

## **The Chester-le-Street Golf Club Limited**

### **CASC Legal Structure Q & A**

#### **What legal steps are we proposing to take to maintain CASC status?**

We propose that the following steps are taken:

1. The current golf club, which is a company limited by guarantee without a share capital (the **CASC Company**) will incorporate a wholly-owned subsidiary company which is limited by shares (the **Trading Sub**).
2. The CASC Company and Trading Sub will adopt articles of association which comply in all respects with the CASC requirements (see below).
3. Representatives of the current committee will be appointed as the directors of the CASC Company and the Trading Sub.
4. The CASC Company and Trading Sub will hold different bank accounts and will form a VAT group.
5. The CASC Company will enter into a business transfer agreement with the Trading Sub under which certain trading activities will be transferred down to the Trading Sub – for example, the bar and catering trades and charging for visitor green fees.

#### **How will this affect my membership?**

All current members who have paid their subscription up to date will become members of the CASC Company.

From a golfing perspective it is not expected that anything will change. Members will retain the same rights to play golf and use the facilities as has previously been the case. Nor is it anticipated that there will be any increase in subscription fees for members as a result of the changes to legal structure. These will remain under the control of the directors of the CASC Company.

All voting members of the CASC Company will be entitled to vote on any matter which is put to the members for decision. Each voting member will have one vote on any such resolution. Members will only have a vote at general meetings of the CASC Company (of which they are a member).

Voting members will continue to have the ability to vote on nominations for board members as they currently do. Accordingly they will retain the ultimate power to decide upon which individuals run the golf club moving forward.

Members of the CASC Company will have no right to receive distributions or dividends from the CASC Company. Nor will they be entitled to receive any payment on the winding up of the CASC Company.

#### **How will the CASC Company/Trading Sub split work in practice?**

The activities of the CASC Company will be solely focussed on the furtherance of the objects of the CASC Company – i.e. the promotion of participation in and the provision of facilities for the amateur sport of golf for the benefit of the community.

Accordingly the CASC Company will:

- hold the property;
- be responsible for employing grounds staff and golf club administrators;
- be responsible for the maintenance and upkeep of the golf course and clubhouse; and
- be responsible for all membership administration including the running of golf tournaments.

The Trading Sub will:

- run the bar trade;
- take responsibility for the catering and functions trade;
- take responsibility for employing the employees who work for these trades;
- take responsibility for collecting green fees from visitors; and
- take responsibility for any other trading activities that could cause the CASC Company to breach the CASC requirement that it has a turnover of less than £100k per year from non-member income.

The directors of the CASC Company will also be appointed as directors of the Trading Sub. They will run both companies, with assistance and guidance from the general purposes committee.

As a wholly-owned subsidiary of the CASC Company the Trading Sub will constitutionally be required to do as it is instructed by the CASC Company.

Voting members will only have a vote at general meetings of the CASC Company. As the CASC Company is the sole shareholder in the Trading Sub, only the CASC Company will have the right to vote at general meetings of the Trading Sub.

#### **Will I take on any liability as a member of the CASC Company?**

The limit on each member's liability in respect of debts owing by the CASC Company to its creditors will be capped at £1. Each member will be required to guarantee the CASC Company's obligations up to this nominal amount. This updates the current position under which the most a member could be required to guarantee is 4 guineas.

#### **How will income generated by the CASC Company or the Trading Sub be spent?**

At the end of each financial year the Trading Sub will donate all of its profits for that year to the CASC Company, utilising the Gift Aid scheme. In practical terms this will mean that the Trading Sub will be left with no profits meaning it will not be subject to corporation tax. Nor will the CASC Company be required to pay taxation on the Gift Aid donation.

All profits of the CASC Company and the Trading Sub will be used to further the primary objects of the CASC Company – i.e. the promotion of participation in and the provision of facilities for the amateur sport of golf for the benefit of the community.

#### **What will happen to the assets of the CASC Company if it is wound up in the future?**

Should the CASC Company be wound up in the future all assets that remain after the creditors of the CASC Company have been paid in full, will be transferred to either a registered CASC or charity with similar objects to those of the CASC Company or to a governing body for the sport of golf. The members will decide by voting at a general meeting which body should receive the remaining assets in such circumstances.

No member will be entitled to receive any distribution of capital from the CASC Company in circumstances in which it is wound up with a significant surplus of assets.

#### **What form will the CASC Company's constitution take?**

The CASC Company will adopt articles of association which will contain many provisions similar to the Current Club's constitution. However, to ensure that the CASC Company complies with the CASC requirements the following provisions must be included in the articles:

1. Clearly defined objects that set out that the purpose for which the CASC Company is established is to promote participation in and the provision of facilities for the amateur sport of golf for the benefit of the community.

2. A statement confirming that membership of the CASC Company will be open to all without discrimination. CASCs are not permitted to require applicants for membership to be proposed and seconded by current members. Nor are they allowed to require the names of applicants to be "boarded" to allow members to blackball them. Anybody whose application for membership has been rejected or who has been expelled as a member must be granted a right of appeal either to an independent committee or to the members as a whole.
3. A statement that the CASC Company is not established for the purposes of profit and that no surplus income or profits will be distributed to the members. All income of the CASC Company must be used in furtherance of its objects.
4. A statement that upon the winding up of the CASC Company its surplus assets after the payment of all creditors will be transferred to either another registered CASC or charity with similar objects as the CASC Company or to a governing body for the sport of golf.

In addition provisions will also be included (amongst others):

1. To set out some of the rights and obligations of different classes of membership.
2. To set out how the directors of the CASC Company will be appointed and retire.
3. To confirm that the liability of members is limited to the guarantee of the Club's obligations which is capped at £1.

The new articles of association for the CASC Company will have many similarities to the current articles. However, to the extent that any matters in the current articles are not CASC-compliant, they will need to be discarded.

#### **How will the CASC Company control the Trading Sub?**

As the sole shareholder in the Trading Sub, the CASC Company will have the ability to force the Trading Sub to take a certain course of action by passing a resolution instructing the Trading Sub to do so. However, in practice the board of the CASC Company will also be the board of the Trading Sub and so the two should work hand in hand.