

March 31, 2021.

Term Sheet Related to a Proposed Transaction between  
The Big Cedar Association (BCA) and the Big Cedar Point Golf and Country Club,  
Limited (Golf Club)

The Golf Club and the BCA are both not-for-profit organizations with social and recreational objectives. The two organizations share common historical roots, complementary goals and a geographical connection to Lake Simcoe. Many BCA members own cottages or homes along the lake. A number are also members and shareholders of the Golf Club.

Because both organizations are Ontario not-for-profit companies, they are subject to applicable legislation and will likely become subject to the Not-for-profit Corporations Act (Ontario) when it comes into force. The not-for-profit objectives of both organizations and the rules applicable to them have influenced the terms of the transaction that is proposed by this term sheet.

Declining membership and revenues threaten the future of the Golf Club. Without a major increase in revenues or an injection of capital, the club will struggle to remain a going concern. The Golf Club owns valuable assets in terms of the land, buildings and fixtures upon which it operates the Big Cedar Point golf course (the Club Property). However, converting those assets into cash would destroy its ability to function as a golf club.

While not all BCA members are active golfers, the presence of the Golf Club has substantial value to them. It offers open space and a buffer between the lakeshore and the planned development of the lands bordering the Innisfil 6th line.

The BCA has only one valuable asset, a wooden clubhouse on about 3.5 acres of land near the base of the 6th line (the BCA Lands). The clubhouse is approximately 80 years old, is falling into disrepair, offers little benefit to members and receives very limited use. As a result, the BCA is selling the property and proposes to contribute \$675,000 of the proceeds to the Golf Club by means of the transactions described in this term sheet.

The BCA considered other forms of transactions with the Golf Club to obtain the same objectives but concluded that a loan transaction secured by a mortgage was the simplest form of transaction and had the benefit that it could be carried out expeditiously and without the need for government or municipal approvals. This term sheet sets out the proposed terms for implementing that transaction.

In accordance with those terms, as long as the golf course remains a viable business, maintains acceptable standards and is not proposed to be sold, the proposed loan would extend in perpetuity and the Golf Club would not have to repay the principal or

pay any accrued interest on the loan. That is the most likely outcome and is a very substantial financial benefit to the Golf Club. If the Golf Club repays the loan, or fails to do so in the very limited circumstances in which it becomes repayable, the BCA would have the right to purchase the golf course property and all the club assets for a value equal to the amount of the loan plus the accrued interest. While that is an unlikely outcome, that would benefit the BCA and its members and further its objective of maintaining some control over the use of that property as described below.

When viewed as a commercial transaction, this transaction would not appear to make business sense to either party. The BCA will sell its only valuable asset and will invest substantially all of the proceeds on terms that it will never be repaid as long as the Golf Club continues in operation.

In reality, however, neither organization is in the business of making a profit. Members or shareholders of both organizations are restricted from profiting from their organization's operations or from disposal of their assets.

Effectively, the Golf Club has a single objective: to provide a facility for its members to play the sport of golf and to participate in related social activities. The members of the BCA share this objective. In addition, the BCA has two other goals that are important to its members. First, to develop a community hub that offers social and recreational opportunities for its members. Secondly, to mitigate the risk that the failure of the Golf Club would pose to those members and to the enjoyment and value of their properties. If the Golf Club fails or is to be sold, the BCA members want to ensure that the golf club property remains as recreational green space and is not developed. The options proposed to be granted to the BCA accomplish that objective and provide a measure of control that the BCA could exercise in such circumstances.

The Boards of both organizations strongly believe that this agreement offers the best opportunity of meeting their collective goals and objectives. The following terms and conditions give effect to them.

1. The BCA and the Golf Club shall enter into legally binding agreements giving effect to this term sheet.
2. The BCA has entered into an agreement to sell the BCA Lands for \$823,000. The timing of that sale and the other terms and conditions of it are in the sole discretion of the BCA. The obligations of the BCA contemplated by this term sheet are conditional on the completion of the sale at a price of \$823,000. The BCA shall immediately give the Golf Club written notice if it completes the sale.
3. \$675,000 of the net proceeds from the sale of the BCA Lands shall be loaned (the Loan) by the BCA to the Golf Club on the terms and conditions set forth in this term sheet.

The Loan shall be made by the BCA to the Golf Club in one advance.

The making of the Loan is conditional upon the sale of the BCA Lands referred to in paragraph 2.

4. The Loan shall be secured by a first mortgage registered against the Club Property (the Mortgage). The Mortgage shall be on usual commercial terms and conditions subject to the express provisions of this term sheet.

5. The amount of the Loan outstanding at any time shall bear interest (and such interest shall accrue and be compounded on an annual basis) at the rate of 5% per annum. Interest shall be payable to the BCA only upon the repayment of the Loan.

6. The Loan shall at the option of the BCA mature and become immediately due and payable by the Golf Club to BCA upon the occurrence of, and only upon the occurrence of, one of the following events:

- (i) the bankruptcy or insolvency of the Golf Club or any assignment by the Golf Club for the benefit of its creditors;
- (ii) the Golf Club ceasing to carry on the business of a golf club as a going concern on the Club Property, or any decision by the Golf Club to do so;
- (iii) any sale, disposition, transfer or long term lease of the Club Property, or any substantial portion of the Club Property, to any third party, or any decision by the Golf Club to seek to do any of the foregoing;
- (iv) the Golf Club Board of Directors resolves to accept a third party offer referred to in paragraph 11, or
- (v) the material failure by the Golf Club to maintain the property, assets and facilities of the Golf Club to the standard of repair expected of a well maintained golf club of comparable size and quality.

The Golf Club shall give the BCA 30 days prior written notice of any decision referred to in clause (ii), (iii) or (iv) above.

Clause (iii) above shall not apply to any sale by the Golf Club of surplus woodlands, the sale of which does not materially interfere with the use of the golf course on the Club Property, or to any commercial lease entered into in the normal course of business in carrying on the business of the Golf Club.

With respect to clause (v) above, the Golf Club and the BCA agree to develop and approve a maintenance standard which shall be an addendum to the agreement.

7. In the event that the Golf Club fails to repay to the BCA the principal of and all accrued interest under the Loan when such amounts are due and payable, and BCA enforces the security granted to it under the Mortgage, the Golf Club shall have no right to cause the sale of the Club Property. The BCA acknowledges that the foregoing obligations are subject to applicable bankruptcy and insolvency laws.

8. The Golf Club shall be entitled to repay to the BCA all (but not less than all) of the amount of the Loan at any time on or after May 1, 2025. Upon any such repayment, the Golf Club shall also be obligated to pay all interest accrued to the date of repayment.

9. The amount advanced to the Golf Club under the Loan shall be applied by the Golf Club only to:

- (i) the redemption of shares of the Golf Club for an amount not exceeding \$40,000,
- (ii) the repayment of any outstanding indebtedness of the Golf Club;
- (iii) improvement to the club house and related facilities located on the Club Property;
- (iv) covering the operating costs and expenses of the Golf Club including any operating deficiencies from time to time.

10. The Golf Club agrees to pay from the amount advanced to it under the Loan all outstanding indebtedness of the Golf Club, excluding liabilities related to operational and capital leases entered into in the normal course of business.

11. The Golf Club shall grant to the BCA a first right of refusal to purchase the Club Property in the event that the Golf Club receives any offer to purchase or acquire the Club Property, or any substantial portion thereof, which offer the Golf Club Board of Directors resolves to accept, such right of first refusal to be on terms and conditions reasonably acceptable to BCA. The Golf Club agrees that the only offers it will entertain or accept for the sale of the Club Property, or any substantial portion thereof, shall be all cash offers made in good faith by a bona fide third party. The Golf Club acknowledges that this right of first refusal, including any decision by the BCA not to exercise such right, does not affect the exercise by the BCA of either of the options referred to in paragraphs 14 or 15 below in accordance with their respective terms.

12. The Golf Club shall enter into an Ancillary Rights Agreement with the BCA providing as follows:

- (i) the BCA shall be entitled to use, without cost to the BCA, the club house of the Golf Club for up to three meetings or social events of the BCA each year;
- (ii) the Golf Club shall nominate as directors of the Golf Club from time to time a number of nominees proposed by the BCA equal to at least one-half of the voting members of the Board of Directors of the Golf Club, and the Golf Club shall use its reasonable efforts to cause those nominees to be elected as directors;
- (iii) the BCA and the Golf Club agree to consult each other from time to time with respect to possible improvements or additions to the facilities of the Golf Club with the goal of broadening the use and appeal of such facilities to persons other than Golf Club members; and
- (iv) the Golf Club shall on a timely basis provide the BCA with its annual financial statements and review engagement report (which shall be prepared by an accounting firm reasonably acceptable to the BCA) and shall from time to time provide to the BCA any more detailed financial information with respect to the on-

going business and operations of the Golf Club as may be requested by the BCA from time to time.

The BCA and the Golf Club agree to consult from time to time as to the identity of the BCA nominees as director referred to in clause (ii) above. All such nominees shall be acceptable to the Golf Club acting reasonably. The Golf Club Board of Directors will nominate and support election of such nominees. The BCA acknowledges that (i) vacancies on the Golf Club Board arise when a board member resigns before the end of their two-year term or when their term expires at the Annual General Meeting; (ii) support of the Golf Club Board of Directors does not preclude individual board members from making a personal decision to support alternative candidates nor does it require proxy votes assigned to individual board members to align with the board's support; and (iii) BCA candidates are not limited to those identified as nominees by the BCA, any qualified member of the BCA may independently run for election or identify themselves as a candidate for election. For purposes of the foregoing, "Qualified member" means any class of member of the Golf Club who has paid their dues.

The Ontario Not-for-Profit Corporations Act is expected to come into force sometime in the next year. The Golf Club will have a five year period to become subject to that Act. The Golf Club agrees to submit for shareholder or member approval, when it becomes subject to that Act, an amendment to its by-laws providing that one member of the Golf Club Board of Directors shall be the officer of the BCA designated for that purpose by the BCA and such officer shall not need to be elected as a director by the members of the Golf Club. Any such director shall constitute one of the directors referred to in clause (ii) above. Such right shall terminate upon the repayment in full of the principal of and all interest accrued under the loan.

The Ancillary Rights Agreement, other than clause (i) above, shall terminate upon the repayment in full of the principal of and all interest accrued under the Loan.

13. The Golf Club shall indemnify the BCA and its directors, officers and members with respect to, and hold them harmless against, all unforeseen or unexpected costs, expenses and liabilities of the BCA that may arise or become known after the date of the advance of funds under the Loan.

14. The Golf Club shall grant to the BCA an option to purchase the Club Property, such option to be exercisable:

- (i) upon the repayment by the Golf Club of the principal amount of and all interest accrued under the Loan as permitted by paragraph 8 above or required under paragraph 6 above; and
- (ii) for a cash purchase price equal to the principal amount of the Loan and all such interest so repaid.

For greater certainty, for purposes of this paragraph, paragraph 4 and 15, the Club Property includes all of the lands currently owned by the Golf Club and used by it as a

golf course including all contiguous woodlands, the club house, the parking lot, all fixtures and all equipment owned by the Golf Club reasonably necessary to operate as a golf course.

The exercise of the option is subject to receipt of all necessary municipal or regulatory approvals, which approvals the parties agree to use their reasonable efforts to obtain as expeditiously as reasonably possible following the exercise of the option. The Golf Club shall pay all costs, expenses and taxes related to the transfer of the Club Property to the BCA including the reasonable legal fees of the BCA.

15. The Golf Club shall also grant to the BCA an option to purchase the Club Property, such option to be exercisable:

- (i) in the event that the Golf Club fails to repay to the BCA in full the principal of and all accrued interest under the Loan when such amounts are due and payable as required under paragraph 6 above; and
- (ii) for a consideration equal to the assignment by the BCA to the Golf Club of the Loan and of all its rights to receive any payment of principal or interest then due and payable under the Loan.

The exercise of the option is subject to receipt of all necessary municipal or regulatory approvals, which approvals the parties agree to use their reasonable efforts to obtain as expeditiously as reasonably possible following the exercise of the option. The Golf Club shall pay all costs and expenses related to the transfer of the Club Property to the BCA including the reasonable legal fees of the BCA.

16. In the event that the BCA were to acquire the Club Property under these agreements, it agrees to continue to maintain such lands as recreational green space and not to sell, transfer or dispose of such lands, or any substantial portion of such lands, for the purpose of permitting housing or other development on such lands. Notwithstanding the foregoing, portions of such lands may be sold solely for purposes of funding such permitted use.

17. The costs and expenses related to the entering into and completion of the transactions contemplated by this term sheet shall be for the account of the party incurring such costs and expenses, respectively.

18. The entering into and completion by the Golf Club of the transactions contemplated by this term sheet are subject to the prior approval by at least a two-thirds vote of the shareholders of the Golf Club. The Golf Club agrees to use its reasonable efforts to obtain such approval as expeditiously as possible.

19. Any agreement entered into in furtherance of the terms and conditions of this term sheet shall terminate in the event that the advance by the BCA to the Golf Club of the Loan is not completed on or before May 1, 2021, subject to agreement by the BCA and the Golf Club to extend that date from time to time.

20. The Golf Club confirms its agreement that, for a period of 90, days it will not engage in any discussions related to, negotiate or enter into any lending or other transaction, or agreement related thereto, inconsistent with the entering into and completion of the transactions contemplated by this term sheet, such period being intended to give the parties sufficient time to conduct good faith negotiations to settle, and to enter into, the binding agreements contemplated by paragraph 1 above.