

BIG CEDAR POINT GOLF AND COUNTRY CLUB, LIMITED

**INFORMATION CIRCULAR FOR THE
MEETING OF SHAREHOLDERS TO BE HELD ON
SUNDAY, APRIL 25, 2021**

This information circular has been prepared in connection with the annual and general meeting (the Meeting) of shareholders of the Big Cedar Point Golf and Country Club, Limited (the Golf Club) to be held electronically on Sunday, April 25, 2021 at 1:00 pm. Shareholders are encouraged to review the information set forth in this circular and to participate in the Meeting electronically.

The business of the Meeting includes important business affecting the future of the Golf Club.

We encourage all shareholders to support your Club by returning a completed form of proxy by 5:00 pm on Friday, April 23, 2021. Instructions with respect to the use of proxies are set out below under heading A4, Submission of Proxies.

A. Meeting Procedures and Business Under Consideration

1. Manner of Holding the Meeting

The Meeting is being held by electronic means only. Because of COVID-19 concerns, there will be no physical meeting at the clubhouse. **In order to receive an electronic invitation to participate in the Meeting you must register by giving notice to the Golf Club identifying yourself and providing your email address by no later than 5:00 pm on Friday, April 23, 2021.** You may do that by sending an email to bigcedargolf100@rogers.com (if you received this notice by email, you may simply reply with your request).

You may also register by mail by sending the required information (which must be received by the date and time referred to above) to the following address:

Mr. Jim Turner, Secretary,
Big Cedar Point Golf and Country Club
1590 Houston Avenue, Innisfil
L9S 4M7

Electronic invitations to participate in the Meeting will be sent out by email on Saturday, April 24, 2021 and a reminder will be sent on the day of the Meeting.

Only shareholders and their duly appointed proxy holders may participate in or vote at the Meeting.

2. Voting at the Meeting.

Voting at the meeting will be conducted only by electronic means as specified by the Chair of the Meeting. **Voting to approve 2021 Membership fees and the BCA Transaction will be conducted by email as directed by the Chair at the Meeting.**

In order to vote at the Meeting, a shareholder or appointed proxy holder must participate in the Meeting electronically. In order to so participate, **such persons must register with the Golf Club as provided above by no later than 5:00 pm on Friday, April 23, 2021.** Shareholders and proxy holders so registered will receive the electronic invitation to participate in the Meeting which will be sent by email on Saturday, April 24, 2021. A reminder will be sent on the day of the Meeting.

If a shareholder is not registered in advance to participate in the Meeting, they will not be able to participate in or vote at the Meeting.

To the extent reasonably possible, the Golf Club will treat shareholder votes as confidential.

3. Business of the Meeting

The Meeting has been called as an annual and general meeting of shareholders of the Golf Club for the following business:

- (i) Receipt of the financial statements of the Golf Club for the financial year ending November 30, 2020, the auditor's report, budget, and the long-term capital plan;
- (ii) Appointment of auditors;
- (iii) Report of the Board;
- (iv) Approval of all actions, agreements and resolutions of the Board of Directors of the Golf Club since the last annual meeting of shareholders;
- (v) Appointment of club captains;
- (vi) Election of directors;
- (vii) Approval of membership fees for 2021;
- (viii) Approval by special resolution of the proposed \$675,000 loan from the Big Cedar Association (the BCA) on the terms summarized in this circular (the BCA Transaction); and
- (ix) Such other business as may properly come before the meeting.

In order to be approved by shareholders, all business at the Meeting, other than approval of the BCA Transaction, must be approved by majority vote of shareholders. The BCA Transaction to be approved must be approved by special resolution passed by at least a two-thirds vote of shareholders.

The Board of Directors unanimously recommends that shareholders vote in favour of the items of business referred to above including the BCA Transaction.

4. Submission of Proxies

We encourage all shareholders to submit a proxy for use at the Meeting by completing, signing and returning the accompanying form of proxy. Instructions for completing the proxy are included on the form of proxy. A signed proxy may be electronically scanned or photographed and sent via electronic mail to bigcedargolf100@rogers.com.

Proxies may also be mailed to:

Mr. Jim Turner, Secretary,
Big Cedar Point Golf and Country Club
1590 Houston Avenue, Innisfil ON
L9S 4M7

To be voted, a copy of the signed proxy must be received by the Secretary no later than 5:00 pm on Friday, April 23, 2021. Any proxy received after that date and time cannot be voted. As noted above, the Meeting is being held by electronic means only. Because of COVID-19 concerns, there will be no physical meeting held at the clubhouse.

In order to vote on your behalf at the Meeting, your appointed proxy holder must register for and participate in the electronic Meeting as specified above.

A shareholder has the right to appoint any person to act as proxy holder for the shareholder at the Meeting. That person does not need to be a shareholder. To exercise that right, a shareholder must print the name of the person to be appointed as proxy in the blank space provided for that purpose on the form of proxy. If you do not designate a proxy holder, the proxy will be voted by the President or other officer designated by the Board of Directors.

The officers shown on the form of proxy will vote as specified by the shareholder on the form of proxy (by marking “In favour” or “Against” opposite each resolution identified on the form of proxy) and otherwise in the best judgement of such officer. Subject to such specifications, the officer named on the form of proxy intends to vote all shares in favour of the resolutions identified on the form of proxy including the 2021 membership fees and the BCA Transaction.

The proxy confers discretionary authority to vote on all amendments or variations to the matters identified in the proxy and on all other matters as may properly come before the Meeting.

A proxy may be revoked by instrument in writing executed by the shareholder and deposited either at the clubhouse at any time up to and including the last business day preceding the Meeting, or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting, or any adjournment thereof.

This solicitation of proxies is made on behalf of the Board of Directors of the Golf Club. While the costs of doing so will be nominal, all such costs will be borne by the Golf Club.

5. Shares Outstanding

There are approximately 400 shares of the Golf Club outstanding. Each share is entitled to one vote at the Meeting. Shareholders entitled to participate in and vote at the Meeting will be determined as of 5:00 pm on Friday, April 23, 2021.

6. Report of the Board

The Report of the Board for the past year will be posted to the Golf Club's website and made available to shareholders. Darryl Lynch, as President, will comment on the report at the Meeting.

7. Auditor's Review Engagement Report and Appointment of Auditors

The Golf Club's financial statements for the year ended November 30, 2021 and the Review Engagement Report thereon will be posted to the Golf Club's website and made available for review by shareholders. Those documents will be tabled at the Meeting. The Board proposes that shareholders re-appoint NVS Professional Corporation to be auditor of the Golf Club for the ensuing year.

8. Appointment of Club Captains

The Board will announce the names of appointees at the meeting. Any shareholder interested in participating on the Captain's Committee is encouraged to contact one of the Club Captains.

9. Election of Directors

Your current Board of Directors consists of:

Darryl Lynch, President
Rod Chapman, Vice-President**
Jim Turner, Secretary**
Dave Carrick**
Jamie Lloyd
Shelley McKee**
Bob Roots
Chris Sheppard

**The terms of each of these directors is ending at the Meeting.

The terms as directors of Darryl Lynch, Jamie Lloyd, Bob Roots and Chris Sheppard continue until the 2022 annual meeting of the Golf Club.

Don Bathgate retired from the Board and as President on August 4, 2020. We want to thank Don for his dedicated and faithful service to the Golf Club.

The Board of Directors nominates the following individuals for re-election as director for a two-year term commencing on the date of the Meeting:

Rod Chapman - Retired

Dave Carrick - Agribusiness Executive

Shelley McKee - Retired

Jim Turner - Retired

All of the nominees for director are members of the Golf Club. The directors and officers of the Golf Club do not receive any compensation for their roles as directors or officers. There are no standing committees of the Board. The following directors own one share in the Golf Club: Darryl Lynch, Rod Chapman, Dave Carrick and Jim Turner.

It is expected that, if the BCA Transaction is approved by shareholders, Jamie Lloyd, Dave Carrick and Jim Turner will be designated by the BCA as its nominees on the Board of the Golf Club. Dave Carrick is a director and officer of the BCA and Jamie Lloyd and Jim Turner are members of the BCA.

Under the terms of the BCA Transaction, the Golf Club would agree to nominate representatives of the BCA for election to the Board of Directors. The number of nominees shall be equal to one half of the voting members on the Board.

In addition, if and when the Golf Club becomes subject to the Ontario Not-for-profit Corporations Act, the Golf Club has agreed to propose an amendment to its by-laws appointing one director nominee of the BCA who does not need to be elected by shareholders.

Dave Carrick and Jim Turner participated on the working group constituted by the BCA to negotiate a possible transaction with the Golf Club. This process led to the proposed BCA Transaction being presented for approval at this Meeting. As a result of that involvement, Dave and Jim did not vote as directors of the Golf Club on the approval in principle of the BCA Transaction.

10. Membership Fees for 2021

Shareholders will be asked to approve by ordinary resolution at the Meeting, the Golf Club's 2021 membership fees and related charges established by the Board.

The Board recommends a modest increase in membership fees. The recommendation seeks to balance the following objectives:

- Keeping membership fees reasonable and competitive with other area golf courses.
- Retaining our existing members and attracting new members.
- Increasing revenue to offset the Club's structural budget deficit.

The Board notes that the recent member survey indicated that 98% of members considered our membership fees to be either reasonable or a bargain.

The Board has established 2021 membership fees as follows:

Individual membership: \$825

Couple's membership: \$1499

New member special: \$699 (only open to people who have not been a member in any of the five immediately preceding years.)

Annual power cart fee: \$585

Annual push cart fee: \$50

Trail fee: \$225

Child of member (age 14 to 18): \$400

Child of non-member (to age 18): \$460

Intermediate child of a member (age 19 to 24): \$585

Any child of a member age 14 or under plays free.

Associate membership: \$500

The Board recommends that shareholders approve the foregoing fees and charges. Because this meeting is taking place later than usual, the Board has preemptively charged these fees in anticipation of approval. If the shareholders decide on a lower rate, the Club will need to issue refunds.

11. The Proposed Transaction with the BCA

The Board of Directors reached an agreement in principle last August with the Big Cedar Association for a substantial capital contribution to the Golf Club.

That agreement was based upon the BCA being able to sell its clubhouse on the basis of a conditional offer from a buyer. That sale was not completed because the buyer was not satisfied that the property could be developed.

In February, the BCA entered into a new agreement to sell its clubhouse at a lower purchase price of \$835,000 but with no diligence condition in favour of the new buyer. BCA members approved that agreement and the transaction was completed on March 31, 2021.

The Board has approved in principle a new agreement for the BCA to make a capital contribution to the Golf Club of \$675,000.

Accordingly, the BCA is in funds and is prepared to advance a loan of \$675,000 to the Golf Club subject only to shareholder approval and finalizing binding legal agreements.

The agreement with the BCA is on substantially the same terms agreed to last fall. Those terms were detailed in a circular sent to shareholders and members of the Golf Club last August. The Board held an information meeting at that time to give members and shareholders an opportunity to ask questions about the proposal. In addition, the Board forwarded to members and shareholders on March 19, 2021, an information circular fully informing shareholders of the new terms of the BCA Transaction.

In order to proceed, the BCA Transaction must be approved by Golf Club shareholders by at least a two-thirds vote.

The Board considers the BCA Transaction to be critical to the future of the Golf Club and unanimously recommends that shareholders vote in favour of it.

B. Considerations Regarding the BCA Transaction

1. Key Points to Consider

- a) **The current financial position of the Golf Club remains precarious.** Over the past decade we have incurred a net operating loss of \$222,510. That has led to an annual structural deficit of approximately \$40,000. While we lowered expenses by 10% over this period, revenues dropped by 15%. The recently completed sale of surplus wood lots kept the course operating but was a temporary reprieve. Going forward, we must stop spending more than we make. Otherwise, the Club can't survive.
- b) **We have seen some temporary relief.** The pandemic has brought tragedy and financial loss to many Ontarians. Golf, however, proved a means for people to escape the house and enjoy a safe outdoor activity. We had a major increase in green fees last year and we may see an echo this summer. In the longer term, however, we must assume a return to previous numbers until we learn otherwise.
- c) **Your Board is taking active steps to improve revenues.** One such initiative over the winter was to purchase a simulator for the clubhouse. Our objective in doing that is to generate revenue over the winter and to keep the clubhouse open all year round. By doing so, we hope to develop further revenue-generating activities during the off-season.

We needed to borrow \$45,000 in the form of a mortgage extension to finance the simulator. By itself, the simulator will not solve our ongoing financial problems. It is simply one opportunity that the Board felt could help the Club move forward. Without an injection of capital the Board would have very limited ability to make the additional investments needed to generate revenue.

- d) **The proposed BCA transaction is technically a loan but is very different from a normal, commercial loan.** From a practical perspective, the "loan" is effectively a capital contribution. As long as the Golf Club remains in operation, maintains the course, does not decide to sell the golf course lands, or becomes bankrupt or insolvent, it will never need to repay the loan. No commercial lender would ever agree to such terms.
- e) **There is serious doubt that the Golf Club can borrow further from its existing lender.** Our current debt is approximately \$175,000 and we have limited ability to repay it given our on-going operating deficits. If we receive the capital injection from the BCA, we will immediately repay all of our outstanding debt and eliminate \$20,000 in annual interest payments.

Even if feasible, borrowing more money would serve little purpose beyond providing short-term relief. We really need to eliminate debt, find the funds

needed to make the course more attractive to new members and open up new sources of revenue.

Accordingly, the Golf Club has no viable alternative to the proposed transaction to solve its financial problems. Assuming approval, the proposed transaction will address our immediate financial perils and provide us with the resources needed to ensure long-term prosperity.

- f) **The BCA has no desire to acquire or run a golf course.** It is a social club and most of its members are not golfers.
- g) **The BCA sees the clubhouse as a future community hub.** With the sale of its clubhouse, the BCA lacks a gathering spot. Our clubhouse offers the potential to serve as a social venue for the entire Big Cedar community. While most of BCA members are not Golf Club members, this could motivate more people to become social members.
- h) **The BCA is prepared to make the loan as soon as Golf Club shareholders approve the transaction and binding agreements are put in place.** The members of the BCA have already approved the transaction at the agreed-upon terms. The sale by the BCA of its clubhouse has been completed and the BCA is in funds to complete the proposed BCA transaction.

2. Benefits of the Transaction

The \$675,000 capital contribution would enable us to clear our debts and cover future yearly operating losses of \$20,000 for almost 25 years. Alternatively, we could use some of the money to improve the Club, provide better value to members and green-fee players, and open up additional sources of revenue that will help turn that annual loss into a surplus. Without that money, we have little option but to reduce expenses just to stay in operation. We cannot further reduce expenses significantly without seriously affecting the quality of the golf course.

Please remember that no commercial lender would ever loan money on the terms agreed to by the BCA. Assuming the Golf Club continues in operation (which is everyone's objective and the expectation), we will never have to repay the loan or pay any interest on it. That is why the loan is, in effect, a capital contribution.

3. Board Recommendation

Your Board has the responsibility to ensure that the Golf Club continues to be able to carry on business as a going concern. The Board is concerned that without this capital contribution, we may not be able to operate beyond the next couple of years.

The Board sees no alternatives to the proposed transaction that will adequately address the precarious financial position that the Golf Club faces.

The Board believes that the proposed transaction serves the best interests of the Golf Club, its members and its shareholders. It unanimously recommends support from members and shareholders.

4. Structure of the Proposed Transaction

The proposed transaction is structured as a loan secured by a first mortgage. Notwithstanding that structure, the loan is, in effect, a capital contribution into the Golf Club.

The Golf Club Board considered a number of different forms of transaction to accomplish the objectives of the Golf Club and the BCA.

When the Golf Club first approached the BCA, it proposed a sale of its clubhouse, parking lot and adjacent lands to the BCA. The proposal was that the BCA would then lease those properties back to the Golf Club pursuant to a long-term lease. The difficulty with that transaction was that it would have required Innisfil to grant a severance of the properties to be sold from the other Golf Club lands. That severance would have been costly to apply for, would have delayed the transaction for a substantial period of time and there was no assurance that the severance would actually be granted. It took over a year to obtain a severance of the wood lots that were recently sold to our neighbours.

The parties decided on the proposed loan structure because that transaction could be carried out without any need for consents and other government approvals. There is already a mortgage on the Golf Club lands granted to Pace Credit Union.

Accordingly, the parties concluded that the proposed loan transaction was the most effective approach.

5. Repayment of the Loan

Because the proposed loan transaction is, in effect, a capital injection into the Golf Club, neither the BCA nor the Golf Club expect that the loan will ever be repaid. Certainly, the BCA is not entering into the transaction with any expectation that it will ever be repaid or that it will be paid interest on the loan.

However, consistent with the structure of the proposed transaction as a loan, the parties agreed that the Golf Club should have the right to repay the loan at its option. That term was included in the loan arrangement even though the Golf Club never expects to ever repay the loan. If the Golf Club elects to repay the loan, the BCA has an option to purchase the Golf Club lands for the amount of the repayment.

6. Questions and Answers

a) How Should I Vote on the Proposed BCA Transaction?

If your objective is the continued operation and future success of the Golf Club going forward, you should vote in favour of the proposed BCA transaction. There is no possibility that the Golf Club could ever obtain a capital injection of \$675,000 on the highly beneficial and unprecedented terms proposed by the BCA. That capital injection will allow the Golf Club to fully repay all of its debt and provide financial stability for the foreseeable future.

In short, the Golf Club needs the money. You should vote in favour of the proposed transaction.

b) What if I am concerned that the BCA is acquiring control of the Golf Club?

You should have absolutely no concern.

After completion of the transaction, the Golf Club will continue to be operated by the Board of Directors elected by the shareholders. While the terms of the BCA Transaction would currently entitle the BCA to nominate up to four representatives for election to the Golf Club Board, shareholders will decide the composition of the Board through their votes from time to time. The terms of the BCA Transaction do not guarantee BCA representation on the Board.

The strategic objective of the Board is the continued operation and future success of the Golf Club for the benefit of its members. That success is dependent on retaining, and enhancing benefits to, the existing members of the Club. Existing members of the Golf Club are key to its future success. One of the Board's principal objectives is to grow the membership of the Club but there is no expectation that the completion of the proposed transaction will have any effect whatsoever on the level of membership. That is because most of the members of the BCA are not golfers and can't be expected to become members of the Club. The members of the BCA who are golfers are already members of the Club.

The BCA is a social club and has no interest in managing or acquiring the golf course and, after giving effect to the transaction, it will have very limited financial resources available to contribute to the Golf Club in the future.

The only circumstances in which the BCA could conceivably acquire the Golf Club lands are if the Golf Club ceases to operate, fails to maintain the golf course and its facilities, is proposed to be sold, or becomes bankrupt or insolvent. In those circumstances, if the BCA is able to exercise its options, the BCA's objective is to ensure that the Golf Club lands remain as recreational green space and are not developed. The BCA has agreed to keep the Golf Club lands as green space if the BCA ever acquired them.

c) What if my objective is to increase the value of my share or obtain a windfall from a possible future sale of the golf course?

It is up to you whether you consider that a reasonable or appropriate objective as a shareholder. But with respect to the future value of a Golf Club share, you should consider and be aware of the following.

The Board of Directors of the Golf Club has no intention of ever selling the Golf Club lands. The objective is to operate the Golf Club on the Golf course lands for the benefit of members in perpetuity. That is why the Golf Club was established almost 90 years ago.

The Golf Club is a not-for-profit entity. It was not established to provide financial benefits to shareholders and shareholders knew that when they purchased their shares. The current by-laws of the Golf Club provide that any distribution of Golf Club assets on a winding-up are to go to another non-profit entity.

If the Golf Club remains a not-for-profit entity and becomes subject to the new Ontario Not-for-profit Corporations Act (expected to be some time in the next five years or so), the shares of the Golf Club must be cancelled. A not-for-profit entity will no longer be permitted to have shares outstanding. If the Golf Club becomes subject to that Act, the Board of Directors intends to offer to redeem and cancel each outstanding Golf Club share for \$100 per share. That is the price established for that purpose under the Golf Club's by-laws.

Any sale of the Golf Club lands would require approval by a two-thirds vote of Golf Club shareholders. Existing ownership of Golf Club shares by BCA members who own nearby properties along the lake makes obtaining any such approval unlikely.

In any event, there is doubt whether the Golf Club lands could be sold for development even if the Golf Club fails or wishes to sell them. The Golf Club lands are zoned as open space and any change would require an amendment to the official plan. It goes without saying that the nearby cottage owners along the lake would be strongly opposed to any future development on the Golf Club lands. If the proposed transaction is not completed, the BCA will have substantial financial resources available which could be used to delay or prevent any such development.

d) Who is the Big Cedar Association?

The Big Cedar Association was established in 1926 as a non-profit social club for the benefit of its members. The existing clubhouse was built at that time and was used for non-denominational Sunday school services during the summer and for recreational activities such as lawn bowling, shuffleboard and baseball.

There are currently approximately 111 members of the BCA. Many of those members are the sons and daughters or the grandchildren of families that bought modest cottages along the lake almost a hundred years ago.

The current BCA is strictly a social club that holds a small number of events for its members over the summer including a half-day regatta primarily for the benefit of children and young people, a fun day, a pot luck dinner and a small golf tournament held at the Golf Club (about 20 BCA members participated last year).

The BCA's only valuable asset was its clubhouse. The BCA collects about \$6,000 in dues each year, almost all of which has historically gone to maintaining and paying taxes on the clubhouse.

To finalize the proposed transaction with the Golf Club, the BCA will need to engage legal counsel to put legally binding documents in place to carry out the proposed transaction. It has chosen to defer that action until Golf Club shareholders have approved the BCA transaction.

e) Why do the BCA members support the BCA Transaction?

Many BCA members own cottages or homes near the Golf Club and along the lake. Relatively few of those members are golfers and very few are members of the Golf Club.

The principal objective of BCA members in approving the proposed transaction is to ensure that the Golf Club continues in operation as a going concern so that the Golf Club lands remain a golf course in perpetuity. That means that the BCA members will continue to benefit from the buffer that the golf course provides from the extensive development occurring nearby. If the Golf Club fails and the golf course lands are likely to be sold, BCA members want to ensure that the lands remain recreational green space and are not sold for development. Those are the principal reasons why the BCA members overwhelmingly approved the proposed loan transaction with the Golf Club.

The BCA members have no interest in running or acquiring the Golf Club. If the advance of \$675,000 is made to the Golf Club and the Golf Club nonetheless fails, the BCA has no further money to invest in the Club and would have no interest in doing so. In that event, the BCA's only interest would be to ensure that

the golf course lands continue to be used as recreational green space and are not developed.

The BCA has agreed that if it ever acquires the Golf Club lands under the options granted to it, the BCA will maintain the bulk of the Golf Club lands as green space. The BCA will not sell them for development other than portions sold solely for the purpose of funding the permitted use. Even without this agreement, BCA members are very unlikely to approve any development of the lands because that would negatively impact the enjoyment and value of their nearby cottages and homes along the lake.

f) Why Did the BCA sell its Clubhouse?

The BCA clubhouse is a wooden structure, approximately 80 years old, and is falling into disrepair. It offers little benefit to BCA members and is used very rarely. Last year it was used only once for a BCA event (a pot luck dinner).

Accordingly, the BCA realized that it did not make sense to continue to own the clubhouse given the on-going costs and limited use. The BCA began the sales process following a vote at its annual general meeting in 2019. The BCA Board subsequently obtained legal advice regarding what it was entitled to do with any proceeds of sale.

The BCA's legal counsel advised that it was not possible or prudent to distribute the proceeds from the sale of the clubhouse to its members for reasons based on both corporate and tax law. As the BCA is a non-profit organization, the conclusion was that its members could not benefit financially from any sale proceeds. The advice was that such proceeds should be distributed to another non-profit entity that has similar objectives to the BCA.

It wasn't until last year that the BCA began to seriously consider applying the proceeds of the sale towards the Golf Club – another not-for-profit organization. That process began in earnest in April, 2020 when the Golf Club made a proposal to the BCA to consider a sale and leaseback transaction. The BCA Board concluded that given the restrictions on its use of the proceeds of sale and the potential benefits of such a transaction to its members, it should focus on a transaction with the Golf Club rather than any other possible uses of the proceeds.

It was a fortunate coincidence that the BCA was contemplating a sale of its clubhouse at the same time that the Golf Club found itself in financial distress. Both the BCA Board and the Golf Club Board concluded that a transaction would mutually benefit their respective members and shareholders.

g) In what circumstances could the BCA actually acquire the golf course?

As long as the golf course continues as a viable business, maintains an acceptable level of repair and is not proposed to be sold, the proposed loan extends in perpetuity. That is why the loan is, in effect, a capital contribution.

The only way that the BCA would acquire the lands is if the Club were to go out of business, fail to maintain the golf course and facilities, or propose to sell its property. Under those conditions, the BCA has the right to purchase the golf course lands and property for an amount equal to the amount of the loan and accrued interest.

h) Why grant the BCA options to acquire the Golf Club lands?

For the Golf Club to fail, it would need to spend the \$675,000 capital contribution while still incurring large operating losses. That hopefully will never happen. It is certainly unlikely that the Golf Club would be in that position for many years to come. If it did occur, no one, let alone the BCA, would continue to want to operate a golf course on the property. It would be clear that doing so was no longer viable.

If the Golf Club were to fail, BCA members want to make sure that the lands remain recreational green space — one of the principal reasons why the members of the BCA approved the proposed transaction. The options enable the BCA to meet that objective. If the BCA were to exercise this option, however, the agreement clearly prohibits the BCA from selling the the land for development.

Even without that restriction, the members of the BCA are very unlikely to approve a sale for development because of the negative impact that would have on the enjoyment and value of their nearby properties. Why else would they have agreed to provide the golf club with an \$675,000 loan with no expectation of repayment?

i) Why is the BCA requesting Board representation?

Directors of the Golf Club are elected by the shareholders at the annual general meeting. All directors have an obligation to act in the best interests of the Golf Club.

The BCA wants to be able to reassure its members that the proceeds from the sale of its clubhouse meet the primary goal of the proposed transaction: ensuring the long-term future of the Golf Club. Representation on the Golf Club Board helps address that need. This approach is consistent with normal business practice — any investor advancing equity into a private company would require such rights.

The agreement entitles the BCA to nominate half of the voting directors on the Golf Club Board i.e. currently four of the eight directors. It will be up to shareholders however to decide who they will actually elect to the Board. It is conceivable, albeit unlikely, that the shareholder vote could result in none of those four people being chosen. Even without this clause, BCA members who are also shareholders would be free to nominate as many people as they saw fit to Board positions. The clause simply serves as a convenient mechanism for making that happen. The Golf Club Board also benefits by being able to communicate with the BCA Board regarding their choices prior to the meeting.

It is worth noting that the Golf Club has had three BCA members on its Board since early last summer. All three members are working very diligently with the other Board members to address the challenges facing the Club.

7. The value of the outstanding shares of the Golf Club

The Board of the Golf Club has no intention of selling the assets of the Golf Club. It's objective is to continue the operation of the golf course as a not-for-profit company in perpetuity as contemplated by its letters patent.

As a not-for-profit company, shareholders of the Golf Club cannot financially benefit from ownership of shares. Shareholders knew that when they purchased shares. Section 551 of the Golf Club's bylaws states:

"The share capital of the Corporation is divided into four hundred shares with a stated value of one hundred dollars per share. Shares shall be issued and redeemed at that price, exclusive of administrative or transfer fees."

In 2011, the CRA audited a number of not-for-profit organizations, including the Golf Club. Up to that point, shares had monetary value in the sense that shareholders paid lower dues than non-shareholders. The CRA required that practice to stop. It also required the Club to amend its bylaws by adding the following (section 552):

"Upon a winding-up, amalgamation or dissolution, all of the organization's assets and accumulated income are transferred to an organization with similar objects and that qualifies for exemption under paragraph 149(1)(l) of the Income Tax Act."

In the future, the Golf Club will likely become subject to the new Ontario Not-for-profit Corporations Act (ONCA). While that Act is not currently in force (that is now expected to occur in 2021), when it does come into force, the Golf Club will have a five-year period to determine whether to become subject to the Act or to convert to a for-profit entity — a change that carries a high risk in terms of cost and tax implications.

Under the ONCA, the Golf Club must cease to have shareholders. At this point, the mechanics of making that change are unclear. We are working, however, on the assumption that the Golf Club would offer to redeem shares at face value i.e. \$100 as contemplated by the by-laws of the Golf Club. Based on that assumption, the Golf Club faces a potential liability of \$40,000. On a practical basis, the actual liability is probably lower because in many cases, shareholders have passed away and the heirs did not take action to transfer the shares. In many other cases, the Club does not have updated contact information for shareholders.

Any sale of the Golf Club lands would in any event require approval by a two-thirds vote of the Golf Club shareholders. Existing ownership of Golf Club shares by BCA members who own nearby properties along the lake would make obtaining such approval unlikely.

In any event, there is doubt whether the Golf Club lands could be sold for development even if the Golf Club fails or wished to sell them. The Golf Club lands are zoned as open space and any change would require an amendment to the official plan. It goes without saying that the nearby cottage owners along the lake would be strongly opposed to any future development on the Golf Club lands. If the proposed transaction is not completed, the BCA will have substantial financial resources available which could be used to delay or prevent any such actions.

8. Summary of the Terms of the BCA Transaction

The following is a summary of the terms of the proposed BCA transaction. A copy of the term sheet entered into in principle by the Golf Club and the BCA accompanies this circular.

Binding Agreements to be Entered Into. The terms of the proposed transaction are set out in a term sheet. The parties agree that in due course they will enter into legally binding agreements giving effect to those terms.

Loan Secured by Mortgage. The proposed transaction is a loan by the BCA to the Golf Club secured by a first mortgage on the Golf Club lands.

Amount of Loan. The BCA agrees to advance \$675,000 to the Golf Club in a single advance.

Interest on the Loan. The loan bears interest at the rate of 5% per annum but interest is payable only upon the repayment of the loan.

Repayment. The Golf Club may at its option repay the loan at any time after May 1, 2025. If it does so, it must also pay all accrued interest to the date of repayment.

When Repayment is Required. The loan becomes due and payable at the election of the BCA only in very limited circumstances. Those circumstances are the Golf Club ceasing to carry on the business of a golf course, a decision to sell the golf course, a material failure to maintain the Golf Club and its property and assets to an appropriate standard of repair, or the bankruptcy or insolvency of the Golf Club.

No Forced Sale. If the Golf Club fails to repay the loan when required to do so, and the BCA enforces its security, the Golf Club agrees to have no right to cause the sale of the Golf Club lands and property.

Use of Funds. The amount advanced to the Golf Club can be used for the redemption of shares, repayment of outstanding indebtedness, improvements to the clubhouse and related facilities and covering operating costs and expenses of the Golf Club including any operating deficiencies.

Right of First Refusal. The BCA has a first right of refusal to purchase the golf club lands if the Golf Club Board receives an offer to purchase that it wishes to accept.

Ancillary Rights Agreement. The parties agree to enter into an ancillary rights agreement that provides that: (i) the BCA is entitled to use, without cost, the Golf Club clubhouse for up to three meetings or events a year, (ii) the BCA can nominate as directors of the Golf Club one-half of the voting directors of the Golf Club and the Golf Club agrees to use its reasonable efforts to cause those nominees to be elected as directors, (iii) the Golf Club and the BCA agree to consult with respect to possible improvements or additions to the Golf Club facilities in order to broaden the appeal of such facilities to non-Golf Club members, and (iv) the Golf Club agrees to provide timely financial information to the BCA as requested.

Future Amendment to Golf Club By-laws. The Golf Club agrees that if and when it becomes subject to the Ontario Not-for-profit Corporations Act it will submit to shareholders an amendment to its by-laws to provide that one member of the Golf Club Board shall be an officer designated by the BCA who does not need to be elected by shareholders.

Options to Purchase. The BCA has options to purchase the Golf Club lands in the event that the Golf Club elects in its discretion to repay the loan and accrued interest or in the event that the Golf Club fails to repay the loan and accrued interest when required to do so. The Golf Club is required to repay the loan only where the Golf Club goes out of business, fails to maintain the golf course and facilities, decides in its discretion to sell the golf course lands or becomes bankrupt or insolvent. The exercise price of the options is, respectively, the amount of the loan and accrued interest so repaid or the assignment by the BCA of all rights to receive principal or interest then due and payable.

No Development. If the BCA acquires the Golf Club lands, it agrees to continue to maintain such lands as recreational green space. It will not sell the lands for housing or

other development, other than portions sold solely for the purpose of funding the permitted use.

Need for Golf Club Shareholder Approval. The completion of the proposed BCA Transaction is subject to the prior approval of Golf Club shareholders by at least a two-thirds vote.

The BCA Agreement to Sell its Clubhouse. The sale by the BCA of its clubhouse was completed on March 31, 2021 at a purchase price of \$835,000. As a result, the BCA is in funds to complete the \$675,000 loan to the Golf Club pursuant to the BCA transaction.

C. Accompanying Documents

Accompanying this information circular are the following documents:

1. The Notice of Meeting
2. The Form of Proxy
3. The Form of Special Resolution of Shareholders approving the BCA Transaction.
4. The term sheet setting out the agreement in principle of the Golf Club and the BCA to carry out the BCA Transaction.

The review engagement report, budget, long-term capital plan, and the report from the board will be posted to the Club's website (bigcedargolf.com) prior to the meeting date.

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This information circular was approved by the Board of Directors of the Golf Club on March 31, 2021.