

Standing Committee on Private Bills

Wednesday, April 21, 1982

Chairman: Mr. Knaak

9:34 a.m.

Mr. Hembroff was sworn in.

MR. CHAIRMAN: Thank you, Mr. Hembroff. I'd like to introduce Mr. Hembroff to committee members. He's the solicitor for the Lethbridge Country Club. I'd like to apologize for the delay. The last matter of business took a bit longer than we anticipated. Given the type of Bill though, I believe we will have sufficient time to conclude the matter that brought you. I should also mention that Mr. Hembroff is a board member of the club. I suppose you're here in both capacities.

MR. HEMBROFF: That's correct. We're not so wealthy that we can afford to send two expensive lawyers here, so we just sent one.

MR. CHAIRMAN: I should just mention that the meeting is open to the public. It's reasonably informal. You do not need to rise if you don't want to when addressing the committee. We'll be asking you to make a statement, and then answer any questions the committee might have.

So without any further delay, I ask you to make your opening remarks and a statement with respect to the Act before us, being Bill Pr. 1.

MR. HEMBROFF: Thank you, Mr. Chairman and members, interestingly enough, the country club was incorporated in Lethbridge by Act of this Legislative Assembly in 1913. Since that time, there have been no amendments to the Act. Of course since that time, a lot of things have happened that haven't made any sense in the context of the former Act; for example, we are prevented from holding land in excess of \$150,000 by an Act of this Legislature. The land we're presently holding is appraised at something in the order of \$3 million. We didn't do anything to make it that way; it just happened, as you all know.

We've had major concerns in terms of expanding our nine-hole golf course to 18 holes. We're at the point now where the city of Lethbridge, with the assistance of the government of the province of Alberta, is buying some coulee land in the restricted development area. It will be used exactly as it was intended to be used: maintained as raw coulee land. So we found ourselves with sufficient funds on hand, or expected, to finally develop our club into a championship 18-hole golf course.

In doing that, we look at our corporate structure and the rights we as board members have to govern the acts of our club members. We find we're far behind the times and, in fact, we're oversubscribed in terms of the number of shares we're entitled to issue. That happened simply because since 1913, people have bought shares; they've been transferred; they never turned them in; they've died. While our books are in quite good order considering how old the incorporation is, nevertheless we have to clean up our own house. We considered that an appropriate time to do it would be the time when we are developing the new club. So we put our solicitors -- who happen to be the same firm I'm a partner of, and one of my partners -- to check that out and

clean it up. As a result, you have before you a proposed amendment of the Act.

We want to do what any incorporation can and should do. Under normal circumstances, you would expect us to be a friendly society. But of course we have to deal with the Act, so we'll continue to be bound by that. We're endeavoring to call in, either redeem or cancel, all our old shares and issue new ones. There will be a share-for-share issue. If you have a share, you'll be entitled to a new one if you meet our restrictions. We want to change our constitution to ensure there is one category of shareholder, an active shareholder.

No one stands to lose, because the outstanding shares are of no value, except \$50. The shares that will be turned over in exchange will be the same \$50. They're never intended to change price. This is treated as a friendly society and, if you have had a chance to or will read the proposed changes, you will see, for example, that on winding up -- if there is a winding up, of course -- the assets of the association are not intended to be distributed to the members of the association. After payment of club debts, any remaining assets will go to any other club which promotes the encouragement of the game of golf, or to the city of Lethbridge for its own purposes, or to a non-denominational charitable organization or organizations. So if we eventually issue 1,000 shares, for example, it would appear as if the shareholding member is very well-to-do, based on a \$3 million or \$4 million asset. Nevertheless that is not intended and of course will not be allowed by the new Act.

Those are the kinds of things we want to do. If I were to state it as simply as I possibly could, I would say that we're just cleaning house. It is not our intention to harm in any way the rights of our members.

Speaking as a member of the board, I may say that the club itself, both active and inactive shareholders, has taken an incredible interest in what's going on, not so much with regard to the Act but with regard to the development of the new club. So we've been under fairly constant scrutiny by our members. At our last general membership meeting, in December 1981, this proposal was put to them, and it met with their unanimous consent. So it's not something that is going to meet with any resistance, of any description, from the membership. I should say that undoubtedly the odd person who has been around since 1930 will wonder what's going on. But there will be no resistance that we can determine. In fact, the board has the absolute support and encouragement of the members to put the thing on a sound business footing and get on with the business of golfing, first, and creating our new golf course.

Basically that's what I'd like to say. The changes are as set forth in the draft Bill and in the petition and declaration of Mr. Scott Henderson. He's the chairman and president of our club. I will very quickly draw to your attention the six particular amendments we require. First of all, we want to remove from the present Act the limitation of the value of real estate held by the club. Secondly, we want to broaden the powers of the members to frame a constitution and make by-laws governing the management of the club. I'm speaking of that with regard to the changing share structure and the requirements of the new club. Thirdly and importantly, to provide that no member shall be entitled to receive any distribution of the income or capital of the club; fourthly, to provide an unlimited number of redeemable shares at a price of \$50 each; fifthly, to provide that the club shall not make payment of dividends to its members; and sixthly, to provide on winding up, as I already indicated.

So that's it, ladies and gentlemen. That's what we're looking for. We hope we can get this through as quickly as is possible in your busy schedule, so we can have our professional people put the constitution into place and get on with business as we want to.

MR. CHAIRMAN: Thank you, Mr. Hembroff. Before we go into questions, I would like Mr. Clegg to read into the record his report with respect to this Bill.

MR. CLEGG: Mr. Chairman, this is my report on the above Bill, pursuant to Standing Order 89, which has been distributed to members.

The Bill does not contain any provisions which I consider to be unusual. The change of the share structure from the original share capital of \$50,000, divided into 1,000 shares at \$50 each, to a structure with an unlimited number of shares would previously have been regarded as unusual, because prior to the passage of the Business Corporations Act, companies always had to have a specified limited share capital. However, the recently proclaimed Business Corporations Act effectively does away with the need to specify limits on share capital with other corporations. Therefore this provision is no longer unusual. There's no model Bill on this subject.

Mr. Chairman, I'd also like to mention at this time that I have on file a certified copy of a resolution passed at an annual general meeting of the Lethbridge Country Club on December 6, 1981, authorizing the president and secretary to make an application for this Bill. The resolution was in the words the solicitor to the club just read out when he was describing the objects of the Bill: to remove the limitation on value of real estate, et cetera; to broaden the power of members to frame a constitution; to increase the capital, as he described, except for the redemption price provided (inaudible); to provide that none of the members shall be entitled to receive any distribution of the capital or income of the club; to provide that the club shall not make any payment of dividends to members; and to provide on winding up, as described by the solicitor. We have that on file.

MR. MAGEE: Mr. Chairman, a question to Mr. Hembroff. I agree with everything in the Bill. Section 2 bothers me to some degree. Instead of giving total exemption to any valuation of land values and so on, I wonder whether there should be a restriction worded somewhat to the extent that it shall not exceed the sum of money necessary to acquire land, et cetera -- as in the phraseology of the old Bill -- up to an acreage which is necessary for the operation of an 18-hole golf course.

The reason I'm saying this is there seems to be a growing tendency, if this was left wide open -- in the United States, for instance -- for golf clubs to acquire land in excess of the 18 holes so they can ring it with houses and things of this nature, build additional assets, and run their operation more cheaply, et cetera, by selling land after they've acquired it. My only concern would be that because it's essentially a club to play golf at, there should be some limitation that the acreage be limited to that which is necessary to operate an 18-hole golf course.

MR. HEMBROFF: Mr. Chairman, we are physically limited now in the sense that we have 410 acres, which is a good deal more than you need to operate a golf course. Roughly half that is coulee land. We're in the valley of the Oldman River. We are selling approximately 220 acres of those 400-plus acres to the city of Lethbridge. What is left is golf course land, river bank land, and some coulee land. We're surrounded now by land owned by the city of Lethbridge, so there is nowhere for us to move. In fact the enactments made through this legislature concerning the development of river valleys would completely restrict the building of houses and that sort of thing. We've already had a shot at that, and it didn't work. So that turned us to selling our excess land to the city.

I don't think it's a danger, sir, but I see your point. If this Legislature is of the view that the Bill should be amended in that regard, most assuredly that's something we could live with. But as I said, I sincerely don't think

it's a danger now or in the future, for practical, physical, and economic reasons.

MR. HYLAND: Just to comment. I can see that the club wants to improve the business of the club from 1913 to date. I hope some members' golf games have been improving from the way they were played in 1913 to date, to the extent that their business activities improved.

MR. HEMBROFF: Mine hasn't.

MR. CLEGG: Mr. Chairman, I would like to make a brief comment on the point made by Mr. Magee, only to this extent. Quite a number of golf clubs have been incorporated by this Legislature. Of the ones I'm aware of and recall the terms of, I can't specifically recall any which have a limit on the value of the real estate they may hold, although many have limits on their objectives. They're not authorized to become development companies. I cannot specifically recall any other particular golf club which has a limit on the value of the real estate it may hold. I think the proposals we have here are consistent with the general precedent for the degree of regulation we've applied to golf clubs in previous enactments.

MRS. CRIPPS: Is there any limit to the number of shares a member can hold?

MR. HEMBROFF: Yes there is, in the sense that to belong now, and to belong as we propose it when and if we get our changes made, you will hold one share. You are qualified to belong to the club if you hold one share. You will only be sold one share. There is no point selling you any more than one share, because they really have no value. They can be transferred within a family. That will be our intention, for example. But they cannot be sold in the future. I couldn't sell my share to you. The club would have to redeem it, and they will decide who to sell it to, leaving aside the question of whether I transfer it within my immediate family.

MRS. CRIPPS: Can I golf there? Can an ordinary citizen golf at the golf course?

MR. HEMBROFF: Unusually, for a country club, the answer to that is yes. We hope to get such a strong membership with the new nine holes -- and I would be dishonest if I said otherwise -- that we can cut down the green-fees players. Last year a very large portion of our revenue -- keep in mind that we are a private golf club -- was from green-fees playing members, people who just drove down the hill and said, can we play? We were delighted to have it.

MR. CHAIRMAN: Does the committee have any further questions of Mr. Hembroff?
Mr. Hembroff, do you have any concluding remarks?

MR. HEMBROFF: No, except that I appreciate the opportunity to have made our point, and again would urge you to deal with it as expeditiously as possible in your usual rules and order of things.

MR. CHAIRMAN: On behalf of the committee, I want to thank you for coming up from Lethbridge, and apologize again for the delay in hearing you. We made up for it by your being in here such a short time. Thank you very much.

Given that we have such a shortage of time, would the committee consider moving in camera for the next five minutes? Mr. Hyland moved that we move in camera. All in favor?

The committee moved in camera at 9:50 a.m.