

CONTEXT

This information sheet was put together because proposed legislation in Ontario will compel the Idylwyld Golf and Country Club (the “Club”) to adopt a new corporate structure. We want the Shareholders to understand the following:

- (i) The current structure of the Club.
- (ii) The current legislative landscape and what it means for the Club.
- (iii) The options available should you choose to change the corporate structure; and
- (iv) What the process will look like if you choose to vote in favour of changing the corporate structure.

CURRENT STRUCTURE

The Club was incorporated on August 30, 1922, as a share capital corporation. Currently, the Club has 2,000 authorized shares (1,216 issued), with a par value of \$100.00 each.

The Club is also a social club. “Social clubs” in Ontario include tennis, ski, and boating clubs. Many of these clubs are organized as non-share capital corporations (also known as not-for profits) under either the Corporations Act (Ontario) (the “OCA”) or the federal Canada Not-for-profit Corporations Act (the “CNCA”).

The Club, being a share capital corporation, is what we call a “share capital social club”.

CURRENT LEGISLATIVE LANDSCAPE

The decision to make a change to the Club’s corporate structure, or not make a change, rests with the Shareholders. While the expectation is that Ontario Not-For-Profit Corporations Act (the “ONCA”) will be brought into force 2021, there is currently no legislation in place that requires a change.

It is likely, that new and modern laws will require the Club to transition to a different corporate structure at some point.

OPTIONS AVAILABLE SHOULD YOU CHOOSE TO CHANGE THE CORPORATE STRUCTURE

When the ONCA is passed, share capital social corporations will have five years from the date ONCA achieves royal ascent to continue as a corporation under one of the following acts:

- The Ontario Not-for-Profit Corporations Act (as a not-for-profit);
- The Business Corporations Act (Ontario) (the “OBICA”) (as a for-profit); or
- The Co-operative Corporations Act (the “CCA”) (as a co-operative).

It is likely that most social clubs will continue to operate under the ONCA in order to continue to enjoy the tax benefits available to non-profit corporations and to gain access to sources of funding available to non-profit corporations.

It is not necessary to wait until ONCA comes into effect if it is determined by the Board of Directors and confirmed by the Shareholders that it is in the best interests of the Club to convert the Club into either a non-share capital corporation, a for-profit corporation, or a co-operative corporation.

PROCESS OF CONTINUANCE SHOULD YOU CHOOSE TO CHANGE THE CORPORATE STRUCTURE

Continuance to ONCA, OBCA or CCA or converting to a corporation without share capital under the OCA will require a special resolution, which is one passed by the Board and confirmed, with or without variation, by a 2/3 majority of the votes cast at a duly called special or general meeting of the shareholders. Currently, quorum for a meeting of this nature is 10.

To prepare for continuance, it will be necessary to undertake a review of the letters patent and by-laws, prepare Articles of Continuance and other required documents and create new by-laws. The club would then obtain shareholder approval, file the required documents, and obtain the certificate of continuance.

Frequently asked questions (FAQ's) are on the following pages.

FREQUENTLY ASKED QUESTIONS

Q: Why do we need to decide now if the legislation has not been passed?

A: Other share capital social clubs have undergone this same modernization process. While nothing would happen if no changes were made, it is almost certain that new and modern laws will require the Club to transition to a different corporate structure at some point.

Q: Why, as Shareholders, would we want to convert to a not-for-profit?

A: Most share capital social clubs will continue to operate as a not-for-profit corporation in order to continue to enjoy the tax benefits available to not-for-profit corporations and to gain access to sources of funding available to not-for-profit corporations.

For example, funding is available from the Ontario Trillium Foundation for organizations incorporated as a not-for-profit corporation, as well as from federal and provincial levels to assist not-for-profit organizations in implementing the required changes under the Accessibility for Ontarians with Disability Act.

Q: Will the Shareholders still have voting rights if the Club continues as a not-for-profit?

A: Absolutely. Membership and voting rights will be controlled entirely by the Club's constitution and by-laws and can be tailored to the Club's needs.

Q: Who owns the Idylwylde?

A: The Idylwylde golf course, clubhouse and curling rink is owned by the Idylwylde Golf and Country Club, Limited (the "Corporation").

The Shareholders own the shares of the Corporation and have the rights to control how the Corporation deals with its assets.

Q: What is my share worth?

A: Pursuant to the Articles of Incorporation and as reported in the financial statements, each share has a par value of \$100.00.

Any share sold from Treasury with an amount paid over \$100.00 was recorded as a contribution towards Club operations (i.e., a premium and is not redeemable). Shares were purchased from Treasury for varying amounts over the years, but the \$100.00 par value for every share has stayed the same.

Shares purchased on the open market would have the same \$100.00 par value as a share purchased from Treasury.

Q: Is there a deemed year-end on the corporate restructuring?

A: No. the Club would continue to operate under the Income Tax Act and year-end would remain October 31st each year.

Q: Is there any tax triggered on the corporate restructuring?

A: No. The Club will not have any deemed disposition of property and will not be liable for any specific one-time tax on corporate restructuring.

Q: What do we continue to pay tax on under the corporate restructuring? Is there any change to the current tax filings?

A: The Idylwylde will continue to pay tax on net income generated from passive property held by the club. The tax filings will not change under the new structure and the Idylwylde will still operate under the Income Tax Act.

Q: Is there any exposure or risk to the Club on losing not-for-profit status if current and future results of the Club are profitable?

A: The Club uses profits from operations to benefit the members of the Club, so no.

Q: Based on our proposed structure transition and activities at the Idylwylde, would the Idylwylde be able to apply for charitable status?

A: There are significant differences between a non-profit organization and a registered charity. They both operate on a non-profit basis but are entirely different. Registered charities must use their resources for charitable activities and have charitable purposes that fall into one or more of the following categories:

- the relief of poverty
- the advancement of education
- the advancement of religion
- other purposes that benefit the community

Non-profit organizations are associations, clubs, or societies that are not charities and are organized and operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit. This is where the Idylwylde falls under the scope of the Canada Revenue Agency guidelines.