Share Purchase Transactions

Why protection matters even when nothing changes on title

When your client acquires shares in a corporation that owns real estate, there will be no title transfer or registration change. But risk can still remain. At FCT, we insure the real estate component of a share purchase transaction, providing the same owner title insurance protection available in an asset purchase transaction. This helps legal professionals protect their clients and keep complex deals moving with greater confidence.

Why title insurance still matters in a share purchase transaction

- No registered change to title can make title insurance easy to overlook.
- Zoning issues, errors in government responses and other transactional risks can still exist.
- The property may not have been title insured when the corporation first acquired it.
- Those issues can remain liabilities of the corporation that owns the property and have an economic impact on the new shareholders after closing.

FCT simplifies the share purchase closing process by applying the same reduced due diligence and search requirements as an asset purchase transaction.

What risk could look like after closing

A corporation owns and operates a warehouse. Your client acquires all shares of the corporation. After closing, the municipality discovers that part of the warehouse had been converted to office space without the required zoning approvals.

The municipality may require the corporation to cease the non-conforming use, apply for an amendment or variance, remove or alter unauthorized improvements, or pay fines and incur legal or consulting costs.

Even though the issue arose before the share purchase, the corporation remains liable, and the new shareholders may experience the economic impact through reduced profitability, compliance and remediation costs, potential interruption of business operations, or a decrease in the value of their shares.

The best protection works together. Your expertise as a legal professional is essential in a share purchase transaction. An FCT commercial title insurance policy complements that expertise by helping protect your client against covered risks that may remain after due diligence is complete and the shares have been purchased.

FCT

Key takeaways

Risk can remain
No title change does not mean no risk. The real estate component of the deal still requires review and the best protection.

Insure the real estate
FCT insures the real estate component, even when no ownership change is registered on title, and provide the same owner coverage available in an asset purchase transaction.

Protect against key risks
Coverage includes errors in governmental responses, zoning issues, and FCT's duty to defend against covered third-party claims.

Align coverage to closing
The corporation that holds title remains the insured. FCT can advance the Date of Policy to the share purchase transaction date if the corporation is already insured by FCT, subject to policy terms.

Address prior knowledge issues
FCT automatically includes the Non-Imputation Endorsement to cover certain issues known only to previous officers, directors or shareholders.

Think beyond deal size
Share purchase coverage can apply to local business acquisitions or larger corporate deals with a real estate component.

Working on a share purchase transaction that involves real estate?

Bring FCT in early when there is an existing owner policy, multiple properties, zoning or permit concerns, or a need to align coverage with the share purchase closing date.

Learn more about share purchase transactions

To discuss available coverage for the real estate component of the deal:

Contact your FCT Business Development Manager, call 1.866.804.3112, or email commercialsolutions@fct.ca.

More than a policy

When you choose FCT, you get more than a policy. You get more protection, more solutions and more experience designed to help you close with confidence.

Learn more about how we help protect your clients, your practice and your deals

For more information, visit FCT.ca or call 1.866.804.3122.

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