

THE SMITHS FALLS GOLF AND COUNTRY CLUB, LIMITED

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a Special Meeting of Shareholders of the Corporation will be held at the SFGCC Clubhouse, 125 Golf Club Road, Smiths Falls, ON, **on Sunday, October 30, 2022 at 2:00 p.m.** for the purposes of:

1. To consider and if thought fit, approve, a Special Resolution approving the continuation of the Corporation as a not-for-profit corporation under the provisions of the Ontario *Not-for-Profit Corporations Act, 2010, S.O. 2010, c. 15* (the "ONCA") and the filing of Articles of Continuance in connection therewith in the form attached as Schedule "A" hereto (the "Special Resolution"); and
2. Transacting such other business as may properly be brought before the meeting or any adjournment thereof.

This meeting has been called by the President of the Corporation pursuant to Section 4 of By-Law #1 of the SFGCC and the provisions of the *Corporations Act* (Ontario).

Approval of the Special Resolution will require approval by not less than two-thirds of the shareholders present in person or voting by proxy at the Special Meeting. Approval of the Ordinary Resolutions will require approval by a simple majority of the shareholders present in person or voting by proxy at the Special Meeting.

Voting by Proxy

Members who are unable to attend the Special Meeting, or who prefer to register their vote in advance of the meeting, are encouraged to vote on the Special Resolution and the Ordinary Resolution by proxy. To be effective, a completed form of proxy, signed by the member, must be received by the Secretary of the Corporation before any vote is taken at the Special Meeting. Completed proxy forms may be delivered:

- a. by email addressed to Gord Percy, the Club Manager at gordon@pgaofcanada.com;
- b. by regular mail addressed to the Secretary of the Smiths Falls Golf & Country Club at 125 Golf Course Road, Smiths Falls, ON K7A 4S9, received prior to the Special Meeting; or
- c. by dropping off the signed and completed Proxy Form at the Club's office at 125 Golf Course Road, Smiths Falls, ON.

Please note that you may appoint Paul Cadeau, the Club President, or another Shareholder of the Corporation who will be present at the Meeting, as your proxy and direct your proxy as to how you wish to cast your vote in respect of each Resolution.

DATED the 14th day of October, 2022.



President

Schedule "A"

Special Resolution to Approve the Continuance of the Corporation as a "Not-for-Profit Corporation under the Ontario *Not-For-Profit Corporations Act, 2010*

Background and Recommendation

As outlined in previous communications from the Board of Directors, recent changes to the *Ontario Corporations Act* (the "OCA"), which governs the SFGCC, will require changes to be made to the corporate structure of the Club. The most significant changes flow from the enactment of the *Ontario Not-for-Profit Corporations Act, 2010* (the "ONCA"), which will now govern not-for-profit corporations. This ONCA took effect Oct. 19, 2021, and under the terms of the new Act, not-for-profit corporations governed by the "old" OCA were given five years (now four) during which to comply with the new legislation.

The ONCA will replace the OCA as the governing legislation for not-for-profit corporations in Ontario. Under the new legislation, the SFGCC is required to transition to either:

- a. a "not-for-profit" corporation without share capital under the ONCA – under this option, the current shareholders of the SFGCC will become "members" of the Club; or
- b. a "for profit" corporation with share capital under the *Ontario Business Corporations Act* – which is the business structure utilized by most privately owned golf clubs and other business corporations.

Doing nothing is not an option. Failure by a the SFGCC to choose one of the two options noted above on or before October 19, 2026 will result in the "dissolution" of the of the SFGCC.

The Board of Directors has considered the options and received advice from our corporate legal counsel (Shane Kelford of Howard Kelford & DuBois LLP) and we believe that Option A (continuing the SFGCC as "not-for-profit" corporation without share capital) is in the best interests of the SFGCC and its members/shareholders for the following reasons:

1. The SFGCC has operated as a "not-for-profit" corporation since it was first incorporated in 1954. The initial capital investment of shareholders to purchase a share has always been modest (\$50-\$100) with no expectation by shareholders of a return on their capital investment.
2. Under the Income Tax Act, "not-for-profit" corporations such as the SFGCC are not subject to income tax as long as any profits are re-invested in the corporation. If the SFGCC were to become a "for profit" corporation under the *Business Corporations Act*, we would lose our tax-exempt status.
3. Certain grants related to "accessibility" and other improvements to SFGCC's facilities are only available to "not-for-profit" corporations.
4. Conversion of the SFGCC to a "for profit" corporation would create an expectation of dividends or other returns to shareholders and raises the risk of a reassessment of the SFGCC property for municipal tax purposes which could result in a significant increase in the SFGCC's property taxes.
5. Conversion of the SFGCC to a "for profit" corporation raises the risk of a "majority" group of shareholders deciding to sell the corporation to a private investor or developer, who would then have the ability to develop the property for purposes other than a golf course.

It should be noted that under the current not-for-profit status, the SFGCC has been able to manage membership fees in a responsible fashion, keeping membership fee increases to a minimum and when necessary, keeping increases in-line with the cost of living. Under a "for profit" model, profits would be taxable resulting in a significant impact on the bottom line. That income loss would need to be recovered through our current revenue streams and would likely require a significant increases in membership fees, green fees, and other services offered by the SFGCC.

The conversion of the SFGCC to a "not-for-profit" corporation under the ONCA will result in some changes which will include:

- "Shareholders" will become "members" under the new legislation, but will still be entitled to significant rights and protections.
- At least one class of members must still have voting rights. (If, for example, we move to two classes of membership such as "playing" and "social", at least one class must be voting.)
- Members will have enhanced access to the financial records of the Club and increased rights to remove directors or officers of the Club if they believe that they are not acting in the best interests of the Club
- Memberships will be non-transferable and will terminate upon the death of a member or the non-renewal of the membership each year
- Members will be able to receive notice of meetings and participate in meetings via electronic means
- The name of the SFGCC will be changed from "The Smiths Falls Golf and Country Club, Limited" to the "Smiths Falls Golf & Country Club"

For the foregoing reasons, the Board of Directors believes that continuation of the SFGCC as a "not-for-profit" corporation under the ONCA is in the best interest of the SFGCC and its shareholders, and is recommending that shareholders vote in favour of Special Resolution #1. This decision must be approved by "special resolution" of the shareholders, which is a resolution approved by two-thirds of the shareholders in attendance (personally or by proxy) at a special meeting called for the purpose of approving the resolution.

The Board of Directors is recommending that there would be no repayment of "capital" upon the conversion of "shareholders" to "members" for the following reasons:

- The SFGCC has been issuing shares since 1954, and many shareholders have either died without leaving clear instructions regarding the transfer of shares or have moved out of the area without leaving any contact information. Locating these shareholders would be expensive and time consuming for SFGCC staff.
- The original capital investment by shareholders has always been modest (\$50 to \$100) with no expectation of a return of capital
- The repayment of capital would impose a cost to the SFGCC and reduce funds which could be used for much needed improvements to the SFGCC facilities

As an alternative to the return of capital to shareholders, and in recognition of the original capital investment of active members, the Board will be recommending some other form of incentive to its current shareholders such as 1st priority for memberships in the year after the conversion of "shareholders" to "members". Current shareholders will automatically become initiated members at their share value. Out of fairness to our existing shareholders, new members will need to pay an initiation fee that is at least equal to that of the current share value (\$100).

The Board of Directors has approved the Special Resolution set out below, and believes that continuation of the SFGCC as a not-for-profit corporation under the new Ontario *Not-for-Profit Corporations Act, 2010* is in the best interest of the SFGCC and its shareholders.

**Special Resolution of the Shareholders of
The Smiths Falls Golf and Country Club, Limited**

CONTINUANCE UNDER THE NOT-FOR-PROFIT CORPORATIONS ACT, 2010 (ONTARIO)

RESOLVED AS A SPECIAL RESOLUTION OF THE CORPORATION THAT:

1. The Corporation apply for a Certificate of Continuance under Section 115 of the *Not-for-Profit Corporations Act, 2010* (Ontario) continuing the Corporation under the Act;
2. Upon the issuance of the Certificate of Continuance:
 - (a) the Corporation's charter shall be amended by deleting the provisions of the Corporation's, including any authorized share capital provisions and substituting therefore the provisions set out in the Articles of Continuance attached to this resolution as Appendix I; and
 - (b) all issued shares in the capital of the Corporation shall be cancelled; and

any two directors or officers of the Corporation are authorized and directed for and on behalf of the Corporation to do all things and execute and deliver all documents as such director or officer considers necessary, desirable or useful to carry out and give effect to this resolution, including execution and delivery of the Articles of Continuance, with such further amendments as they may determine to be necessary or desirable to comply with the requirements of any governmental authority having jurisdiction in respect of the Act, and at any time prior to the issuance of a Certificate of Continuance under the Act, any director or officer is authorized to abandon any application for such Certificate of Continuance as such director or officer considers advisable.