

CLUB REDFERN

ABN: 86 001 864 437

23 April 2021

Dear Members

I write to you to advise of an offer the club has received which on face value is going to be too hard to refuse.

Essentially an offer to purchase the clubs stratum lot has been received from an interested party.

This offer totals \$9.507 million dollars for the clubs footprint.

This is not a misprint, the club has been offered the sum of \$9.507 million dollars for its building.

Notwithstanding the above, if trading conditions were what they were pre 2016 we would need to think about what we do. Given current trading conditions, trading since 2017 actually, which could be best described as flat and uninspiring, this offer is too good to refuse.

If the club was to sell we would be in a position to lease the clubs current building for a peppercorn rental fee while we recreate what we currently have albeit in another local location, yet without the high cost structure we have in this building now. Realistically, the need to make such a change was always going to happen as operating a club with our incomes and cash flows in a stratum lot is just not profitable. The current list of basic expenses we are faced with include but are not restricted to the following-

- Body Corporate fee's \$34,800 a quarter.
- Electricity bill of \$5,500 per month.

These two costs alone are costing the club \$200,000 net dollars per year.

With other essential expenses, excluding employment costs, throughout the year the club needs to find \$600,000 per annum ex GST just to trade. On what we have seen in the twelve months prior to and since the covid shut down this is not achievable and a forced closure would be eminent sooner rather than later anyway.

While discussing covid, I can say without any doubt, covid hasn't caused our predicament but it has expedited our need for change. In other words it has helped deliver current trading results quicker than anyone could have imagined. From 2016 it was obvious that our area was changing, we have been operating in a changing demographic, a local market that doesn't have the need for what we

offer. This aside we always had a market, a dwindling market but since covid this market has dried up unfortunately.

Some of the changes to our local precinct that have made a difference to our viability since the beginning of 2018 are-

- The closure of the Redfern Police Centre.
- The closure of Bridge Housing.
- The closure of the International School of travel
- The closure of the GCA Travel Company.
- The closure of the Marian St Council Depot.
- The closure of long established businesses between Redfern St and Marian St.
- The relocation of the Redfern railway signal exchange.
- The relocation of the Eveleigh rail yards.

In all, the above organisations delivered 1500 people to our front door daily. In addition each of these organisations were demand generators in their own rights, bringing not only their own people but many visitors to our front door also. Sadly with these organisations now gone from our area we don't have the passing foot traffic we once did. The other side to this is that with these organisations gone residential tenancy has increased. Given the high cost of land in Redfern these days the new residents moving in have either a large rent bill each week or a huge mortgage if they are owner occupiers. Either way the new entrants to our local precinct don't have the disposable incomes previous locals did have.

Looking at the clubs revenues in alignment to its trading it won't be long before the club would need to make the tough choice to close to avoid insolvent trading. Considering and understanding this to receive an offer of over \$9.5 million dollars for the clubs stratum lot, which will give the club the opportunity to continue without much change to its business model is something we could have only dreamt of until the offer was made a few days ago.

When the offer was made, the club entered into an exclusive due diligence period of 30 days with the party making the offer. This was done to keep this offer alive until it could be considered by the clubs members. With this in mind members are advised that they are welcome to attend a Special General Meeting in the club at 11am on Saturday 15 May 2021.

At this meeting all members in attendance will have the opportunity to vote to accept the offer detailed above.

By accepting this offer the clubs future will be secure. If the offer is not accepted the club has no future based on current trading patterns, cash flows and the local and always changing and evolving demographic. If it is not accepted the club will close without doubt.

The board strongly recommends that you vote for this resolution as by doing so the clubs future will be secure in what I call the most uncertain times our club and indeed the whole registered club industry has faced in decades.

If you wish to discuss this offer and any aspect of the clubs future, please feel free to contact me or simply drop into the club to see me in person. I am here Monday to Saturday as most of you would be well aware. I am only too happy to provide you with all or any information you may be interested in pertaining to this important time in our club's history.

Yours Sincerely

A handwritten signature in cursive script, appearing to read 'A MacAlpine'.

Anthony MacAlpine
General Manager.