

Completing the Articles of Incorporation Form

What are Articles of Incorporation?

The Articles of Incorporation are a legal document submitted to the Government (provincial or federal) that establishes a business within Canada. This formation of a business structure (incorporation) is a *separate entity* from the individuals who own the business. Essentially, the Articles of Incorporation are the primary rules that govern the management of your Alberta Corporation.

1. Name of Corporation:

An Alberta Corporation can be formed as either a Named Company or a Numbered Company.

Named Corporations: Corporate names are protected, meaning that only one Corporation in Alberta has the rights to use that name at any given time. In addition to ensuring that your name is in compliance with the Alberta Business Corporation Act, your corporate name must also include:

- a) a distinctive element (a word or two distinguishing your business from your competitors)
- b) a descriptive element (words describing your business' products or services)
- c) a legal element (Limited or Ltd, Incorporated or Inc, Corporation or Corp.)

If you want to give your Corporation a formal name, you will need to purchase a NUANS Report (name search) before you incorporate. This determines the availability of the name.

Numbered Corporations: You can also register your company as a Numbered company. In this case, the number portion of the name will be automatically generated by Alberta Corporate Registries. You can choose the legal element (Ltd, Inc, or Corp). An example of a Numbered Company name would be 1325632 Alberta Ltd.

2. The Classes of Shares:

The share structure states how you will organize the rights, responsibilities and privileges of the owners of your Corporation (shareholders). Shareholders are individuals or legal entities who invest in a corporation and have the ability to make decisions as well as profit from the corporation's success.

Shares generally have three basic rights associated with them:

- The right to vote
- The right to receive dividends when declared
- The right to receive the remaining assets of the corporation upon dissolution

A Corporation must have at minimum one class of shares. For each class you must specify:

- The maximum number of shares to be issued in that class (ie. 100, 500, or an unlimited number, meaning any number of shares at any time)
- The name of the share class (ie. Class A, Class B, etc)
- Whether those shares carry voting rights (privilege to make decisions about the company affairs). Each corporation is required to carry at least one class of shares with voting rights; if you choose to have only one class of shares, they must carry voting rights.

Example:

Unlimited Class "A" Voting shares (for a corporation with only one share class)

Or

Unlimited Class "A" Voting shares;
Unlimited Class "B" Voting shares;
Unlimited Class "C" Non-Voting shares; and
Unlimited Class "D" Non-Voting shares.

3. Restrictions (if any) on Share Transfers:

Sometimes a corporation wishes to restrict the sale or transfer of shares for a particular share class, for example only family members are entitled to own shares, or any transfers of shares must be approved by a majority of the directors of the corporation.

Example: "No share of the capital of the corporation shall be transferred without the approval of the majority of the board of directors of the corporation".

Such restrictions are not mandatory and if you choose not to place any restrictions on share transfers, you can simply indicate "none" in this section.

4. Number of Directors:

Directors are the individuals who will be in charge of the corporation's day-to-day business affairs. In this section, you must designate how many directors you would like your corporation to have. You must always have at least one director appointed at all times.

You can either have a set number of directors or a minimum/maximum number of directors. Keep in mind that should your business grow in the future and you want to add on more directors than the set number originally designated, there will be additional costs to amend your Articles of Incorporation. Therefore we advise to initially set a minimum number and a maximum number to allow you the flexibility to make changes in your numbers of directors.

The minimum number of directors allowed is one (1), and the maximum number of directors allowed is fifteen (15). Should you want to designate a set number, type in the same number for both your minimum and maximum number.

5. Business Restrictions:

Will your business be restricted FROM carrying on a particular type of business, or can your business ONLY carry on a particular type of business?

Sometimes a corporation wishes to place some restrictions on the nature of the business that they conduct; if this is the case, please list the types of business in this section. However, these types of restrictions are not mandatory, so should you not want to place any limits on your business, simply indicate "none".

6. Other Rules or Provisions:

This section is an opportunity for your corporation to specify any additional information within their Articles of Incorporation. For example, they may prohibit members of the public to purchase shares in the company, or state the limits of shares that employees are entitled to hold. Again, this additional information is not mandatory so you may simply indicate "none".

If you are wondering how best to set up your share structure, what rights should the shares carry, or whether your company should list any additional rules or provisions, it is advisable to contact an individual who can assist you such as an accountant or a lawyer. Our Certified Registry Agents can only provide limited assistance with the completion of these forms as our role does not include the provision of legal advice.