

FREQUENTLY ASKED QUESTIONS (FAQS)

BACKGROUND TO THE DEVELOPMENT PROPOSAL

Why are we considering a development proposal?

Please refer to the Member Briefing of October 2021 which provides a summary of the background to the current proposal. *This can be accessed on the website under "The Club > Development > Development Documents".*

Can you summarise the current proposal?

In essence, the Knowles group would take control of a plot of land (most likely) across the area of the existing driving range, 10th and 11th holes and parts of the carpark/clubhouse precinct.

They would develop on this land an integrated retirement village comprising Independent Living Units (single level villas), Assisted Living Apartments and a Residential Aged Care facility (nursing home). Their development would include a range of "wellness facilities" such as gym, pool, bowling green etc.

They would also construct a new clubhouse – part of which will be owned and controlled by the Golf Club – essentially a modern but larger and improved version of our existing club house. The part of the club house owned and controlled by the Retirement Village would contain formal dining room and bar, billiard room etc.

The Golf course will retain 18 holes, in play, at all times. Early advice from the appointed golf course architect is that there is plenty of room on our 98 hectare site to incorporate an additional two holes and replacement driving range and practice facilities. Development will be staged so that any new holes are in play prior to loss of access to the 10th and 11th.

Remuneration to the Club will be based upon the market value of the land transferred to Knowles – it would be paid to the Club partly up front (including in the cost of new facilities) but significantly over a number of years as an ongoing annuity – thus providing the ongoing stream of additional revenue we have been seeking.

While there will be some changes to our course and practice facilities, and inevitably some inconvenience during the construction phase, in summary we will:

- Retain an 18 hole golf course of similar length and par
- Retain or replace all existing golf infrastructure including the practice range, to at least an equivalent standard
- Receive a new and improved clubhouse and access to a range of additional wellness facilities
- Continue to own and operate all golfing facilities
- Receive ongoing financial benefits to secure our future.

What are the next steps?

1. Our immediate next step is to work with Knowles, in preparing a more detailed Concept Plan, to take to a vote of members late May/June. The details of this plan are outlined in later questions.
2. In the event that members endorse the Concept Plan, then the Club will enter into a series of legal arrangements with Knowles essentially authorising them to proceed with the development of the various applications etc required for government approval. At this time a substantial community consultation program (lead by consultants engaged by Knowles) will also commence.
3. Knowles (at their cost) will prepare and submit the required applications for approval.
4. Knowles anticipate commencing construction within four months of government approval. Further details of the construction schedule will be provided as part of the Concept plan. However, for interested members, Knowles have indicated that retirement villas should become progressively available within the first 12 month period.

Will the Knowles group control the golf club or seek to have a representative on the Club's Board?

Our Heads of Agreement stipulates that the golf club will continue to own and operate all golf facilities and infrastructure. We will continue to operate independently as a golf club – now and in the future.

There will be management agreements in place which will deal with issues such as golf club member access to RV facilities and vice versa and arrangements around the new clubhouse.

We envisage, going forward, we would probably have a committee comprising Knowles and Club representatives, which deals with the day to day issues which may emerge in our integrated model.

We (that is, Knowles and the Club) would need to be convinced as to why we would need a Knowles rep on our Board (or indeed a club rep on the Knowles Board) to make this work. In any event, the Club's current constitution restricts board membership to golf members.

Have the risks around this proposal been considered?

There are a range of risks to both parties from this type of agreement. These include operational risks – example – golf club member injured using the Retirement Village facilities (eg swimming pool) or vice versa, reputational risks on both sides, financial risks and construction risks.

We will take legal and expert advice to ensure at these risks are addressed in the legal agreements between the parties which will be prepared following the member vote. Some of this will be relatively complicated, but we are confident we will be able to work it through.

FINANCES

Why does the club need additional financial support?

Over our 30 year history, the Club has regularly incurred operating losses calling into question our ongoing financial viability. This risk has been publicly recognised by our Club auditor.

A strong financial outcome last year, assisted significantly by COVID related grants and the fact we haven't had to purchase water for a couple of years, has meant that we have been able to address immediate financial concerns.

However, there is nothing to say that in five year's time, this will be the case. Over this period we face:

- Rising operating expenses (wages, services and maintenance)
- The need for significant investment in our aging infrastructure and facilities including:
 - Irrigation system
 - Clubhouse kitchen and locker rooms
 - Pro shop
 - Green keepers shed
- The potential of future droughts/COVID business interruptions

We require a new, ongoing sources of revenue to ensure we can address these needs, and continue with our course improvement program.

What is the likely financial return to the golf club?

- At this stage it is too early to determine this, as it depends upon the amount of land Knowles takes over and the extent of government fees we will need to pay to deconcessionalise and rezone the lease to enable the development
- We will have some indicative numbers for members by the time of the vote.
- Once we've agreed the plot of land with Knowles, we will get this independently valued at market value. This valuation will be on the basis that the land is zoned ready for development. This amount will be the starting point of our financial negotiations with Knowles. And it is equivalent to if we had rezoned the land ourselves and sold it on the market.
- From this amount:
 - We need to fund the payment of any government taxes for rezoning/deconcessionalisation
 - Knowles will pay these up front for us so we don't have to find the cash in advance
 - We may not know these exactly by the time of the vote, however, we will have an idea of the potential range
 - The residual will be taken:
 - To invest in replacement clubhouse/driving range facilities
 - Maybe part as a lump sum payment

- And with an ongoing annual payment.
- We have formed a committee comprising Pete Murrell, Lynne O’Brien and Mick Keogh from the board, along with Bernie Wilson and Brent Gasnier (with their experience in land development) to manage this side of the process for the club. They will be obtaining expert advice to guide deliberations to ensure the club obtains the best possible financial outcome.

What will happen to the existing option holders?

- We raised \$125k from the sale of \$5k options on any Learmonth residential development to a range of members and investors. This money was used to fund the preparation of our applications to government for the then planned residential development on Learmonth. The options were taken out on an “at risk basis’ and non refundable in the event that that development wasn’t approved. Which it eventually wasn’t.
- However, we have been able to use the reports and studies that were prepared with that money to help with the current proposal. Because of this, and in a sign of appreciation to the members who put up their money the first time around, the board has agreed that, if the current proposal gets up, we would look at refunding those option holders.
- We’ll look at this after the member vote is taken.

What happens if Knowles goes broke or sells the business?

We will take legal advice on this to ensure the Club’s interests are protected in the event that something like this happens.

Are we going to get a reduction in fees to compensate for disruption or loss of access to the course/clubhouse during construction?

- We’ll try and minimise any disruption for members during the construction phase – but inevitably there will be some
- Importantly, we’ve agreed that members will have access to a full 18 hole golf course throughout construction – which essentially means you will see work starting on any replacement holes well in advance of passing over any holes to Knowles.
- There may be some inconveniences – we might for example need a temporary clubhouse during the construction phase.
- The final proposal we present to members for vote in a couple of months will include details of transitional arrangements during construction.
- We’ll give thought to any financial compensation to individual members once we see what is actually ahead of us.

THE MEMBER VOTE

What information will members have to inform their vote?

The process we are embarking upon now is the preparation of a Concept Plan which we will have available for member consultation and feedback over a couple of weeks prior to the General

Meeting at which the vote will be taken. We are aiming for this meeting to occur sometime late May or June.

The information presented to members will include:

- Footprint of all development sites – showing land parcels controlled by the Club, Knowles and the location of facilities across these sites
- Redesigned golf course layout concept
 - Location of any new holes along with related greens, tees, bunkers and other features
 - Indicative scorecard for the new layout
- Golf club facilities:
 - Club house – size and inclusions such as administration areas, committee rooms, locker rooms, lounge/dining/bar/kitchen, gaming room etc
 - Cart storage and car parking (number, location)
 - Pro shop (location and specs)
 - Practice facilities including driving range (location and specs)
 - QA process to ensure quality of design and construction
- High level specs for the Retirement Village Development. Example:
 - 96 bed Residential Aged Care Facility, 165 Retirement Living Villas and 20 Assisted Living Apartments
 - Retirement Living Clubhouse and amenities
 - Wellness and wellbeing facilities including swimming pool, gym, bowling green
- Discussion paper outlining high level intentions for the management and ownership of facilities going forward
- Financial outcomes for the Club:
 - Indicative residual amount to be paid to the Club (dependent on government decisions around LVC)
 - Payment structure
 - Process Board will follow to ensure market valuation of land
- Transitional arrangements during Construction Phase (staging plan)
- Next steps and development timeline.

Who will get to vote?

As per our Constitution, voting will be restricted to adult 5 and 7 day playing members, Members for Life and Life members.

Social members, junior members are not entitled to vote.

How will the voting be conducted? Will proxies be allowed?

In line with our constitution, voting will be by way of show of hands (or, if requested, a ballot) at the general meeting.

Members unable to attend will be able to give their proxy vote to another member. We'll advise on how all of this works when we formally call the general meeting.

Why can't we vote in advance as per the recent board elections?

While we are keen for as many eligible voters as possible to vote, the constitution stipulates that voting occurs by a show of hand (or ballot if desired) at the meeting. This has the benefit of allowing members voting to attend and hear the formal presentation, proposal and any debate which occurs.

Members who are unable to attend will be able to give their proxy vote to another member. We will advise on how all of this works when we formally call the General Meeting.

What happens if things change after the member vote is taken?

Our thinking is that the motion we move will be something like “seeking member endorsement of the board negotiating with, and entering into legal arrangements with Knowles consistent with the Concept plan (and financial arrangements) presented. In the event that there is a significant deviation from these plans, the Board would seek the further endorsement of members. “

THE COURSE

How was Contour Golf selected? Were others considered?

Contour Golf has been engaged by Knowles to assist with planning around course and practice facilities.

The Board recommended that Knowles engage Contour Golf as their Director, Ben Davey is currently working with us in preparing our course bunker plan. Board members working with him are impressed with how he is conducting this assignment. He has also developed familiarity with our course during this exercise which will benefit in the development engagement.

Will the length and par of the golf course remain the same?

- Unsure at this stage, subject to deliberations and recommendations of the course design committee
- The Board has stipulated we must retain a full 18 hole golf course, and that all 18 holes must be in play at all times. This means that, if Knowles were to take over the 10th and 11th holes, the two new holes would be in play before they commenced any development on 10 and 11.
- The board has also expressed a preference to retain the existing par rating – however, given the other range of benefits to the club from the development, we're hoping this isn't a deal breaker for members if it's not possible.

Where will the new driving range be relocated? What length will it be?

- Unsure at this stage, subject to deliberations and recommendations of the course design committee
- Our thinking is that we would look to replace the current range with one built to current industry standards and utilising modern technology.

- This could include an under cover range, possibly heating and lighting, better teaching facilities, possibly a bar

THE CLUBHOUSE AND SHARED FACILITIES

What will the arrangements be for access to a new shared club house?

This is still to be worked through, but our thinking is that the clubhouse may be a building partly owned by Knowles and partly by the Club (strata title).

Our early thinking is that might look something like a 3 storey building with:

- The ground level owned by the club with cart storage, pro shop and maybe car parking
- The second level our golf club house – largely with improved versions of existing facilities but expanded to include committee rooms. We're thinking maybe the inclusion of a coffee shop to provide food for golfers
- The third floor owned by Knowles and would include formal dining, and the other facilities they typically include in their clubhouses.

Will golf club members be able to access retirement village facilities such as the bowling green and swimming pool?

Yes. We will have a Management Agreement which will outline arrangements for use and access to Knowles facilities by golf club members and vice versa.

Why wouldn't the golf club own and run facilities such as the bowling green and swimming pool?

Firstly, as an Aged Care provider, Knowles has some legal obligations that it needs to ensure it complies with in provision of facilities to its residents. Secondly, and importantly, we want to be able to focus on our core business, which is running a golf club. We don't want to be running swimming pools.

MCC Development Committee

18 March 2022