

ELLERSLIE RUGBY PARK INCORPORATED

NOTICE OF GENERAL MEETING

Date: June 29, 2020

To: The Members of Ellerslie Rugby Park Incorporated (collectively the “**Members**”)

From: The Board of Directors of Ellerslie Rugby Park Incorporated (the “**Board**”)

Re: Notice of General Meeting of the Members to consider the following special business (1) Authorization of Board to retain a commercial realtor to list the Ellerslie Rugby Park Incorporated lands for sale; and (2) Authorization of Board to accept an offer to buy the Ellerslie Rugby Park Incorporated lands, if received, for a price equal to or greater than \$6,500,00.00.

Please take Notice that the Board hereby convenes a General Meeting of the Members to be held on the Wednesday July 22nd, 2020 at 7:00 pm at the Ellerslie Rugby Park to consider and vote on the following special resolutions:

1. That the Members authorize the Ellerslie Rugby Park Incorporated Board of Directors to retain a commercial realtor to list the Ellerslie Rugby Park Incorporated lands for sale; and
2. That the Members authorize the Ellerslie Rugby Park Incorporated Board of Directors to accept an offer to buy the Ellerslie Rugby Park Incorporated lands, if received, for a price equal to or greater than \$6,500,00.00.

Attached hereto as Schedule A is the Ellerslie Rugby Park – Member Communication which sets out the rational for the above noted special resolutions.

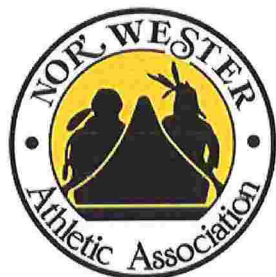
Schedule A

Ellerslie Rugby Park – Member Communication

Ellerslie Rugby Park - Member Communication

Future Action Recommendation

6/18/2020



ELLERSLIE RUGBY PARK BOARD OF DIRECTOR MEMBERS

President	Graeme Dawes
Vice President	Brian Game, <i>Tigers Rugby Club</i>
Secretary:	Dave Logan, <i>Clansmen Rugby Club</i>
Treasurer	Judy Seddon, <i>Edmonton Rugby Union Representative</i>
ERP Director:	Darrell Hollowaychuck, <i>Druids Rugby Club</i>
ERP Director:	Mike Walchuk, <i>NorWesters Rugby Club</i>
ERP Director:	Nick Rumbles, <i>Pirates Rugby Club</i>
ERP Director:	Ryan Winterton, <i>Leprechauns Rugby Club</i>

Contents

<i>Executive Summary:</i>	2
Purpose of Communication:	2
Current State of the ERP:.....	2
Key Considerations	2
Recommendation	2
<i>Background</i>	3
<i>Review of Options</i>	4
Option 1 - Partial Development / Development Partnership.....	4
Option 2 - Joint Venture	4
Option 3 - Land Swap.....	5
Option 4 - Complete Sale	5
<i>Executive Conclusion</i>	6
<i>Appendix A</i>	7
Games Played Across Member Club Facilities 2014 vs. 2019.....	7
<i>Appendix B</i>	7
2019 AGM Motion	7
<i>Appendix C</i>	8
Ellerslie Rugby Park Ownership Structure	8
<i>Appendix D</i>	8
2014 Revenue vs. Expenditures Graph.....	8
<i>Appendix E</i>	9
2018 ERP Strategic Plan	9
<i>Appendix F</i>	10
2020 Motion to Withdraw \$100,000 from Trust Account.....	10
<i>Appendix G</i>	11
2020 Expression of Interest Request.....	11

Executive Summary:

Purpose of Communication:

To update the ERP Owners Group Membership on actions taken because of a motion at the 2019 AGM held in January 2020 (see [Appendix B](#)). The motion led to the ERP Board exploring several options, including the sale of the property. The ERP Board examination of the proposed options has resulted in a recommendation that will now need to be voted on by each of the ERP member clubs.

Current State of the ERP:

As the Edmonton Rugby Union has grown and matured over the past decade, the number of games played at Ellerslie Rugby Park (ERP) has declined. The desire for member clubs to host games at their own clubhouses is a demonstration of this progression, (see [Appendix A](#)).

The business model has not changed as the use of the park has evolved and as such, ERP has been in a slow-moving crisis mode for many years. The onset of Covid-19 had an immediate impact on the ERP financial projections with a need to postpone all bookings for the 2020 calendar year. In May and June, AHS relaxed the social distancing requirements which allowed for bookings to resume in a limited capacity.

Key Considerations

The need to find a better way to do things resulted in the board working with several interested parties that had submitted Expressions of Interest (EOI's). There were 5 groups that submitted, and the options proposed to the board are summarized below:

1. *Partial Development / Development Partnership* – Partial Ownership retained by ERP
2. *Joint Venture* – Partial Ownership retained by ERP
3. *Land Swap* – Sale of ERP, and new land asset received by ERP as part of the deal
4. *Complete Sale* – Sale of ERP, with proceeds of sale being allocated according to ERP constitution

While the current event and catering operations regularly turn a modest profit, it is not enough to sustain the aging infrastructure and the playing fields. The facilities and fields are maintained to a top standard regardless of the steadily decreasing amount of rugby played at the ERP, as clubs have instead requested that their home games be played at their home fields.

Recommendation

The Board of Directors of the Ellerslie Rugby Park Inc. have reached a unanimous decision to recommend a complete sale of the Ellerslie Rugby Park

Background

Financial Situation

Ellerslie Rugby Park Inc. is owned by 7 not-for-profit Rugby Football Club shareholders: Clansmen RFC, Druids RFC, Leprechauns RFC, NorWesters Athletic Association, Pirates RFC, Tigers RFC, and the Edmonton Rugby Union (see Appendix C).

The 10-year Summary Financials for the Ellerslie Rugby Park Inc. are as follows:

Ellerslie Rugby Park Inc. P&L	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Revenue	\$346,306	\$374,178	\$351,534	\$268,171	\$297,331	\$259,871	\$278,750	\$256,843	\$238,257	\$250,085
Total Expenses	\$354,856	\$381,812	\$322,935	\$315,853	\$342,897	\$310,845	\$335,276	\$365,878	\$316,749	\$298,900
Loss/Profit*	(\$8,550)	(\$7,364)	\$28,599	(\$47,682)	(\$45,566)	(\$50,974)	(\$56,526)	(\$109,035)	(\$78,492)	(\$48,815)

*Before Amortization

Average annual loss over ten years = (\$42,468)

In 2014 when Ellerslie saw its highest utilization in the past 10-years, the gross revenue generated by rugby games and rugby events accounted for 30% of ERP Annual Revenue, and 61% of ERP Annual Costs (see Appendix D). When 2014 is compared against the more recent years where there was a progressive decline in rugby played at ERP, the more recent years were more profitable.

In 2018 efforts were undertaken by the owner clubs to establish strategic goals and explore options to improve the financial situation of ERP (see Appendix E). The analysis included researching the cost to build an enclosed dome on the property (Total cost estimated at between \$4 – \$5 Million). The options were not acted on as the resources (both financial and staffing), were not sufficient to carry out the recommendations. ERP has several paid staff positions but relies heavily on volunteer work to make progress.

In April of 2020, a motion was passed to move \$100,000 from the ERP Trust Account to clear the existing line of credit, and budget for short term expenses (see Appendix F). As of May 31st, 2020 the ERP Trust had a balance of \$333,854.23.

The continued operations of the Ellerslie Rugby Park, in its current state, would result in all shareholder clubs being required to pay for the projected annual shortfall, once the trust reserve fund has been exhausted. Trust account (reserves); at the current rate of loss, budgeting for moderate repairs but not including expensive repairs (such as septic) or other major issues may see the reserve fund depleted within 6-8 years.

The ERP's septic system has reached the end of its life span and will need to be repaired or replaced soon. The options available to the continue operations are the replacement of the existing septic system (roughly \$80,000) or connecting to the City of Edmonton sewer services (roughly \$250,000). Even with Grant assistance, connecting to the city services would be a huge expense). With the current trust account balance at \$333,354.23 the remaining balance would fall on the owner clubs to pay to continue operations of Ellerslie Rugby Park.

Review of Options

At the AGM on January 29, 2020, the following motion was made and passed unanimously:

(Amended Motion 1: Pirates - Kate Child, 2nd by Clan - Gary Wald)

"That the ERP Board of Directors provides a plan to change the Management Structure of ERP Inc. This plan must provide a minimum of 3 options, including the potential for selling the property that can be reviewed by the members within 90 days."

The BOD immediately circulated a request for Expressions of Interest (EOI) (see Appendix G), however due to the Covid-19 situation this 90-day time frame for reporting back to the membership at large was extended.

The BOD conducted Zoom meetings with as many of the 5 interested parties as possible, and received a great deal of very helpful information about the new financial situation for lenders resulting from Covid-19, including: development timelines, costs, risks involved etc. Industry advisors concluded that it will likely take 3 to 5 years for market confidence to return to pre-Covid times. The BOD met many times over the past two months to discuss the information gathered and debate the pros and cons of each proposal.

The available options and the conclusion of the ERP BOD are summarized below:

Option 1 - Partial Development / Development Partnership

Partial Ownership retained by ERP

Reason for Rejection

- This option would require that the ERP Board manage a sale of one parcel of land with the proceeds providing the ERP owner groups with capital to fund future development efforts.
- The work required to oversee this approach would be significant, and more complicated when we consider the annual turnover of the ERP BOD.
- This phased development approach will be costly, complex, and high risk.

Option 2 - Joint Venture

Partial Ownership retained by ERP

Reason for Rejection

- This option would require that the ERP Board manage a sale of one parcel of land. The sale of the parcel of land would likely be to our Joint Venture Partner and have this partner become a partial owner of the ERP property.
- A Joint Venture would require that the ERP owner group be prepared to provide capital for the ongoing development expenses.
- The work required to oversee this approach would be significant, and more complicated when we consider the annual turnover of the ERP BOD.
- This phased development approach will be costly, complex, and high risk.

Option 3 - Land Swap

Sale of ERP, and new land asset received by ERP as part of the deal

Reason for Rejection

- This option would have the ERP owners group accepting significantly less money on the sale of the ERP land. The remaining balance of the sale would be provided to the ERP owners group in the form of a new, undeveloped, piece of raw land.
- Taking on the responsibility to manage a new and undeveloped piece of land would not address the issue with managing an asset using volunteer members. Holding property and assuming all risks, taxes, and maintenance costs would be a significant undertaking.
- This approach would irresponsibly pass along the challenges to the future ERP BOD, and a significant future risk to the ERP owners' group

Option 4 - Complete Sale

Sale of ERP, with proceeds of sale being allocated according to ERP BOD mandate

Reason for Recommendation

- This option would address the immediate need to limit our risk of running out of funds in our trust, and put an end to the pursuit of profitability for ERP
- A sale would strengthen the clubs and put each of the ERP owner clubs in control of their investment, driving their individual development programs and strengthen the financial situation of the ERP owner clubs.
- A sale would enable the ERU and member clubs to commit their volunteer time and resources into the benefiting rugby enthusiasts across Northern Alberta.

Executive Conclusion

A Sale of the Ellerslie Rugby Park is consistent with the ERP mission:

“To provide and maintain dedicated rugby fields and community facilities for the benefit of rugby enthusiasts of all ages in Northern Alberta.”

Revenues from the sale will allow the owner clubs to be financially solvent, keep their facilities in top condition, and provide the owner clubs with financial security for the foreseeable future. With a half ownership share, ERU would be provided with funding to continue offering needed programming for development of the sport across Northern Alberta. With a strong financial core, the ERP owner clubs will benefit the sport of rugby across Alberta.

An analogy to consider:

“The ERP has become like Mom and Dad’s house – family love it and flock for the big events, and the holidays - but most don’t give it much thought.”

It can no longer be ERP’s responsibility to operate at a loss for the rare times when rugby wants a place to host an event/fixture. There are currently enough rugby fields in Edmonton and surrounding areas to accommodate a regular rugby season. With creativity and a share of the funds from a sale, clubs will be able to survive and enhance their venues for league play and special events.

For the betterment of the sport and the best use of assets we ask you to consider our recommendation and propose this question to your membership. Please prepare to advise your position at a Special General Meeting taking place on July 22nd, 2020 at 7:00 pm at the Ellerslie Rugby Park (11004 Ellerslie Rd SW, Edmonton, AB T6W 1A2).

Appendix A

Games Played Across Member Club Facilities 2014 vs. 2019

2014 Season *			
~325 League & Playoff Games for teams in ERU			
Sr Men & Women, Boy & Girls U17 & U19			
Airways	26	Lep/Tigers	0
Cold Lake	4	Lloydminster	0
Drayton Valley	5	NorWesters	18
Edson	5	Pirates	28
ERP**	82	Southern Alberta	55
Fort McMurray	6	St Albert	22
Grande Prairie	20	Stony Plain	3
Leduc	14	Strathcona Druids	37

2019 Season			
~310 League & Playoff Games for teams in ERU			
Sr Men & Women, Boy & Girls U17 & U19			
Airways	21	Lep/Tigers	18
Cold Lake	2	Lloydminster	2
Drayton Valley	2	NorWesters	25
Edson	4	Pirates	12
ERP	45	Southern Alberta	68
Fort McMurray	9	St Albert	43
Grande Prairie	14	Stony Plain	0
Leduc	16	Strathcona Druids	29

* Chart is using the 2014 data which had the highest # of games at ERP over the past 6 years

** Of the 82 games at ERP, 41 were games for clubs temporarily without field/clubhouse:

SARFC (7), Lep/Tigers (23), LA Crude (4), and Sharks (7)

Appendix B

2019 AGM Motion

The following motion was made and passed unanimously at the AGM on January 29, 2020: Amended Motion:
Pirates - Kate Child, 2nd by Clan - Gary Wald.

"That the Board of Directors provides a plan to change the Management Structure of ERP Inc. This plan must provide a minimum of 3 options, including the potential for selling the property that can be reviewed by the members within 90 days."

Graeme Dawes emailed a letter to members in advance of the 2019 AGM. This letter summarized the difficulties facing ERP. There was representation from all the owner clubs, however the number of attendees was disappointing.

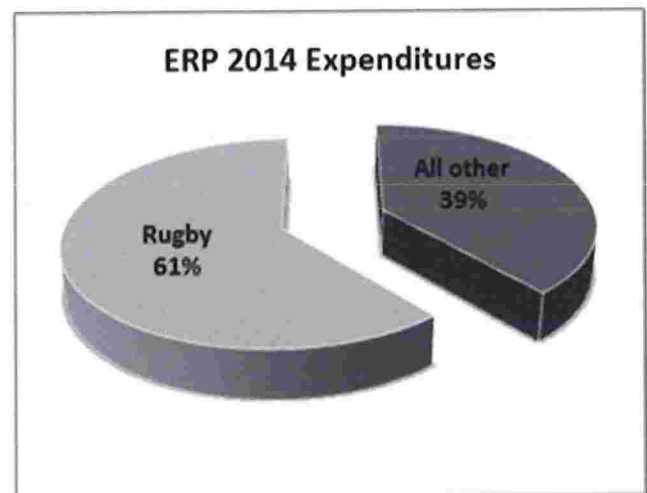
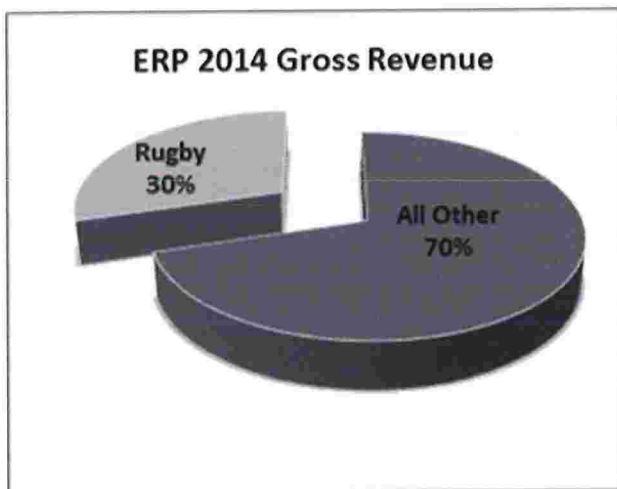
Appendix C

Ellerslie Rugby Park Ownership Structure

The current ownership structure of Ellerslie Rugby Park Inc.	
Edmonton Rugby Union –	½ Share
Clansmen RFC –	1 Share
Druids RFC –	1 Share
Leprechauns RFC *–	1 Share
Tigers RFC *–	1 Share
Pirates RFC –	1 Share
NorWesters Athletic Association –	1 Share
Total	6 ½ Shares
*The Leprechaun Tiger RFC retains the shares of the Leprechauns and the Tigers (Total of 2 Shares)	

Appendix D

2014 Revenue vs. Expenditures Graph



Appendix E

2018 ERP Strategic Plan

Our Mission:

“To provide and maintain dedicated rugby fields and community facilities for the benefit of rugby enthusiasts of all ages in Northern Alberta.”

Strategic Goals:

Sustainable Revenue: Constant Dependable Revenue

- Maximize rentals
- Maximize rugby revenue
- Investigate the viability of a pub onsite

Diversify Revenue Streams

- Capital sponsorship
- Increase funding campaigns

Activities Undertaken

- Investment was made in the A/V system and subsequent marketing saw a marked increase in daytime, weekday bookings such as seminars, trade shows, and corporate meetings. Most purchased some sort of food and beverage accompaniment.
- Consultations with experts in the Pub field provided the following input:
 - The venue would require substantial renovations to change the atmosphere
 - We would be required to change our liquor license to convert to a pub concept
 - Labour costs would increase with minimal revenue to offset until customer traffic increased to our new operation
 - The change in licensing could restrict the guaranteed revenue from existing large bookings, closing a pub on a regular basis for pre-booked weddings etc. would not garner customer support
- **As an unpaid consultancy a team from UofA MBA program did a Capstone project summarizing the total cost for an indoor dome; Strategic Analysis and Recommendations (2017) – For a Total Dome Cost**
 - Air Dome \$1.5 - \$2 million
 - Professional Fees, Permits \$350,000
 - Artificial Turf \$1 million
 - Construction Costs \$1 - \$1.5 million
 - Contingencies \$250,000
 - Dome Installation \$125,000
 - **Estimated Total (Minimum Project Cost) = \$4.2 - \$5 million** with an additional estimated \$130,000 in electric costs annually

Appendix F

2020 Motion to Withdraw \$100,000 from Trust Account

The ERP Board proposed the following motion during our February/March meeting:

Motion to move \$100,000 from the ERP Trust Account to:

- a) Clear up the existing Line of Credit, carried over from prior years operations
- b) Eliminate the expenses of servicing the LoC, and
- c) Provide cash to pay existing expenses in the short term

CARRIED – unanimously

Appendix G

2020 Expression of Interest Request

Below is the request for Expression of Interest (EOI) that was circulated by the ERP BOD. The document was sent on February 20th, 2020, however due to the Covid-19 situation this original 90-day time frame for reporting back to the membership at large was extended. EOI email and outbound information to interested parties:

Proposal Number:

2020-01 ERP EOI

Date:

February 20, 2020

Project Scope

Ellerslie Rugby Park Inc (ERP) would like to invite interested Companies to submit formal Expressions of Interest (EOI) to facilitate development of a long-term sustainable operation at the Park that help to achieve our mission: "To provide and maintain dedicated rugby fields and community facilities for the benefit of rugby enthusiasts of all ages in Northern Alberta."

This project will be called the ERP Long Term Development Plan and our vision is to build a partnership with interested Companies that plan to submit a Formal Proposal at a future date. This EOI will be used to shortlist potential partners for inclusion in a formal RFP to be release in Q2 2020

Ownership: Ellerslie Rugby Park Inc. is owned by 7 not-for-profit Rugby Football Club shareholders: Clansmen RFC, Druids RFC, Leprechauns RFC, NorWesters Athletic Association, Pirates RFC, Tigers RFC, and the Edmonton Rugby Union (a half share).

Business History

In 1971 a 30-acre parcel of land was purchased at what is now 11004 Ellerslie Road SW.

By 1975 the first regulation size rugby fields in northern Alberta were ready to be played on.

In 1975 work began on Phase I, a 4,000 sq. foot change room area that was opened for use on April 26, 1976.

In 1981 work began on Phase II, a 10,000 square foot social facility that was opened in February 1982.

In September of 1997, Phase III, a women's change room area and maintenance garage were completed.

As local rugby clubs developed their own facilities within Edmonton and Area, the number of games held at the ERP fell. This reduction in rugby traffic combined with societal changes regarding drinking cut deeply into the revenue generation of the ERP and we are dependent on our catering business to maintain operations.

Site Location

11004 Ellerslie Rd SW, Edmonton, AB T6W 1A2

Plan 2146TR

Block 2

Lot22

EOI Milestones (Dates were later adjusted)

March 4th, 2020 – Call for EOI released

March 31st, 2020 – Deadline for submissions

April 15th, 2020 – Shortlisted Companies notified to engage in formal RFP

June 15th, 2020 – Target RFP Award

Ellerslie Rugby Park – Member Communication

EOI requirements

Proposer would be required to submit its proposal based on the following:

Current operational model stays in place for 2020

All proposals will be considered if the current Organizational Mission is satisfied

Options can include sale and relocation of operations; development of a portion or all of the park; new or refurbished facilities; Commercial/Residential shared or multi use buildings; standalone buildings; land lease of all or a portion of the property; subdivision of the property; rezone of the parcel; any and all other proposals

Acknowledgment instructions:

Please send notice to the ERP contact listed on the front of this document that you intend to submit a response to the 2020-01 ERP EOI within seven days of receipt of this document.