

MANITOBA EMPLOYEE SHARE PURCHASE TAX CREDIT

Employee Share Ownership Plan (ESOP) Template

Note to reader: This document is intended as a general guide for the purpose of developing an Employee Share Ownership Plan (ESOP), under the Manitoba Employee Share Purchase Tax Credit. Issuing corporations should consult with any relevant professional advisors in preparing their submission for registration of an ESOP. This guide outlines the main components of an ESOP plan and may not address all elements that a particular corporation intends to include.

The Income Tax Act (Manitoba), section 11.18 to 11.21(7) should be consulted when preparing a request for registering an ESOP plan.

The legislation may be found online:

<http://web2.gov.mb.ca/laws/statutes/ccsm/i010e.php#11.18>

The ESOP Information and Worksheet document provides additional information that issuing corporations should consult. Questions can be directed to Manitoba Economic Development, Investment and Trade at the location below.

Contact:

Manitoba Economic Development, Investment and Trade
Economic Programs Branch
Attention: Senior Project Manager
1010 – 259 Portage Avenue
Winnipeg MB R3B 3P4

General phone #: 204-945-2475

General email: ecdevprograms@gov.mb.ca

Website: <https://www.gov.mb.ca/jec/busdev/financial/esptc/index.html>

Available in alternate formats upon request.

ESOP TEMPLATE:

Employee Share Ownership Plan (ESOP)
Of
[Name of Corporation]
[Address of Corporation]

WHEREAS [statements]

WHEREAS information provides the rationale for the course of action under the THEREFORE statement. This section can include, for example: the list of full-time employees of the Corporation; that the Corporation is an “eligible corporation” pursuant to The Income Tax Act (Manitoba); the type of shares to be issued under this ESOP; the proposed use of funds under this ESOP.

NOW THEREFORE the Corporation hereby establishes this ESOP upon the following terms and conditions:

ARTICLE # – PREAMBLE AND DEFINITIONS

As may be required by the Corporation.

ARTICLE # - PURPOSE OF THE PLAN

Indicates the purpose of the employee share purchase arrangement, selecting only one of:

- *succession planning for family business*
- *employee buyout or takeover -*
- *worker co-operative*
- *employee participation*

ARTICLE # – CAPITAL RAISED

Indicates the amount of equity capital to be raised. Equity capital to be raised must not be more than \$10,000,000 under an ESOP.

ARTICLE # – USE OF FUNDS

Describes the use of funds received from the issuance of shares.

ARTICLE # – ELIGIBLE EMPLOYEES

Sets out the minimum and maximum numbers of employees who will be eligible to acquire shares under the plan, or confirms that there is no such minimum or maximum number. Indicates equal rights and opportunities for eligible employees and can include the names of these individuals.

ARTICLE # – CREATION OF SHARES OF [X TYPE/CLASS]

Indicates that the shares to be issued under the plan must be shares of only one class, no shares of which will have been issued before the plan is registered.

Indicates that shares may be issued only to individuals who are employees in relation to the issuer and are resident in Manitoba, or to qualifying trusts for such individuals, and do not have any rights, privileges or restrictions prohibited by the administrator or by regulation.

Indicates that the shares are common shares if the corporation is a worker cooperative or the purpose of the plan is to facilitate and promote employee participation in the corporation's business successes.

Indicates that immediately after they are issued to an employee or a qualifying trust for an employee, the shares will be registered in the name of the employee or the trustee of that trust.

This section can indicate what happens in the event of liquidation, dissolution or winding up of the Corporation.

ARTICLE # – SUBSCRIPTION FOR [CLASS] OF SHARES

Indicates that no shares shall be issued before the ESOP is registered.

ARTICLE # – ISSUANCE OF SHARES

Indicates that the plan does not allow for shares to be issued until they have been fully subscribed and paid for. A share that is issued to an individual or a qualifying trust for an individual is deemed to have been issued when it was irrevocably subscribed and paid for by the individual or the trust.

ARTICLE # – VALUATION OF SHARES

Indicates the subscription price per share and any valuation changes in the share value.

ARTICLE # – INVESTMENT CONFIRMATION AND REPORTING

Indicates that the issuer will issue to a participating employee, within 30 days after issuing shares to the employee, an investment confirmation that sets out:

- *the number of shares issued to the employee,*
- *the price per share,*
- *the total amount paid for those shares.*

Indicates that the issuer is required under the plan to ensure, within 60 days after the end of each year during the term for which the plan is registered, a report setting out:

- *the number of shares issued in that year,*
- *the amount of equity raised in that year,*
- *how the share proceeds have been or are being used, and*
- *indicates that this report is to be given to each participating employee and to the administrator.*

ARTICLE # – AMENDMENT OF ESOP

Indicates that a registered ESOP may not be amended without the approval of a majority of the participating employees.

ARTICLE # – EFFECTIVE DATE

Indicates the effective date and term of the ESOP.

ARTICLE # – GENERAL

Includes any other information or matters that the issuer wishes to note in this ESOP.

IN WITNESS WHEREOF the Corporation has adopted this ESOP as of the date written below.

[Date]

[Authorized Signatory]