

Bay of Islands Swordfish Club

White Paper on Proposed Opuia Clubrooms

Purpose of this Paper.

The purpose of this paper is to document and present to the members the current situation regarding the opportunity for the BOISC to establish new clubrooms at the Opuia marina. The paper is a summary of the situation as it currently stands and is not intended as an endorsement nor a recommendation of any particular option.

Background

At the 2016 AGM, the Committee produced a Strategic Plan that among other initiatives outlined that an exclusive opportunity to establish clubrooms at Opuia as part of Far North Holdings Limited (FNHL) Marina expansion. These clubrooms to include use of:

- Weigh station
- Boat washing
- Parking
- Outdoor barbeque area
- Playground

It was generally agreed that the opportunity had sufficient merit for the committee to further investigate the feasibility of establishing clubrooms at Opuia.

Subsequent discussions with FNHL

Over the past year discussions with FNHL have continued and negotiations with them have yielded the following terms:

- Exclusive liquor pouring venue in the marina complex with the exception of the existing yacht club and existing Marina Café
- Opportunity to have an exclusive liquor wholesaling facility
- 9 Year lease of \$100,000 per year with the exception of year 1 rent which would be \$25,000 as a partial rent holiday
- Opportunity to purchase clubrooms at a future date at a set pre-negotiated price
- Club rooms estimated to be available to open in Summer 2019

Options under consideration

The committee is mindful of the fact that new opportunities with the potential to provide greater benefits to members must be explored as per the constitution (Rule 8.5). The committee is also sensitive to preserve the facilities that members currently enjoy providing those facilities are being used by members.

There are three broad options to consider:

1. Lease out the Paihia clubrooms and relocate the Paihia clubrooms to the new Opuia facility, initially leased but with an option to purchase
2. Maintain the Paihia clubrooms in parallel with opening new clubrooms in Opuia, again initially leased but with an option to purchase
3. Pass up the Opuia opportunity altogether, maintain the status quo and the club continues with the existing clubrooms

Option 1: Lease out Paihia clubrooms and open clubrooms in Opuia

Benefits:

- Additional facilities for trailer boat owning club members close to boat ramp, weigh station and car and trailer parking
- Full display for tournament sponsor products including any vehicles and boats
- Ground floor clubrooms within the marina in close proximity to where boats are moored
- Additional revenue opportunity in the form of wholesale liquor outlet for boat owners with discounts to club members
- Opuia lease agreement will have built in opportunity for the Club to purchase the Opuia premises at a predetermined price.

Assumptions:

- The Paihia clubrooms can be fully leased out at a similar amount to the cost of the Opuia lease
- A significant number of Paihia club users would use the facility in Opuia
- The new Opuia clubrooms would attract sufficient new membership to offset the membership leakage at Paihia and Russell
- The Opuia clubrooms would attract a similar number of visitors to those at Paihia and Russell

Risks:

- The Opuia clubrooms do not prove to be financially viable due to poor uptake of new members and visitors
- The club could be trapped in a 9 year lease of a loss making operation
- Some current Paihia based club members are lost to other Paihia based clubs
- Creates an opportunity for a competing club to be established in Paihia

Option 2: Maintain the Paihia clubrooms in parallel with opening the new clubrooms in Opuia

Benefits:

- As for Option 1 plus
- Paihia club users can continue use the Paihia clubrooms

Assumptions:

- The new Opuia clubrooms would attract sufficient new membership and visitors to be independently financially viable so as not to adversely affect the club's finances

Risks:

- The Opuia clubrooms do not prove to be financially viable due to poor uptake of new members and visitors
- The club could be trapped in a 9 year lease of a loss making operation

Option 3: Pass up the Opuia opportunity and maintain the status quo

Benefits:

- Low risk

Assumptions:

- The members will be satisfied that turning down the Opuia opportunity is the correct decision

Risks:

- Another fishing club takes up the Opuia opportunity and competes with BOISC for membership

The Fourth Option

When considering the impact on Paihia club users of Option 1 and the financial risk of Option 2, two committee members plus a third club member put forward a fourth option where they would financially underwrite the risk, thus removing the risk of any negative financial impact to the club. The three club members (Guarantors) are prepared to fund the fit-out of the proposed clubrooms and if after a 12 month period, the club decides that the Opuia facility is not financially viable, then these members would take over the lease and the club could revert to the status quo.

Option 4: Maintain Paihia, establish the Opuia clubrooms with the financial risk being underwritten by 3 club members acting as Guarantors.

The Opuia clubrooms would be established in parallel with Paihia, maintaining the clubrooms for a period of not less than 12 months (this can be extended) after which time the following alternatives could be evaluated:

1. Lease out Paihia clubrooms (as per Option 1)
2. Continue running both Paihia and Opuia clubrooms in parallel If viable (as per Option 2)
3. Exercise purchase option to purchase Opuia clubrooms (the agreement with FNHL would be structured so this could be exercised at any time)
4. Relinquish Opuia clubrooms and return to the status quo at Paihia

In any event (other than alternative 4), the club would need to enter into an arrangement to reimburse the Guarantors for the full fit-out costs including outdoor facilities (playground, barbeque area etc).

Benefits:

- All the Benefits from Option 1 and Option 2 with no risk to the club
- Provides opportunity for members to have an ongoing facility in Paihia if the support is there
- Removes the risk of adverse financial impact to the club if Opuia proves not to be viable

Assumptions:

- With the reduced Year 1 lease, the Opuia clubrooms will operate on a cash positive basis
- The Opuia clubrooms and facilities will attract sufficient new members and visitors to be financially successful
- The necessary agreements are in place between FNHL, the Guarantors and BOISC.

Risks:

- The Guarantors fail to perform and meet their guarantee obligations. There are any number of reasons this could occur.

Next Steps

Membership and Trustee Approvals

If the committee decide to proceed with Options 1, 2 or 4, then the committee would need the prior written approval of the majority of the Trustees to proceed as per the constitution.

In addition, if the Paihia clubrooms were to be leased out or sold, 75% membership approval would be required by postal ballot.

Trustee Review

Review desired option with Trustees and obtain their approval

****Placeholder for trustee feedback*

Role of Guarantors:

Need to define the role and responsibilities of the Guarantors and establish a criteria and mechanism for the club to exercise its option not to continue with Opuia.

Also establish of mechanism to reimburse guarantors for fit out costs if the decision is made to remain at Opuia.

Clarify whether Guarantors are to take over option to purchase Opuia site.

Documents (if required)

Work with club solicitor and FNHL to draft agreements to reflect:

- The position of the building on the site and confirm rent free period commences from the commencement of business
- Terms and conditions of lease agreement between BOISC and FNHL including:
 - The ability for BOISC to exercise the right of purchase at any time at a predetermined price
 - the ability for BOISC to novate the Opuia lease to the Guarantors if the club decided to relinquish the Opuia clubrooms
- Agreement between BOISC and Guarantors to document the funding and repayment of fit out costs

Notify Members

Although membership approval is not required to enter into a lease agreement with FNHL for the Opuia premises, as a courtesy members should be notified and solicited for their feedback

-end-