividend designations may be allowed to elect to treat the excessive amounts paid as ordinary dividends. To do so, the company must have the written concurrence (consent) of its shareholders who received, or were entitled to receive, the dividend and whose addresses are known to the company.

The election must be made within 90 days of the notice of assessment in respect to the excess capital dividend tax.

### Preparation

Subject to the lawyer's instructions and the law firm's policy, we suggest that the following paragraph be included in all resolutions declaring capital dividends:

“In the event that any portion of the Capital Dividend paid by the Company is excluded by Canada Revenue Agency as a dividend payable from the capital dividend account, then the sole director of the Company is hereby authorized on behalf of the Company to make an election under Part III of the Income Tax Act (Canada) to elect to treat such excluded portion (being in excess of the Company's capital dividend account) as a taxable dividend separate from the capital dividend. The director is also authorized to sign a concurrence of the Company with its shareholders giving effect to the above excess election.

- ① Copy the information from the dividend.
- ② Check the Resolution on page 12 and insert the names of the shareholders who are receiving the capital dividend.

### Processing

If you have included the above paragraph in the Resolution on page 12, once this document is prepared, checked and approved by the supervising solicitor, it is sent to the company with the Resolution for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

**CONCURRENCE**

**WHEREAS:**

- A. *{NAME OF COMPANY}* (the “Company”) by a resolution of its directors dated as of ① *{date}*, declared a dividend of ①*{amount}* (the “Dividend”) to the holders of record of the ①*{Class of shares}* shares of the Company as at the start of business on that date (the “Shareholders”).
- B. The Company has elected to designate the Dividend as a capital dividend and to pay the Dividend to the Shareholders out of the capital dividend account of the Company pursuant to subsection 83(2) of the *Income Tax Act* (Canada) (the “Tax Act”).
- C. The Company expects that the amount of the Dividend will not result in an excessive capital dividend designation.
- D. If it is subsequently determined by the Canadian taxing authority that the Company has made an excessive capital dividend designation in respect of the Dividend (any such excess referred to as an “Excess Capital Dividend Amount”), the Company intends to make and file an election under subsection 184(3) of the Tax Act (the “Excess Election”) such that the Excess Capital Dividend Amount is deemed to be a separate taxable dividend for purposes of the Tax Act that is not a capital dividend.
- E. In the event that the Company makes a Part III Election in respect of an Excess Capital Dividend Amount, the Shareholders will be deemed for purposes of the Tax Act to have received a taxable dividend equal to the Excess Capital Dividend Amount for purposes of the Tax Act, which taxable dividend would be included in the Shareholder’s income for the year in which the Dividend is received, and the Shareholder may be subject to interest and penalties under the Tax Act in respect thereof.
- F. The Excess Election requires the concurrence of the Company and the Shareholders.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, if the Canada Revenue Agency assesses the Company on the basis that the Company paid an Excess Capital Dividend Amount, the Company and the Shareholders hereby irrevocably consent to and concur with the filing of a Part III Election by the Company to reduce the amount of the Dividend that is treated as a capital dividend and deem the Excess Capital Dividend Amount to be a separate dividend for purposes of the Tax Act that is not a capital dividend.

DATED effective *{date}*

*{NAME OF COMPANY}*

Per: \_\_\_\_\_  
 Authorized Signatory

_____ <b>②NAME OF SHAREHOLDER                  RECEIVING DIVIDEND}</b>	_____ <b>②NAME OF SHAREHOLDER                  RECEIVING DIVIDEND}</b>
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## CONCURRENCE – ELIGIBLE DIVIDENDS

### General Notes

Any eligible dividends issued in excess of the General Rate Income Pool (known as “GRIP”) for a Canadian-controlled private company are subject to an additional tax. To avoid penalties, companies that make excessive eligible dividend designations may be allowed to elect to treat the excessive amounts paid as ordinary dividends. To do so, the company must have the written concurrence (consent) of its shareholders who received, or were entitled to receive, the dividend and whose addresses are known to the company.

The election must be made within 90 days of the notice of assessment in respect to the excess capital dividend tax.

### Preparation

Subject to the lawyer’s instructions and the law firm’s policy, we suggest that the following paragraph be included in all resolutions declaring eligible dividends:

“In the event that any portion of the Eligible Dividend paid by the Company is excluded by Canada Revenue Agency, then the sole director of the Company is hereby authorized on behalf of the Company to make an election under Part III of the Income Tax Act (Canada) to elect to treat such excluded portion as a taxable dividend separate from the eligible dividend. The director is also authorized to sign a concurrence of the Company with its shareholders giving effect to the above excess election.”

- ① Copy the information from the dividend.
- ② Check the Resolution on page 18 and verify and insert the names of the shareholders who are receiving the capital dividend.

### Processing

If you have included the above paragraph in the Resolution on page 18, once this Concurrence is prepared, checked and approved by the supervising solicitor, it is sent to the company with the Resolution for signature – see *Transmittal Letter (Forwarding Documents for Signature)* (page 30).

**CONCURRENCE**

**WHEREAS:**

- A. *{NAME OF THE COMPANY}* (the ‘Company’), by a resolution of its directors dated as of *{dated}*, declared a dividend of *{amount}* (the ‘Dividend’) to the holders of record of the {Class} shares of the Company as at the start of business on that date (the ‘Shareholders’).
- B. The Company has designated the full amount of the Dividend as an ‘eligible dividend’ for the purposes of the Income Tax Act (Canada) (the ‘Tax Act’) in accordance with section 89(14) of the Tax Act.
- C. The Company expects that the amount of the Dividend will not result in an excessive eligible dividend designation pursuant to subsection 89(1) of the Tax Act at the time of payment of the Dividend.
- D. If it is subsequently determined by the Canadian taxing authority that the Company has made an excessive eligible dividend designation in respect of the Dividend (any such excess being an ‘Excess Eligible Dividend Amount’), the Company intends to make and file an election under subsection 185.1(2) of the Tax Act (the ‘Part III.1 Election’) such that the Excess Eligible Dividend Amount is deemed to be a separate taxable dividend for purposes of the Tax Act that is not an eligible dividend.
- E. In the event that the Company makes a Part III.1 Election in respect of an Excess Eligible Dividend Amount, the Shareholder will be deemed for purposes of the Tax Act to have received a taxable dividend equal to the Excess Eligible Dividend Amount for purposes of the Tax Act, which taxable dividend would be included in the Shareholder’s income for the year in which the Dividend is received, and the Shareholder may be subject to interest and penalties under the Tax Act in respect thereof.
- F. The Part III.1 Election requires the concurrence of the Company and the Shareholders.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, if the Canada Revenue Agency assesses the Company on the basis that the Company paid an Excess Eligible Dividend Amount, the Company and the Shareholders hereby irrevocably consent to and concur with the filing of a Part III.1 Election by the Company to reduce the amount of the Dividend that is treated as an eligible dividend and deem the Excess Eligible Dividend Amount to be a separate dividend for purposes of the Tax Act that is not an eligible dividend.

DATED effective *{date}*

*{NAME OF COMPANY}*

Per: \_\_\_\_\_  
 Authorized Signatory

_____ ② <i>{NAME OF SHAREHOLDER RECEIVING DIVIDEND}</i>	_____ ② <i>{NAME OF SHAREHOLDER RECEIVING DIVIDEND}</i>
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**TRANSMITTAL LETTER**  
**(Forwarding Documents for Signature)**

**General Notes**

When all documents have been prepared, checked and approved by the supervising solicitor, arrangements should be made to have them signed. Sometimes the documents are forwarded to the accountants to arrange for signature, particularly in the case of capital dividends, but usually they are forwarded to the directors of the company for signature and return.

**Preparation**

- ① Insert the name of the person from whom you have received instructions. Usually, it is the contact for the company or the accountant.
- ② Insert the total amount of the dividend.
- ③ Insert the date on which the dividend is to be paid.
- ④ Delete if no *Waiver* is enclosed.

Delete if not enclosed – a certified copy of the *Directors Resolution* is usually only required for a **capital dividend**.

- ⑥ Delete if not enclosed – a *Concurrence* is only required for a **capital** or **eligible dividend**.

*Continued...*

File No. \_\_\_\_\_

*{date}*

*{name and address of client}*

Dear \_\_\_\_\_:

**Re: *{name of the Company}* – Dividend (or Bonus)**

On instructions received from ①, we have prepared and enclose the following documents for signature as indicated and return to us:

**Use the following paragraphs for a cash or capital dividend:**

1. Directors Resolution authorizing the payment of a dividend in the total amount of \$② on *{date}* ③;
2. ④Waiver;
3. ⑤Certified copy of the Directors Resolution.
4. ⑥Concurrence to be signed by the Company and the/each shareholder receiving the eligible dividend and.

**Use the following paragraphs for an eligible dividend:**

Your accountant(s) have/has instructed us that this dividend be designated as an “eligible dividend” pursuant to section 89(14) of the *Income Tax Act* (Canada).

1. Directors Resolution authorizing the payment of an eligible dividend in the total amount of \$② on *{date}* ③;
2. Notice to the shareholder(s) receiving the dividend that the dividend is an eligible dividend. This notice should be delivered or mailed to the/each shareholder receiving the dividend at the time the dividend is paid.
3. Receipt which should be signed by each shareholder receiving the eligible dividend and returned to us/the Company.
4. ⑥Concurrence to be signed by the Company and the/each shareholder receiving the eligible dividend.

*Continued...*

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**TRANSMITTAL LETTER**  
**(Forwarding Documents for Signature)**

**Preparation (*Continued*)**

**For a stock dividend:**

- ① Insert the description of the class of shares on which stock dividends are declared.
- ② List the new *Share Certificate(s)* number(s), the names of the shareholders, the number of shares being issued to each shareholder, and the class of shares being issued.
- ③ Insert the description of the class of shares being issued as stock dividends.

**For a management bonus:**

- ④ Insert the total amount of the bonuses.  
  
Insert the date on which the bonuses are to be paid.
- ⑥ Delete this paragraph if you will not be enclosing your account at this time.

**Processing**

Make sufficient copies of the letter and enclosures to have:

- one set for the file; and,
- if applicable, one set for the accountant on which you should stamp “copy”.

Ensure that all enclosures are attached to the letter.

Diarize the file for two to three weeks and follow-up by letter or telephone call if you have not received the signed documents.

Transmittal Letter  
 (Forwarding Documents for Signature)  
Page 2

**Use the following paragraphs for a stock dividend:**

1. Directors Resolution authorizing a stock dividend on the Class ① shares;
2. Share Certificate No. ②{number} in the name of {name} for {number} of Class ③ shares.

*or: if several Share Certificates:*

The following Share Certificates:

Cert. No.	Name of Shareholder	Number and class of shares
②	②	②

**Use the following paragraphs for a management bonus:**

1. Directors Resolution authorizing the payment of (a) management bonus(es) in the total amount of \$④ on {date} ⑤.

**In all cases:**

③We enclose our statement of account relating to this matter that we trust you will find satisfactory.

Yours truly,

***{NAME OF LAW FIRM}***

cc: *{name of accountant}*

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## REPORT LETTER (To Accountants or Client)

### General Notes

When the documents have been signed, returned, and filed in the *Records Book*, you should report the transaction to:

- the accountants, if the instructions were received from the accountants, with a copy of the letter to the client; or
- the client, if the instructions were received from the client, with a copy of the letter to the accountants.

### Preparation

- ① Insert the date of the letter of instruction from the accountants or client, or if the instructions were received in any other manner (e.g. fax, e-mail or telephone), change accordingly.
- ② Insert the description of the dividend, for example:
  - a cash dividend of \$10.00 per share to the holders of class B shares; or
  - a capital dividend of \$\_\_\_\_\_; or
  - a stock dividend of 25 class D shares for each class B share.
- ③ Insert the effective date for the payment of the dividend.
- ④ Delete if not enclosed.

List the new *Share Certificate(s)* number(s), the names of the shareholders, the number of shares issued to each shareholder, and the class of shares issued.

### Processing

Make sufficient copies of the letter and enclosures to have:

- one copy of the letter for the file; and,
- one set (letter and enclosures) for the client/accountants on which you should stamp “copy”.

Ensure that all enclosures are attached.

File No. \_\_\_\_\_

*{date}*

*{name and address of accountants}*

Dear \_\_\_\_\_:

**Re: *{name of the Company}* – Dividend *{or Bonus}***

Further to your ① letter of *{date}* ①, we enclose copies of the following signed documents:

**Use the following paragraphs for a cash, capital or stock dividend:**

1. ④ Waiver(s);
2. Directors Resolution authorizing *{or: ratifying}* the declaration and payment of a ② dividend as at *{date}* ③.
- ④3. Notice delivered to the shareholder(s) receiving the dividend that the dividend is an eligible dividend.
- ④4. Receipt signed by each shareholder receiving the eligible dividend.
- ④5. Concurrence.

**Use the following for a capital dividend:**

3. Certified copy of the Directors Resolution for your filing of the capital dividend election.

**Use the following paragraph for a stock dividend:**

The following Share Certificates have been issued for the stock dividend:

Cert. No.	Name of Shareholder	Number and class of shares

We trust that you will find the above to be in order, but should you have any questions, please do not hesitate to contact us.

Yours truly,

***{NAME OF LAW FIRM}***

cc: ***{Company/Accountant}***

