



**PAISLEY  
PARACHUTES  
INC.™**

Developing top-tier wealth  
management capabilities with confidence.



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## Understanding and Correctly Processing Corporate Actions and Entitlements

When public companies make strategic changes to the structure of their businesses, it often results in changes to the existing shareholders' ownership stake. These changes may present as a takeover of a competitor or a splitting up of existing businesses. There are several thousand of these corporate action transactions processed every year. Increased complexity is introduced as many of these involve companies that are located outside of Canada. Moreover, takeover transactions tend to be funded with the shares of the acquiring company, cash, other securities or a combination of marketable assets. The increased transaction sophistication of corporate actions, in the past decade, presents unique reporting challenges for financial institutions and their clients. The transaction designs often have tax implications for the shareholders who may receive any combination of acquirer company shares, cash and/or other securities. Depending on the investor's circumstances, these implications may be favourable or unfavourable.

There are a multitude of specialized corporate action structures that are frequently used, including: "joint tax elections", "Dutch auctions", "spinoffs", "demergers", "demutualizations", and "deemed dividend redemptions" among others. Each transaction has unique characteristics, both in terms of the entitlement received by the shareholder, and how these transactions need to be processed and reported for Canadian tax purposes. Corporate Actions that involve non-Canadian companies present added processing and reporting challenges as the prospectuses issued by the acquiring company rarely provide guidance for Canadian tax reporting purposes.



At **PAISLEY PARACHUTES INC.**, we have over 15 years of successful experience in interpreting a myriad of corporate action structures. Our history of accurate and timely guidance on complex corporate actions transactions includes: TransCanada / Nova merger (1998), Luscar / Manalta (1998), and the Nortel class action settlements (2008), through to more current transactions. With our expertise, we can help your organization understand and communicate transaction details to your sales force and their respective clients. We can also help you to apply appropriate tax treatment and disclosure through client reporting, the firm's book of record and subsequent filings with the Canada Revenue Agency. For more information on this and related topics, please contact us.

*JD Greenberg*