



BUSINESS CASE:
CLUBHOUSE PROPOSAL 2021

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INTRODUCTION

The clubhouse at the St. Thomas Golf & Country Club (the “Club”) was built in 1923 with a budget of \$16,000. In 1962, the building was expanded, in large part, to enclose the veranda. There has been limited investment in the renovation and/or refurbishment of the facility, since that time, and, except for the replacement of the irrigation system, there have been no major investments in infrastructure at the Club in nearly 50 years.

Periodically, over the past several decades, the Board of Directors (the “Board”) and membership have contemplated the renovation or replacement of the clubhouse. This issue has been presented, or nearly presented, to the membership for a vote on several occasions with the decision to not move forward being favoured by slim margins. Most recently, a subcommittee of the Board explored the possibility of a new clubhouse in 2007-2008 (the “2008 Project”). This group engaged an architect, had conceptual plans and estimates prepared, and intended to bring the matter forward for a vote of the membership. However, a sharp decline in the economy made the project unattractive and it was abandoned.

The current Board and Clubhouse Planning Committee (the “Committee”), formed in 2019, have revisited the notion of a new clubhouse and provide this Business Case for your review and consideration in preparation for a vote of the membership. While there are many factors that have contributed to bringing this issue forward, at this time, the most significant factor relates to control over the future of the Club. As described in greater detail, below, the long-term viability of the current structure is uncertain and construction costs continue to rise at rates that far outpace inflation. By acting now, the membership has an opportunity to mitigate future risks and, to some degree, ensure the fate of the Club.

The overarching intention of this Business case is not to persuade, but rather to inform. The Committee hopes this Business Case will answer your questions and provide a level of detail which will assist and enable you to make a choice on how best to move forward, bearing in mind, both, personal interests and our collective roles of stewardship to the Club.

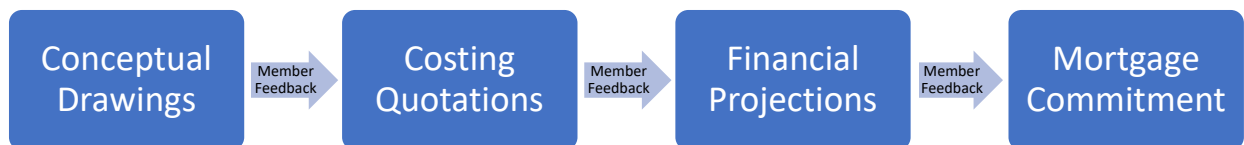
PHASED APPROACH

This Business Case was prepared by the Committee based on information obtained through previous clubhouse projects and independent research and analysis. While the estimates and projections are felt to be well-supported and reliable, it is acknowledged that greater certainty is brought to the viability of the project by obtaining professional advice and opinions. With a view towards engaging membership in this project and process and only committing resources, once member support has been confirmed, the following phased votes are proposed:

Phase One: On May 8, 2021, a vote of all adult members would be held to determine support for obtaining detailed conceptual drawings, construction and associated costing quotations, professionally prepared financial projections, and a mortgage pre-approval or commitment (the “Phase One Materials”).

Phase Two: Conditional upon a successful Phase One vote, and following distribution of the Phase One Materials to membership, a further vote of shareholders would be held to determine support for commencing the construction of a new clubhouse, including a monthly assessment. The Phase Two vote is targeted within the 2021 calendar year.

Should the Phase One vote be successful, a subcommittee, comprised of members with subject matter expertise (e.g. engineering, accounting, event planning, and golf course operations), would be formed to refine and finalize the criteria for a new clubhouse, critique and evaluate the current financial projections, and otherwise inform the instructions that would be provided to the professionals responsible for preparing the Phase One Materials. It will be important to ensure that the subcommittee is comprised of a diverse group of members, reflecting the many different views, wants, and needs of our membership. The Phase One Materials would be obtained through a series of steps, designed to engage membership in the process, as depicted below:



Board Recommendation

The Board strongly recommends that membership approve the Phase One vote. The Phase One Materials are expected to provide valuable information which would facilitate an informed Phase Two vote. This Business Case has been prepared, using information from previous clubhouse projects which were completed or quoted by firms with operations, largely, in the greater Toronto area. We anticipate using local firms and businesses, whenever possible, and are cautiously optimistic that the clubhouse can be completed for less than the amounts estimated within this Business Case. The Phase One Materials will provide greater certainty regarding current costs and funding, and will allow members to make an informed choice regarding the future of the Club.

Vote Instructions

The following structures will be used for the votes:

Phase One: The structure of the Phase One vote is not prescribed in the by-laws. The Board has decided that all adult members (i.e. all members 18 years of age or older, regardless of member category) will be eligible to vote. The structure was chosen to reflect the broad range of members with immediate interest in the clubhouse and future of the Club. All eligible voters will receive one (1) vote. For the vote to be approved, the motion must receive an affirmative vote of greater than 50% of the votes cast, whether in person or by proxy.

Phase Two: In accordance with our by-laws, assessments must be approved by a vote of the Class B shareholders. Subject to limited exception, social members, who have paid initiation, hold one (1) Class B share and principal members hold two (2) Class B shares. Shareholders will be entitled to one (1) vote for each Class B share held. For the vote to be approved, the motion must receive an affirmative vote of greater than 50% of the votes cast, whether in person or by proxy.

A Notice of Special Meeting and Final Resolution, along with proxies, will be distributed to all members eligible to vote at least 10 days before the votes are scheduled to occur. All proxies must be received by the Club office at least 24 hours in advance of the Special Meeting(s).

PROPOSAL

The Committee has taken a needs-based approach to evaluating potential clubhouse options. Accordingly, it has developed a list of criteria (i.e. requirements) for a new clubhouse (the “Clubhouse Criteria”), which is included at **Schedule A**. The possibility of renovation/refurbishment and four clubhouse options have been explored and evaluated against the Clubhouse Criteria, as described below. Based upon this review, the Committee has identified the following clubhouse option, which it believes best meets the needs of the current and future membership (the “Proposal”):

The new clubhouse would be approximately 22,500 square feet,¹ located on approximately the same footprint as the current facility. The new building would provide several enhancements relative to the current facilities, including increased service areas in the member lounge, dining room, banquet space, outdoor patio, kitchen spaces, professional shop, bag storage, and locker room areas. The facility would also provide an opportunity for indoor power cart storage and fitness/practice facilities which could be utilized year-round. There would be no changes made to the golf course. A total preliminary budget of \$10 million is proposed, including \$6.2 million in costs directly associated to the construction of the new building and \$3.8 million in other costs (e.g. professional services fees, furniture, and landscaping).

Based on the estimated costs of the Proposal, and on the funding projections, described below, a member assessment targeted at \$50 per month would be required. The assessment would be the primary source of funding for the project. The projections in this Business Case are based on an assessment which would be shared equally as between all members 18 years of age and older; however, a graduated or scaled assessment could also be considered. Based on an assessment at this level, construction of the new facility could commence in 2025. The timeline to

¹ For reference, the current clubhouse is approximately 15,000 square feet.

construction is influenced, primarily, by the need to accumulate the down payment for the new building.

Please note that, if the Phase One vote is successful and steps are taken to obtain the Phase One Materials, it is possible that industry experts may direct us towards a different size and/or price of facility which would have a corresponding impact on the level of assessment and potential timeline to construction. Reliable information regarding cost will be essential to ensuring that members can vote on an informed basis.

BACKGROUND INFORMATION

The clubhouse has evolved to accommodate the game's growth throughout the years. It has served many purposes, hosting countless rounds of golf, tournaments, and community events, creating a vibrant golf culture. However, like many things, our beloved building is beginning to show its age, and appears to be approaching the end of its useful life. A dated structure and amenities mean that we may not be providing the type of product that our members and visitors are seeking and will be seeking into the future. In addition, the costs and risks, associated with ongoing building maintenance, continue to grow. The following information is intended to highlight some of the deficiencies associated with our clubhouse, some obvious and others not.

Deficiencies of Current Clubhouse

There are substantial shortcomings and deficiencies that affect member comfort, revenue potential, the efficiency of operations, and our ability to attract and retain new members. A list of clubhouse deficiencies and challenges is provided at **Schedule B** and described within the following categories: functionality, mechanical and electrical systems, building envelope components, and finishes and equipment upgrades.

Clubhouses of our vintage have similar characteristics that often result in replacement at similar golf courses because:

1. Lesser quality constructions were used at the time of the build and subsequent renovations;
2. Mechanical and electrical equipment issues due to aging infrastructure;
3. New health and safety standards;
4. New standards for building energy performance;
5. High utility costs (>\$100,000 per year for the Club); and
6. Risk of unknown expenses for maintenance and emergencies.

A Clubhouse Renovation or Replacement Study was conducted in 2008 by Vanderwesten Rutherford Mantecon, a mechanical and electrical engineer consulting firm. The purpose of that study was to identify the various building deficiencies, discussed above, and provide a general assessment of these elements. The testing was based on the visual and physical conditions of our, then, approximately 85-year-old clubhouse. It is noted that there has been very little preventative maintenance or upgrading of the building since this last report 13 years ago. The

report indicates that the building suffers from inadequate mechanical systems performance due to the age, condition, and type of equipment installed. The plumbing, electrical systems, and HVAC systems would all likely need to be replaced/installed if renovations are completed. Renovations that include an increase in floor areas, increased occupancy, or change in occupancy will trigger code compliance in all of those areas, which are big-ticket items. The roof structure, floor structure reinforcement and foundation underpinning would also need to be undertaken. Lastly, fire protection would also need to be extended throughout the building in sprinklers and other updated Fire Code requirements. At the time of the 2008 report, experts estimated that the probable cost of structural, mechanical and electrical renovations for the building would exceed \$1 million. This 2008 price does not consider the rest of the costs associated with renovations that include compliance with the Accessibility for Ontarians with Disabilities Act (AODA).

In some cases, the building's age can add charm and character; however, in other instances, a dated building can be inconvenient and unattractive. Unfortunately, in almost all cases, costs and risks tend to rise with the building's age. The following chart estimates the costs associated with some of the large ticket items which will require purchase or replacement at the Club over the next several years if a replacement facility is not built:

| | |
|-----------------------------|-----------------------|
| Rooftop Units | \$40,000 |
| Boiler | \$10,000 - \$15,000 |
| Commercial Water Filtration | \$14,000 - \$20,000 |
| Flat Roof | \$25,000 |
| Accessibility Compliance | \$100,000 - \$250,000 |
| Generator | \$10,000 - \$15,000 |
| Windows | \$200,000 |
| Wiring | \$130,000 |

Over the next 10 years, it would be reasonable to estimate repair and maintenance costs for the current facility at between \$500,000 and \$750,000. In large part, these costs would not be recoverable and there would be no visible or appreciable benefit to the membership. These figures do not include the ongoing excesses attributable to inefficient utilities.

Why do we need a new clubhouse?

While the building is old and aging, there is an argument to be made that it is structurally sound, at least, for the time being. A new clubhouse falls somewhere between a "need" and a "want" and requires careful consideration and reflection. The following are the primary rationale in favour of a new clubhouse:

- (a) **If the membership does not act now, there is a possibility that a new clubhouse will be required on an urgent basis.** The costs of construction are likely to continue to increase and the ability of a future membership to afford a new clubhouse is uncertain. Given the age of the current building and the growing list of deficiencies, it is suggested that the risk of urgent replacement is a question of when and not if. Building a new clubhouse, now, based on known costs and reasonable forecasts, creates a more certain future for the Club.
- (b) **The current clubhouse is the reason that some members leave and that potential members choose not to join.** Admittedly, the evidence of this is largely anecdotal; however, it is difficult to deny the Club's reputation as a fantastic course with an old clubhouse. The long-term sustainability of the Club depends on its ability to demonstrate value to members. The state of the clubhouse is a well-known deficiency. Failing to take steps to rectify this issue prejudices the Club's future.
- (c) **The current members will reap the benefits of a new clubhouse.** Beyond being able to enjoy a new facility, members will see other benefits, including additional revenue from events, new members, and an enhanced reputation. Moreover, a new clubhouse will result in costs savings, as dated systems are replaced with more efficient models (see current deficiencies and challenges at **Schedule B**). The Club is under pressure to increase dues and the number of members to ensure its financial stability. Over the past several years, up until 2020, the Club was experiencing a slight decline in members and was struggling to break even. A new clubhouse is likely to increase other sources of revenue and provide the membership with greater flexibility to dictate member and fee levels without having an adverse financial impact.

It is recognized and acknowledged that some members do not see the benefit of a new clubhouse and do not wish to incur the costs associated with its construction. This is a fair and valid view. However, members are asked, also, to consider their role as stewards of the Club. After all, the members are the reason the Club has been around since 1899. When contemplating the question of a new clubhouse, the "ask" is that members consider the best interests of the Club and its future. It is suggested that the best interests of the Club are reflected in a decision which aligns with the Mission, Vision, and Values, provided below for reference.

Mission: The St. Thomas Golf & Country Club is dedicated to the delivery of exceptional golf and social experiences for our members, their families, and guests through the fiscally responsible evolution of the facilities, course, programs, and customer service that is consistent with one of the finest clubs in Canada and with our unique history.

Vision: The St. Thomas Golf & Country Club will be an outstanding private golf club, steeped in tradition and pride and committed to excellence through passion and innovation.

Values: Sustainability, Integrity, Excellence, Collegiality, and Passion.

It is suggested that a new clubhouse aligns most closely with the Club's Mission, Vision, and Values and best positions the Club for success, now and in the future.

CLUBHOUSE OPTIONS

In formulating potential clubhouse options, the Committee utilized information from previous clubhouse projects at the Club, information from other clubs that have built or considered new clubhouses, engaged with an architecture firm and other industry experts, and conducted independent research. The following options, which include renovation and replacement, are included in this analysis to demonstrate a range of potential clubhouse features and their associated costs. The design criteria that distinguish these options arose from known deficiencies with the current clubhouse and other priorities extrapolated from the recent clubhouse membership survey. A list of criteria for a new clubhouse, as currently contemplated, is included at **Schedule A**. With membership approval to proceed, the Board will solicit additional input from the membership and other professional experts to finalize the design of a new clubhouse and the associated capital costs for construction.

For reference, the current clubhouse is approximately 15,000 square feet.

Renovation Option

As a preliminary matter, the Committee explored opportunities to renovate or refurbish the current facility. Through this process, several potential pitfalls were identified. Notably, structural repairs would be required before other renovation work could take place. The renovation would also bring mandatory upgrading of the clubhouse health and safety systems, ventilation, insulation, equipment performance standards and barrier-free requirements under the Accessibility for Ontarians with Disabilities Act (AODA). The cost of renovation was found to be far more significant than might have been expected. Unfortunately, renovating a century old building carries with it challenges and risks that are not found in newer structures.

When renovation or replacement was considered as part of the 2008 Project, plans were prepared which contemplated renovation and a small addition. The direct costs of this option amounted to \$3.5 million, relative to \$4.2 million for the construction of a new building. In other words, the cost of renovation (with small addition) would have been more than 80% of the cost of replacement. Assuming renovation costs have increase proportionally to new build costs (approximately 50% from 2008), the direct cost of a renovation and small addition in today's dollars could be in the range of \$7 million. As a compounding factor, renovation brings into play additional contingencies (e.g. unforeseen structural or environmental issues) which can extend cost significantly beyond budget. The risk of cost overruns tends to be more significant in a renovation as opposed to a replacement. A renovation on the scale necessary to achieve the objective of materially changing the appearance, suitability, and ambience of the current building would not be possible without significant cost and equally significant risk associated with modifying a building built in the 1920s.

In the interests of being comprehensive, the costs associated with a very basic renovation were also considered. The costs associated with this option, which are unlikely to achieve all of the goals associated with this project, are estimated at \$3.8 million. Additional details and costs are described at **Schedule C**.

For the reasons outlined above, the Committee suggests that a new clubhouse is a better long-term, fiscally responsible solution. In the assessment of the Committee, the benefits associated with renovation are outweighed by the costs and risks.

Replacement Option 1: "2008 Clubhouse Design" Concept

This 25,000 square foot design is based on the previously produced conceptual clubhouse drawings as part of the 2008 Project. This design features significant capacity expansion to the dining room, members lounge, and outdoor patio areas. These changes would enable the clubhouse to serve as a wedding and special function venue and better serve the day-to-day needs of the membership. Other notable characteristics include an expanded pro shop and kitchen facilities, additional bag storage, indoor power cart storage, a junior locker room, a staff lounge, and increased multi-purpose storage space.



The new building construction costs for Replacement Option 1 are estimated at \$6.9 million with a total project budget of \$11 million, including a 5% contingency.

While the 2008 Clubhouse Design Concept provides many enhancements over the current facility, an argument can be made that it is too large and contains more luxuries than might be practical.

Replacement Option 2: "20,000 Square Foot" Concept

This 20,000 square foot design is patterned after a comparator club constructed in 2005. The footprint is highly functional but also compact. This model's design configuration includes expanded capacity in the dining room and outdoor patio areas, increased pro shop space, kitchen facilities, additional bag storage, a staff lounge, multi-purpose storage space, and half locker options. This conceptual design would support many of our daily membership needs. It could also be utilized for other special events such as weddings or dinner parties. During a site visit, management at that club identified several deficiencies with the design, which could be corrected with a slightly larger building. It was noted that the locker rooms, power cart storage,

interior storage, kitchen, and lounge were slightly smaller than ideal. Conversely, the pro shop was found to be too large.

The new building construction costs for Replacement Option 2 are estimated at \$5.5 million with a total project budget of \$9 million, including a 5% contingency.

As noted above, a design like the 20,000 Square Foot Concept is likely to meet the basic needs of our members. However, some additional space is recommended based, in part, on the feedback received from management at that club, who have had the opportunity to work in this space for the past several years.

Replacement Option 3: "Hybrid Full Club Service" Concept

This 22,500 square foot design combines elements from the 2008 Clubhouse Design Concept and the 20,000 Square Foot Concept that would be optimized to provide an array of full-service golf, dining, and other country club services to the membership. This design's key features are increased service areas in the member lounge, dining room, outdoor patio, kitchen spaces, and expanded pro shop, bag storage, and locker room areas. Other notable inclusions would be a consideration for indoor power cart storage and fitness/practice facilities, which could be utilized year-round. Replacement Option 3 attempts to include those elements of Replacement Options 1 and 2 which appear most aligned with our membership and eliminate those items that are not.

The new building construction costs for Replacement Option 3 are estimated at \$6.2 million with a total project budget of \$10 million, including a 5% contingency.

Based upon the Committee's review and application of the Clubhouse Criteria, Replacement Option 3 appears to best meet the needs of the Club. However, the Committee does not make a specific recommendation. Rather, it would be the intention of the Committee, should the Phase One vote be successful, to refine the Clubhouse Criteria and present this information to a design firm, such that an appropriate clubhouse design and option can be prepared.

Replacement Option 4: "Primarily Golf Services" Concept

This modest 15,000 square foot design would support essential day-to-day golf services. The configuration and utilization of space would be determined primarily by principles of efficiency and effectiveness. This footprint would feature an expanded member lounge and outdoor patio food service area, but no formal dining room. Pro shop, locker room, cart and bag storage areas would be limited within this design's available footprint, along with a small multi-purpose meeting room space and storage room. Replacement Option 4 would not be capable of hosting large events (including Thursday tournaments which represent a significant source of revenue for the Club) and would be subject to many of the constraints facing the current clubhouse.

The new building construction costs for Replacement Option 4 are estimated at \$4.1 million with a total project budget of \$7 million, including a 5% contingency.

Clubhouse Design Options and Preliminary Costs

The following table includes additional comparative feature and cost details for each of the replacement conceptual design options:

| Clubhouse Design Criteria | Current Clubhouse | Option 1 (2008 design) | Option 2 (20,000 sq. ft.) | Option 3 (hybrid full Club services) | Option 4 (primarily Golf services) |
|--------------------------------------|---|---|------------------------------------|---|--|
| Building site/Location | | larger footprint, same location | similar footprint, same location | similar footprint, same location | same footprint, same location |
| Dining/Banquet Room | 150 | 240 | 200 | 200 | excluded |
| Members Lounge | 40 | 70 | 70 | 70 | 75 |
| Deck/Patio Event Serving Area | 40 | 140 | 140 | 140 | 140 |
| Kitchen (prep, freezer, storage) | inefficient, no storage | expanded | expanded | expanded | scaled for Lounge only service |
| Locker Room(s) | Mens (365), Womens (90) Full/Half Locker Options | Mens, Womens & JR Full/Half Locker Options | Mens & Womens Half Lockers only | Mens & Womens Full/Half Locker options | Mens & Womens Full/Half Lockers options |
| Proshop | restricted retail space | expanded retail/office space | expanded retail/office space | expanded retail space | scaled down retail space |
| Bag/Powerkaddy Storage | 400/40 | 500/50 | 600/50 | 650/50 | 600/50 |
| PowerCart Storage | outdoor | indoor (40) | indoor (40) | indoor (40) | indoor (40) |
| Admin Office(s) | limited, shared spaces | expanded office space(s) | expanded office space(s) | expanded office space(s) | shared office space |
| Staff Room | not available | included | included | included | included |
| Storage Space (multi-purpose) | extremely limited | expanded multi-purpose | expanded multi-purpose | expanded multi-purpose | scaled down multi-purpose |
| Conference / Board Meeting Room(s) | Board Room | multi-room option(s) | single multi-use meeting space | single multi-use meeting space | single multi-use meeting space |
| Additional Amenities | not available | potential to consider | excluded | partially included | excluded |
| Indoor teaching/practice facility | n/a | tbd | n/a | yes | n/a |
| Fitness room | n/a | tbd | n/a | yes | n/a |
| Hot Tub or Sauna or Steam Room | n/a | tbd | n/a | no | n/a |
| Games Room (Pool, Darts, etc) | n/a | tbd | n/a | no | n/a |
| Secondary rental space (physio, etc) | n/a | tbd | n/a | no | n/a |
| Approximate Building Size (ft2) | 15000 | 25000 | 20000 | 22500 | 15000 |
| Estimated Cost Range | | \$10 - 12M | \$8 - 10M | \$9 - 11M | \$6.5 - 8M |

Cost Analysis

The cost estimates included with each of these design options are preliminary. These details have been compiled from a variety of sources, including the re-examination of the 2008 Project budget, a comparative assessment of other new clubhouse construction projects in Ontario, and a review of current market pricing for clubhouse architecture, engineering, and design services. Current construction market prices have increased by approximately 50% from 2008 levels, significantly above the inflation standard rate. Component estimates from the notional budget previously developed in the 2008 Project have been adjusted to current market pricing. Additional cost considerations have also been included for parking lot restoration, utility service changes, temporary operations (during construction), and contingency. While still preliminary, the Committee believes these estimates reasonably represent the cost range for these clubhouse construction options. Some potential may also exist to reduce the project's overall cost through member contributions of materials, supplies, skills, and other needed services.

Please note that these estimates and budgets have been prepared on a realistic but conservative basis. It is the intention of the Committee that members may rely on the figures provided and have confidence that the project may be accomplished on budget. The Committee felt it was prudent to present honest and transparent numbers to help ensure that the membership would not be surprised by hidden costs or overages in the future. For purposes of this Business Case analysis, the Board has established a preliminary project planning budget of \$10 million.

Please note that these preliminary cost estimates do not include any costs related to the potential new sub-division development to the east of the golf course property, such as a new access road to the golf course or the provision of public utilities for water and sewage.

Additional cost details and assumptions for each of these design options are provided within **Schedule C**.

GOLF COURSE IMPACT

The construction of a new clubhouse will not necessitate any changes to the golf course.

The Committee recognizes that the golf course, ranked 38th best in Canada for 2020, is the crown jewel in the Club's operation. The integrity of our golf course is of prime importance when considering any changes to the current clubhouse situation and the Club's relationship with the residential development. The golf course is, and will remain, a priority throughout this process.

FINANCING

As a golf club and not-for profit, the Club is considered a special use business with specifications on lending that are more restrictive than would be typical when dealing with a for-profit business.

Conventional Financing

The preliminary terms that have been provided to us by several financial institutions are as follows:

- (a) Minimum loan-to-value of 50% to 70% (i.e. a 30% to 50% down payment);
- (b) Maximum amortization of 10 to 20 years;
- (c) Debt service coverage requirement of 1.5 to 1 (i.e. for each \$1.00 of debt obligation, we need to demonstrate \$1.50 in expected income); and
- (d) Interest rates of 3.75% to 5.00%.

The irrigation loan, currently outstanding at approximately \$1.3 million would be considered as part of the debt service coverage requirement. However, given that the loan is more than fully funded by an assessment, it would not impact the calculations, materially. It is possible that the irrigation loan could be refinanced as part of the clubhouse project to capitalize on current interest rates, which are substantially lower than those available at the time the irrigation project was undertaken. In the member survey completed in October 2020 (the “Clubhouse Survey”), a majority of respondents indicated a desire to pay off the irrigation loan before starting construction on a new clubhouse. Based on the projections contained in this Business Case, it is possible that, through accelerated payments, the irrigation loan could be paid off prior to starting the clubhouse construction; however, there may be financial benefits to paying off the irrigation loan, not with accelerated payments, and commencing the clubhouse construction sooner (e.g. avoid inflationary increases to construction costs and take advantage of low interest rates).

If the Phase One vote is successful, the Committee would approach financial institutions and obtain pre-approval or commitments for the mortgage associated with the project, including the specific terms. This would allow members to vote on Phase Two with greater certainty regarding the availability and terms of funding.

Sale-Leaseback

A sale-leaseback is an arrangement whereby the clubhouse could be sold and leased back to the Club. This is a common arrangement in the construction industry for high-cost fixed assets (e.g. high-rise office buildings). Companies use leasebacks when they need to utilize the cash they invested in an asset for other purposes while they still need the asset itself to operate their business. Sale-leasebacks can be attractive as an alternative method of raising capital. The Club is exploring opportunities to enter into a sale-leaseback arrangement. Under such an arrangement, the upfront costs (e.g. down payment) could be significantly reduced or eliminated, and the cost of the clubhouse could be paid by way of a long-term lease with ownership of the building reverting to the Club at the end of the lease. Without the need to accumulate a down payment, construction of a new facility could commence much sooner than under the conventional financing option. If a sale-leaseback arrangement is found to be a viable option, this would be presented as part of the Phase Two vote.

FUNDING

There are several sources which can be utilized to fund the construction of a new clubhouse. These sources include an assessment, member bonds, increases in dues/initiation, revenue generated through the sale of land, and other contributions (e.g. monetary and in-kind donations). Each source is described in greater detail below. In addition, funding projections, through 2025, are provided under several scenarios.

Assessment

Some level of member assessment will be required to fund a new clubhouse. In the Clubhouse Survey, members were given the option between monthly assessments of \$30, \$50, or \$75. Nearly 75% of survey respondents indicated a willingness to pay some level of assessment with votes relatively evenly spread between the three levels. An assessment of \$50 per month was the most popular option.

The intention behind a member assessment would be to implement in advance of the clubhouse build, as part of an effort to generate a down payment. It is difficult to articulate with certainty the precise duration of the assessment. Members should assume that the assessment would remain in place until the clubhouse mortgage was fully paid. However, the intention would be to eliminate the assessment, at an earlier stage, if other funding sources proved stable and sufficient to service the mortgage payments.

Member Bonds

A member bond would be a debt instrument issued to members in exchange for a prescribed rate of interest. Members would deposit funds with the Club, and those funds would be used to pay for the Clubhouse with the undertaking that the Club would pay interest on the funds until it was in a position to repay the principal to the members in the future. With interest rates at historic lows, a bond would assist the Club in generating funds for a down payment at relatively low cost. The five-year Canada bond rate sits at approximately 0.5%. Accounting for a modest premium, a bond with annual interest of 2% may provide an attractive option for members and the Club. The intention would be to repay the bonds to members as soon as fiscally appropriate. An annual interest rate of 2% has been included in the funding projections, below.

The results of the Clubhouse Survey demonstrated higher than anticipated levels of support for a member bond. If substantiated, the total interest expressed would result in issued bonds between \$500,000 and \$600,000. Several members indicated interest at the \$25,000 and \$50,000 levels.

Increase in Dues/Initiation

In accordance with the Strategic Plan 2020, member dues are planned to increase by 3% per year plus inflation between 2021 and 2025. In 2021, the total increase was 5%, including 2% for inflation. Beyond 2025, the intention is to increase dues by inflation, only. The dues increases

are planned independently of the clubhouse project; however, the incremental revenue will provide additional funding which can be used towards the clubhouse.

An increase in initiation is not currently contemplated; however, a new clubhouse may drive increased demand for membership and allow the Club to institute higher initiation fees for new members. Based on member feedback, an initiation fee that increases at a rate consistent with the cost of the assessment (i.e. \$600 per year) is contemplated to ensure that new members pay their proportionate share of the clubhouse project.

Sale of Land

There is a planned residential development to the east of the Club property. The development group has expressed interest in severing a portion of Club land to expand the developable area. For several reasons, a large severance with impact to the golf course is not feasible. However, a smaller severance with little, or no, impact to the golf course may provide a significant financial benefit to the Club. While net proceeds of \$1.5 million or more are possible, no amount for land sale has been included in the funding projections given the uncertain nature of this initiative. The sale of land is a significant decision for the Club and its membership. Such a decision would be brought forward to the members for a vote when, or if, a definitive agreement is reached with the development group.

A nearby residential development is likely to have additional benefits for the Club, including increasing demand for memberships, including social memberships. A vibrant local community could significantly bolster food & beverage revenue, particularly, during the off-season.

Other Contributions and Opportunities

We are fortunate to have generous members of many backgrounds. The construction of a new clubhouse could benefit greatly from in-kind service contributions, which would reduce the cost of the project. Separately, several members have expressed interest in making generous donations to the project. Again, these amounts have not been included in the funding projections given the uncertain nature of same. However, it is worth mentioning that these areas could prove quite significant. If the construction of a new clubhouse is approved, a fundraising committee would be formed to spearhead these actions. There would be opportunities for significant contributors to have naming rights or other options for recognitions (e.g. rooms could be named after members).

On a separate note, if a new clubhouse were constructed, every opportunity would be pursued to sell or re-use components of the current facility (e.g. furniture or kitchen equipment). Due to the speculative nature and value of these items, the financial benefit of re-sale or re-use has not been included in the financial modelling and projections. However, the costs associated with the Proposal would be reduced to the extent that items could be re-sold or re-used. As a rough proxy, from a different context, the re-sale/re-use of irrigation items funded 1.5% of that project.

Funding Projections

Funding projections have been prepared based on the member levels budgeted for 2020, including 415 adult playing members and 668 total members. The number of members has increased over the course of 2020 and 2021; however, the 2020 budget figures are still used as a conservative pre-covid baseline. Linear changes in member levels are used to provide easy-to-follow calculations; however, it is recognized that non-linear calculations (e.g. immediate decrease followed by slow increase) are possible.

It is important to remember that projections are based on assumptions, which may or may not prove to be true. These projections are intended to be demonstrative and give members an idea of what might be possible under reasonable assumptions.

Summary of Funding Projections

Funding projections have been prepared based on the following “expected case” scenario:

| | |
|----------------------------------|--------------------------------|
| Annual Change in Dues: | 5% (2021-2025); 2% (2026-2030) |
| Annual Change in Members: | 1% (2021-2025); 0% (2026-2030) |
| Assessment: | \$50 per month |
| Bond Revenue: | \$400,000 |

Based on the expected case scenario, the following chart provides a summary of the Club’s cash position in the years leading up to construction:

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------|-----------|-------------|-------------|-------------|-------------|
| Net Change in Cash | \$504,000 | \$222,000 | \$481,000 | \$609,000 | \$688,000 |
| Year-End Cash | \$785,000 | \$1,007,000 | \$1,488,000 | \$2,097,000 | \$2,785,000 |

The financial viability of the clubhouse project is described in greater detail, below, within the Financial Model. The first significant financial hurdle will be accumulating the down payment of \$3 million to \$5 million. Depending on a variety of factors relating to the financial success of the Club over the coming years and the available financing terms, it is feasible that the clubhouse construction could commence in 2025, with the build being complete within one year thereafter. Less favourable terms and financial conditions could extend the construction timeline.

The overarching conclusion drawn by the Committee was that, under reasonable assumptions, the successful construction of a new clubhouse was within the realm of possibility. The Phase One Materials are expected to provide the granularity and certainty, which is necessary to feel confident in the accuracy of the clubhouse cost and financing availability, before moving forward with the project.

Member Demographics

The Committee recognizes the diverse demographics of our membership, which can influence ability to afford increases in annual membership costs and willingness to pay or wait for a new

clubhouse. Specifically, it is recognized that the costs of a new clubhouse may be burdensome for some members and other members may not anticipate remaining at the Club in the long-term (i.e. they would not have the opportunity to enjoy a new facility). The Committee recognizes that the decision to move forward with a clubhouse is likely to result in some members leaving the Club. However, it is also felt that there will be new members attracted to and retained by the Club as a result. It is hoped that, in addition to the potential direct personal benefit, some of our members may look at a new clubhouse as an opportunity to ensure and protect the long-term future of the Club.

Development studies conducted by the Municipality of Central Elgin² predict that the population will reach 15,900 by early-2030. This amounts to a nearly 15% increase in the local population. It is notable that these figures were prepared prior to the onset of the covid-19 pandemic and may not account for the increasing trends away from larger cities. As a result, the member increase under the expected case scenario is felt to be a reasonable forecast.

Projected Total Principal Member Costs³

In evaluating the clubhouse project, it is important that members have a full appreciation of the direct costs that they can expect over the next several years. The following chart illustrates the total direct costs for a principal member through 2025:

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------------|-------------|-------------|-------------|-------------|
| Dues | \$3,695 | \$3,880 | \$4,074 | \$4,278 | \$4,491 |
| Irrigation Assessment \$30 per month | \$360 | \$360 | \$360 | \$360 | \$360 |
| Clubhouse Assessment \$50 per month | - | \$600 | \$600 | \$600 | \$600 |
| Total Annual Cost | \$4,055 | \$4,840 | \$5,034 | \$5,248 | \$5,451 |

Please note that the irrigation loan could be paid off as early as 2022 or 2023 if a concerted effort were made to pay down this debt. This would eliminate the irrigation assessment. However, paying off the loan at this rate and eliminating the irrigation assessment would draw significant cash from the Club and delay the clubhouse construction timeline by several years.

Grandfathering Clause

Several members have expressed concern that a new clubhouse would result in significant increases in the cost of membership, specifically, increases in dues. The intention of a

² <https://www.centralelgin.org/en/business-development/resources/Documents/2020-Development-Charges-Background-Study.pdf>

³ Please note that that total principal member costs, as depicted within this section, would also be subject to applicable taxes.

grandfathering clause would be to recognize those members who supported the clubhouse project and ensure that increases to their cost of membership are minimized. A grandfathering clause is designed to provide members with relative certainty regarding the total cost of their membership, now and in the future. For those members in good standing as of the date of the Phase Two vote on the clubhouse project, the grandfathering clause would be structured as follows:

- (a) Their dues will increase by 3% plus the rate of inflation between 2021 and 2025; and
- (b) Their dues will increase by approximately the rate of inflation after 2025.

Those members joining the Club after the date of the clubhouse vote will not benefit from the grandfathering clause and may be subject to higher increases in dues. Those members benefiting from the grandfathering clause will be known as “legacy members”. The benefits of the clause will also extend to the immediate family of legacy members in the event they wish to join the Club after the clubhouse vote. The terms of the grandfathering clause would remain in place, indefinitely. In the event of unforeseen circumstances, the grandfathering clause could be changed, but only with a majority vote of the membership.

FINANCIAL MODEL

Financial modelling is an exercise with the objective of bringing together accounting, finance and business metrics to create a future, largely financial representation of the business being modelled. In the case of a clubhouse construction, a financial model provides information regarding the performance of the Club such that the viability and timeline of the project can be assessed. The below financial projections have been prepared by the Committee on a best-efforts basis; however, it is acknowledged that financial projection can be a challenging exercise and that precision in forecasting is rarely possible. The figures are meant to be demonstrative, but are open to further discussion and critique. If the Phase One vote is successful, the projections and models would be provided to a professional firm for review and refinement to ensure that members are in a position to make decisions based on the best available information.

The financial model is composed of the following key documents which are attached:

- (a) Executive Summary (**Schedule D**);
- (b) Cash Flow Projections (**Schedule E**);
- (c) Projected Income Statements (**Schedule F**); and
- (d) Balance Sheet (**Schedule G**).

Cash Flow Projections

Cash flow projections are a key component of the financial model. Cash flow projections have been prepared to reflect 2021 through 2030 under the following scenario:

Down Payment: \$3.5 million
Amortization Period: 15 Years
Interest Rate: 3.75%
Mortgage Payments: \$47,000 per month (\$565,000 per year)

The above terms reflect the best quoted rate from a bank; however, further exceptions to standard terms may be granted, and we might also consider non-bank lenders, who specialize in clubhouse and/or special project financing.

Under the modelled scenario, construction of a new clubhouse could commence in 2025 with the facility being completed in 2026. Assessment revenue would fund approximately 64% of the mortgage obligations with the balance of the funding being derived through other sources, including dues, bonds, and operational profits. While the mortgage would be amortized over 15 years, the financial projections suggest that the building could be paid off sooner, if desirable. Under this scenario, the down payment of \$3.5 million would be the primary impediment to commencing construction sooner. If more favourable financing terms were available or if actual financials exceed the assumptions used, construction could start sooner.

Once the Club has demonstrated an ability to meet its mortgage obligations over the first few years, it is likely that the mortgage could be refinanced to match cash flows and Club needs, if it were desirable or advantageous to do so.

Projected Income Statements

In addition to the attached cash flow projections, projected income statements (also known as statements of operations or profit & loss statements) have been prepared. The projected statements project forward through 2030.

Additional Revenue from New Clubhouse

It is anticipated that a new clubhouse will result in several new streams of revenue and increases in current revenue streams. For demonstrative purposes, some of the potential new revenue streams and profit projections are included below.

| Revenue - Recoveries | \$ | # | Revenue |
|---|-----------------|----------|-----------------|
| Winter Golf Academy – Membership \$400 per season | 400 | 75 | \$30,000 |
| Swing Simulator – based on cost per hour | 40 | 500 | \$20,000 |
| Social memberships – housing development – estimate \$400 per member, 50 new members - CONSERVATIVE | 400 | 50 | \$20,000 |
| TOTAL – PER ANNUM | | | \$70,000 |
| Investment – Expenses | \$ | # | Expense |
| Winter Golf Academy - Staffing & Facility Cost (per hour) – 20 wks – 35 hrs | 30 | 700 | \$21,000 |
| Swing Simulator – Initial one-time investment | \$27,500 | | |
| Swing Simulator – Staffing & Facility Cost | 30 | 500 | \$15,000 |
| TOTAL – PER ANNUM | | | \$36,000 |
| POTENTIAL NET PROCEEDS – PER ANNUM | | | \$34,000 |

One of the more speculative incremental revenue sources from a new clubhouse is revenue from our food & beverage operations. Over the Club's recent history, food & beverage has tended to operate on slightly better than a breakeven basis. As you will note in the financial model, an increase in food & beverage revenue/profit is projected following the new clubhouse construction. While this figure may seem overly optimistic to some, the Committee has consulted with other clubs that have undergone clubhouse builds and has been advised that the figures used are relatively conservative. It has been the experience of other clubs that, following the construction of a new clubhouse, members tend to spend more, stay longer, and attend the Club more often for events and special occasions. The Committee has been advised that other clubs have experienced substantially greater increases in food & beverage revenue and that the projections used for our Club are conservative. Nonetheless, should the Phase One vote be successful, these projections would be referred to a professional firm for validation, consideration, and refinement.

Cost Savings from New Clubhouse

While there are a number of potential costs savings associated with a new clubhouse, one area with relatively certain potential for costs savings is in energy efficiencies. Conservative estimates suggest that the Club will see \$40,000 in annual energy savings, through more efficient systems and utilities, by converting to a new clubhouse.

Stress Testing

In order to test the financial model, several stress tests were performed. The testing scenarios and results are summarized in the following chart:

| Scenario | Description | Build Year | Debt Service Coverage Ratio | Impact | Feasible |
|----------|---|------------|-----------------------------|--|------------|
| 1 | 20% reduction in membership in 2022, taking three years to return to baseline. | 2025 | Met | Reduction in member dues and assessments in pre-build years but still profitable each year. | Yes |
| 2 | Scenario 1 and eliminate 25% increase in guest/tournament fees and special event profit post-build. | 2025 | Met | Loss in post-build profits of approximately \$60,000 per year; small loss in 2027. | Yes |
| 3 | Scenario 1 and 2, combined, and eliminate 15% gross profit from food & beverage post-build. | 2025 | Met | Significant drop in profitability post-build with losses in 2027 and 2028 before returning to profit. | Yes |
| 4 | Scenario 1, 2, and 3, combined, and increase mortgage rate by 1% to 4.75% | 2025 | Not Met in 2028 and 2029 | Still viable, but would require exception to debt service coverage ratio from financial institution. Coverage of 1.4:1 as opposed to 1.5:1 required. | Likely Yes |

It is recognized that there are many potential variables and scenarios which could impact the feasibility of the project. The above scenarios demonstrate that, despite adverse changes in member numbers, incremental revenue generation, and mortgage rates, the Club would still be in a position to fund the project.

RISKS AND MITIGATION STRATEGIES

It is essential, to ensure a successful project, that risks be articulated and considered and that mitigation strategies be implemented and available to avoid undesirable results. The following risks and mitigation strategies, among others, have been contemplated by the Committee:

- i. **Higher Costs:** It is possible that the costs of clubhouse construction will be higher than anticipated. This risk is mitigated by including a contingency line item in the budget, taking a conservative approach to financing strategies, and utilizing professional construction project management and architectural expertise.
- ii. **Lack of Funding:** It is possible that the available funding will not match projections. This risk is mitigated by including various funding scenarios and sensitivity analysis and building a go/no go criterion into the project development and planning cycle. Member numbers and actual funding can be monitored carefully during the period between the start of the assessment and the start of construction on the new clubhouse.
- iii. **Debt Service Requirement:** It is possible that changes in financial circumstance could lead to debt service challenges. This risk is mitigated by allocating reserve funds to address temporary cash flow challenges and by sufficiently sensitizing cash flows to ensure that the project is viable under less-than-ideal conditions.
- iv. **Do Nothing Risk:** In addition to the risks of building a new clubhouse, it is important to recognize the potentially significant risks associated with doing nothing, including:
 - A major structural failure or unanticipated issue could result in the need for renovation or replacement on an urgent basis if not planned in advance. The mitigation strategy associated with the uncertainty surrounding the current building is to explore and carefully consider the possibility of building a new clubhouse. The emergency fund is also maintained to manage unforeseen events.
 - If we do nothing, members who feel the facilities are inadequate may leave and potential members may choose not to join. The financial stability of the Club depends on its ability to provide value to its members. Again, the mitigation strategy is to act proactively and carefully consider renovation and replacement options.
- v. **Inflation Risk:** As described above, construction costs increased 50% since this project was last considered in 2008. While the future impact on costs is uncertain, it is reasonable to expect, at least, inflationary increases to costs. If the Club does not act now, the costs will almost certainly continue to rise. Inevitably, there will come a day when the clubhouse must be replaced. The opportunity to build a clubhouse now, proactively, provides certainty. If action is not taken now, a future membership may be burdened with having to replace the facility on a more urgent basis and may or may not be able to do so. Acting now is a strong step towards ensuring the long-term sustainability of the Club.
- vi. **COVID-19 Pandemic Risk:** There have been a number of impacts from the pandemic, including an increase in interest in golf (positive) and rising construction prices (negative).

It is unclear whether these impacts will linger or remain after a vaccine is widely available. Most signs suggest that society will return (roughly) to a pre-covid state; however, it may not. The risks associated with the pandemic are mitigated through conservative estimation, both, on the upside and downside. For example, 2020 budget member levels are utilized in the modelling, which are lower than present levels. Similarly, conservative estimates and significant contingencies are utilized when looking at the costs of the project. All estimates are felt to be reasonable, but build in flexibility to reflect the potential that covid impacts will remain in the longer term. While the lingering impact of the pandemic is a known risk, it is likely that there will be greater visibility regarding the lasting impacts of the pandemic over the next year and that there will be opportunities to assess and adapt.

QUESTION & ANSWER

We understand that you may have questions. In the interests of being proactive, we have prepared the attached **Schedule H** which provides answers to, what we believe may be, common questions. We invite you to forward additional questions to us in advance of the Information Session scheduled on April 21, 2021, such that we may prepare and formulate fulsome responses.

CONCLUSION

It is difficult to identify the perfect time to build a new clubhouse. There will always be reasons why not. It is a substantial cost. There are risks. However, many at the Club will acknowledge that it is something that must happen, sooner or later. A new clubhouse is within reach if the members choose to support it. It is a project that would leave a legacy for the Club and future generations of members. It is likely that a new facility would positively influence our SCOREGolf ranking and bring prestige to the Club. The last time members voted “yes” for a new clubhouse was circa 1923. Undoubtedly, they had a vision for what the Club and the course would become. The membership has the same opportunity now. Building something new does not mean forgetting our past. To the contrary, a new building could be an ode to our past, peppered with history and tradition, something to be proud of. In 50 or 100 years, future members may look back on this potentially pivotal time in our Club’s history. What will they think? The “ask” at this time is to further explore the possibility of a new clubhouse. With more concrete information, the membership will, then, be in a position to better evaluate the clubhouse project and determine whether it is appropriate and desirable to move forward.

Schedule A: Criteria for Clubhouse Renewal

Guiding Principles

1. The Club's Mission, Vision and Values will guide all decisions.
2. The design of the clubhouse must provide efficiency of operation.

Necessary Design Elements:

1. There must be minimal disruption during construction to play of the course.
2. There must be no financial surprises.
3. The clubhouse should feel connected to the golf course.
4. The dining space must be flexible enough to be used as one large area or as separate areas for meetings, dining or other functions. It must be large enough to hold events for at least 150 people (this is the size required for member events), with adequate serving space. There should also be a crush space for people to meet prior to entering the dining area.
5. There should be a good view of the golf course from the lounge, grillroom and dining spaces, as well as from the porch and patio areas.
6. The washrooms should be adequate for tournament functions as well as the needs of the members.
7. The patio must have seating for at least 72 people.
8. There must be easy access to and within the clubhouse including barrier-free/wheelchair access.
9. The kitchen area must be on the same floor as and close to the serving, receiving, active storage and administrative areas, with appropriate space for: receiving; cool storage; dry storage; food prep; cooking; food pick-up line; banquet staging; and dishwashing.
10. The storage areas must be large enough to store the necessary food, furniture and other equipment and goods required for the different functions when they are not in use and the storage rooms should be adjacent to the room, which they serve.
11. There should be a general storage area for facility maintenance and clean-up, pro shop storage, administration space storage and food and beverage storage.
12. The locker rooms must be easily accessible by members when arriving or after completing a game of golf. These rooms should be separated from but accessible to the main area of the clubhouse. The locker rooms should have a high standard of quality finishes.
13. Locker counts must be adequate based on the size of the membership.
14. The pro shop should be incorporated into the clubhouse and should be strategically located in relation to the 1st tee, putting green, the golf cart staging and bag storage, and for internal clubhouse member flow.
15. The pro shop should have a large enough area to include sufficient merchandise for members, a counter, and an office for the club professional. It should have a change room for trying on clothes, a storage area, and a handicapping computer station.

Schedule A: Criteria for Clubhouse Renewal

16. The cart storage facility must be easily accessible to the 1st tee. It should provide storage for 600 bags, 80 power caddies, 50 electric golf carts and 80 pull carts. Cart washing must be done in the immediate area. There should be an area for club repair area with a work counter, sink and storage. There should also be washrooms in the back shop area, or in the alternative, the back shop should be close to staff washrooms.
17. There must be a proper flow to avoid clutter of carts at the 1st and 10th tees prior to their use. There must be a simple cart drop off area to allow members a short walk to the clubhouse, eating areas and locker rooms.
18. There must be a simple short traffic flow for members from the parking lot to the clubhouse or pro shop and to the various members' areas.
19. The financing of the building must be affordable to the Club.
20. The administrative offices should be easily accessible from the main entrance to the building and the parking area. There should be sufficient space for all staff with private offices for the general manager, chef, and clubhouse manager; an area for three workstations; a room for mail, a photocopier, fax machine, printer; an adequate filing area and a storage area, as well as a secure area to house the computer server.
21. Staff facilities should include a staff lunchroom, men's and women's washrooms, shower, and half height metal lockers.
22. The staff entrance should be in the delivery/kitchen area. A separate entrance is not required.
23. All laundry is presently done in house and this will continue with a laundry room adjacent to the steward's counter.
24. The distance from the parking lot to the front door of the building should be a short walk, but the parking lot must not intrude on the clubhouse.
25. There must be sufficient convenient parking for all functions and events.

Schedule B: Clubhouse Deficiencies and Challenges

Functionality

- Drinking water contains high sodium content (South Western Public Health Advisory) Need of a new commercial water filtration system to solve problem.
- Currently, no barrier-free access between levels. Lack of accessible seating, building layout and washrooms.
- The kitchen space is inadequate to serve the restaurant and banquet service properly. Work and storage space are limited, and when preparing for large functions, the staff must often utilize areas designated for a walkthrough and delivery.
- Kitchen equipment is dated and not efficient.
- Food and beverage freezers are lacking in size, are dated and not energy efficient.
- Laundry room equipment is not sufficient in size or efficiency.
- Receiving area and garbage disposal location disrupts operations and creates safety concerns for staff, membership, and guests.
- No designated meeting rooms and must convert the existing dining lounge or grill room areas to host smaller functions and meetings—this affects membership usability.
- Inadequate layout and seating for medium/large weddings, conferences, and banquets (current maximum seating capacity of 150) with substantial impact on the ability for revenue generation.
- Hall of Fame Lounge is not adequate for membership size. Seating increase will increase revenue potential and provide better customer experience.
- Most furnishings and fixtures need replacing in the clubhouse.
- Space for staff washroom, store belongings, change and/or shower is non-existent. Staff currently eat their meals at their workstations, upstairs rooms, vehicles or standing.
- The circulation around the clubhouse from the parking lot, specifically between the first tee and building, is very tight with little clearance creating safety concerns for members and guests walking on the north side of the building.
- Set up for tournaments and events is not adequate around the first tee. First tee clutter also causes disruption for course maintenance equipment.
- The location of the Pro-Shop does not allow for proper monitoring of the first tee.
- Storage is lacking in all club areas, including cart and bag storage and the food/beverage areas.
- Ladies' washroom and locker room facilities are outdated, inadequate in size and style.

Mechanical and Electrical Systems

- Due to age and the absence of new technologies available, the building is expensive to run. Upgrading electrical and mechanical systems can save as much as 29% on annual clubhouse utility expenses.

Schedule B: Clubhouse Deficiencies and Challenges

- The life expectancy of HVAC units contributing to these direct expenses is, on average, 20 years, and most have run past their useful life spans. There is a lack of control technologies.
- The building currently has five (5) rooftop units.
- The majority of the electrical distribution equipment consists of original devices that are old and obsolete.
- No building generator to allow for business continuity and protection of food assets.
- Emergency lighting equipment is operable but provides less than adequate illumination in the event of a power outage.
- The boiler is original to the clubhouse and should be replaced with a new high-efficiency unit.
- Wall-mounted electric heat and a/c units are insufficient to support the rooms they provide for and need to be replaced, or the rooms need to be connected to a central power plant. The temperature in some areas of the clubhouse cannot be maintained during certain seasons due to dated and inefficient heating and cooling systems.
- The clubhouse is not outfitted with a fire suppression system except in the basement mechanical room and part of the kitchen.

Building Envelope Components

- The clubhouse flat roof surface areas have drainage issues that causes standing water. Several areas of the asphalt roof also may be in need replacement.
- Clubhouse roof, walls insulation, and windows were installed when energy use standards and building codes were well below the standard efficiencies of best practice today, thus causing higher operating costs of energy consumption to heat and cool the building. Windows and doors will need replacing at a considerable cost.

Finishes and Equipment Upgrades

Improvements that can keep the clubhouse interiors looking fresh and presentable have been completed over the years. There are many more issues that need attention. These improvements are items that are immediately visible and tangible to the membership, including such things as:

- Carpet and painting throughout.
- Replacement of furniture and window coverings.
- Kitchen equipment for consistent quality.

Schedule C: Clubhouse Option Cost Estimates

| Club House Design Criteria / Option | Option 1 | Option 2 | Option 3 | Option 4 | Renovation |
|--|-------------------------|------------------------|-------------------------|------------------------|------------------------|
| Professional Services Fees (Architects, Building permits, etc) | \$ 687,500.00 | \$ 550,000.00 | \$ 618,750.00 | \$ 412,500.00 | \$ 315,000.00 |
| New Building Construction (including demolition) | \$ 6,875,000.00 | \$ 5,500,000.00 | \$ 6,187,500.00 | \$ 4,125,000.00 | \$ 2,100,000.00 |
| Kitchen Equipment | \$ 200,000.00 | \$ 200,000.00 | \$ 200,000.00 | \$ 200,000.00 | \$ - |
| New Lockers | \$ 210,000.00 | \$ 157,500.00 | \$ 189,000.00 | \$ 126,000.00 | \$ 50,000.00 |
| Electrical, Mechanical & HVAC | \$ 900,000.00 | \$ 675,000.00 | \$ 810,000.00 | \$ 540,000.00 | \$ - |
| Furniture, Fixtures, and Other Equipment | \$ 500,000.00 | \$ 375,000.00 | \$ 500,000.00 | \$ 300,000.00 | \$ 200,000.00 |
| External Landscaping (including Expanded Patio Area) | \$ 500,000.00 | \$ 500,000.00 | \$ 400,000.00 | \$ 400,000.00 | \$ 125,000.00 |
| Rerouting of Existing Entrance Road (East Parking Access) | \$ 75,000.00 | \$ 75,000.00 | \$ 75,000.00 | \$ 75,000.00 | \$ 75,000.00 |
| Service Cost Changes (Hydro, Water, Septic System) | \$ 300,000.00 | \$ 300,000.00 | \$ 300,000.00 | \$ 300,000.00 | \$ - |
| Parking Lot (Central) and Service Road Restoration | \$ 175,000.00 | \$ 175,000.00 | \$ 175,000.00 | \$ 175,000.00 | \$ 175,000.00 |
| Temporary Services Rental | \$ 75,000.00 | \$ 75,000.00 | \$ 75,000.00 | \$ 75,000.00 | \$ - |
| Sub-Total | \$ 10,497,500.00 | \$ 8,582,500.00 | \$ 9,530,250.00 | \$ 6,728,500.00 | \$ 3,040,000.00 |
| Contingency | \$ 524,875.00 | \$ 429,125.00 | \$ 476,513.00 | \$ 336,425.00 | \$ 760,000.00 |
| Preliminary Project Estimate | \$ 11,022,375.00 | \$ 9,011,625.00 | \$ 10,006,763.00 | \$ 7,064,925.00 | \$ 3,800,000.00 |

Additional Cost Notes:

1. Soft costs have been estimated at 10% of New Building Construction cost.
2. New Building Construction costs are based upon \$275 per Gross Square Foot. This factor was derived from a comparative and normalized analysis of the construction costs of several recently completed Club House projects in Ontario.
3. Estimates for Kitchen, New Lockers, and Electrical, Mechanical & HVAC, Furniture & Fixtures, and External Landscaping were derived from comparable 2008 Project allocations, further normalized by the cost of inflation.
4. Rerouting of Existing Entrance Road refers to redirecting the current entranceway such that it follows the 12th hole and enters the main parking lot at the (rear) east end. This rerouting is contemplated in the event that changes to traffic flow are required based on the structure and/or size of the new facility.

Total Gross Square footage has been used to estimate scaling differences in capacity and cost estimate differences between models (e.g., Furniture, Fixtures, & Other Equipment)

Schedule D: Financial Model – Executive Summary

| | | | | | | | | | | | |
|---|--------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| St. Thomas Golf & Country Club | | This is a summary only and readers should consider the financial projections in their entirety. | | | | | | | | | |
| Financial Projections | | | | | | | | | | | |
| Executive Summary | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| | | | | | | | | | | | |
| Number of members | | | | | | | | | | | |
| Playing adults | | 419 | 423 | 427 | 431 | 435 | 435 | 435 | 435 | 435 | 435 |
| Playing juveniles, juniors, students & young adults | | 172 | 174 | 176 | 178 | 180 | 180 | 180 | 180 | 180 | 180 |
| Non-playing | | 84 | 85 | 86 | 87 | 88 | 88 | 88 | 88 | 88 | 88 |
| | | 675 | 682 | 689 | 696 | 703 | 703 | 703 | 703 | 703 | 703 |
| | | | | | | | | | | | |
| Membership dues and monthly assessments | | | | | | | | | | | |
| Annual increase in member dues following 2021 | | n/a | 5% | 5% | 5% | 5% | 2% | 2% | 2% | 2% | 2% |
| Monthly assessment for most membership categories | | | | | | | | | | | |
| Existing irrigation loan | | \$30 | \$30 | \$30 | \$30 | \$30 | \$30 | \$30 | \$30 | \$30 | \$30 |
| Planned building project | | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| | | \$80 | \$80 | \$80 | \$80 | \$80 | \$80 | \$80 | \$80 | \$80 | \$80 |
| Annualized assessment per member including HST | | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 | \$1,085 |
| | | | | | | | | | | | |
| Food and beverage | | | | | | | | | | | |
| Increase in food and beverage revenue | 1% over CPI | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Percentage loss in revenue during build years | | | | | | 35% | 65% | | | | |
| Gross profit from food and beverage services | | 0% | 0% | 0% | 0% | 0% | 0% | 15% | 15% | 15% | 15% |
| | | | | | | | | | | | |
| Revenue from other sources (increase year over year) | | | | | | | | | | | |
| Guest and tournament fees | | 3% | 3% | 3% | 3% | 3% | 3% | 27% | 2% | 2% | 2% |
| Cart rental | | 3% | 3% | 3% | 3% | 3% | 3% | 2% | 2% | 2% | 2% |
| Special events (net profit) | | 3% | 3% | 3% | 3% | 3% | 3% | 27% | 2% | 2% | 2% |
| Miscellaneous | | 3% | 3% | 3% | 3% | 3% | 3% | 2% | 2% | 2% | 2% |
| Locker rentals | | 3% | 3% | 3% | 3% | 3% | 3% | 2% | 2% | 2% | 2% |
| New initiatives (annual profit) | | | | | | | \$34,000 | \$35,000 | \$36,000 | \$37,000 | \$38,000 |
| | | | | | | | | | | | |
| Increase in other expenses | | | | | | | | | | | |
| Course wages, maintenance, utilities, supplies | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Other golf expenses | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| General and administrative | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Clubhouse wages, utilities, maintenance, supplies | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Post build annual cost savings (utilities & repairs) | | | | | | | | \$40,000 | \$40,000 | \$40,000 | \$40,000 |
| Golf course equipment leases | | \$33,000 | \$69,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 |
| | | | | | | | | | | | |
| Fixed asset additions (net of disposals) | | | | | | | | | | | |
| Buildings | | \$0 | \$0 | \$0 | \$0 | \$4,000,000 | \$4,000,000 | \$0 | \$0 | \$0 | \$0 |
| Pavement | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Course improvements | | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Watering system | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Furniture and equipment | | 0 | 0 | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0 |
| Course equipment | | 0 | 0 | 0 | 0 | 0 | 28,000 | 0 | 0 | 0 | 0 |
| | | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$5,050,000 | \$5,078,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| | | | | | | | | | | | |
| 10 year summary | | | | | | | | | | | |
| Building project | \$10,000,000 | | | | | | | | | | |
| Course improvements | 500,000 | | | | | | | | | | |
| Other | 28,000 | | | | | | | | | | |
| | \$10,528,000 | | | | | | | | | | |
| | | | | | | | | | | | |
| Cash balances at each year end | | | | | | | | | | | |
| Cash | | \$734,000 | \$1,209,000 | \$1,813,000 | \$2,495,000 | \$4,000 | \$899,000 | \$1,319,000 | \$1,786,000 | \$2,269,000 | \$2,765,000 |
| Short-term investments (internally restricted assets) | | 273,000 | 279,000 | 284,000 | 290,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | \$1,007,000 | \$1,488,000 | \$2,097,000 | \$2,785,000 | \$4,000 | \$899,000 | \$1,319,000 | \$1,786,000 | \$2,269,000 | \$2,765,000 |
| | | | | | | | | | | | |
| Debt Service Coverage Ratio | | 1.5 | 5.6 | 5.0 | 6.8 | 5.1 | 2.3 | 3.3 | 1.8 | 1.8 | 1.8 |
| Meets 1.5 test? | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

Schedule E: Cash Flow Projections

| | | | | | | | | | | | |
|--|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| St. Thomas Golf & Country Club | | | | | | | | | | | |
| Projected Cash Flows | Historic | | | | | | | | | | |
| (all figures \$000's and exclude HST) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Cash flow from operating activities | | | | | | | | | | | |
| Profit (loss) for the year | \$558 | \$ 117 | \$ 530 | \$ 608 | \$ 699 | \$ 727 | \$ 526 | \$ 7 | \$ 142 | \$ 261 | \$ 364 |
| Adjustments for | | | | | | | | | | | |
| Amortization of fixed assets | 190 | 171 | 154 | 142 | 134 | 128 | 133 | 925 | 822 | 737 | 665 |
| Loss (gain) on disposal of equipment | (7) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CEBA loan debt forgiveness | 0 | 0 | (10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 741 | 288 | 674 | 750 | 833 | 855 | 659 | 932 | 964 | 998 | 1,029 |
| Changes in non-cash working capital | (36) | 59 | (35) | (9) | (10) | 3 | 6 | (36) | (5) | (5) | (5) |
| Net cash flow from operating activities | 705 | 347 | 639 | 741 | 823 | 858 | 665 | 896 | 959 | 993 | 1,024 |
| Cash flow from investing activities | | | | | | | | | | | |
| Purchase of fixed assets | (80) | (50) | (50) | (50) | (50) | (5,050) | (5,078) | (50) | (50) | (50) | (50) |
| Proceeds on disposal of equipment | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow from investing activities | (73) | (50) | (50) | (50) | (50) | (5,050) | (5,078) | (50) | (50) | (50) | (50) |
| Cash flow from financing activities | | | | | | | | | | | |
| Share capital | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Members' debentures | 0 | 0 | 0 | 0 | 0 | 400 | 0 | 0 | 0 | 0 | 0 |
| Loan advances | | | | | | | | | | | |
| CEBA loan | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interim construction loan | 0 | 0 | 0 | 0 | 0 | 1,100 | 4,900 | 0 | 0 | 0 | 0 |
| Mortgage - building | 0 | 0 | 0 | 0 | 0 | 0 | 6,500 | 0 | 0 | 0 | 0 |
| Long-term debt principal repayments | | | | | | | | | | | |
| CEBA loan | 0 | 0 | (30) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mortgage - irrigation system | (169) | (75) | (78) | (82) | (85) | (89) | (92) | (97) | (100) | (105) | (110) |
| Interim construction loan | 0 | 0 | 0 | 0 | 0 | 0 | (6,000) | 0 | 0 | 0 | 0 |
| Mortgage - building | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (329) | (342) | (355) | (368) |
| Net cash flow from financing activities | (128) | (75) | (108) | (82) | (85) | 1,411 | 5,308 | (426) | (442) | (460) | (478) |
| Net change in cash | 504 | 222 | 481 | 609 | 688 | (2,781) | 895 | 420 | 467 | 483 | 496 |
| Cash, beginning of year | 281 | 785 | 1,007 | 1,488 | 2,097 | 2,785 | 4 | 899 | 1,319 | 1,786 | 2,269 |
| Cash, end of year | \$785 | \$1,007 | \$1,488 | \$2,097 | \$2,785 | \$4 | \$899 | \$1,319 | \$1,786 | \$2,269 | \$2,765 |
| Cash is comprised of | | | | | | | | | | | |
| Cash | \$517 | \$734 | \$1,209 | \$1,813 | \$2,495 | \$4 | \$899 | \$1,319 | \$1,786 | \$2,269 | \$2,765 |
| Short-term investments | 268 | 273 | 279 | 284 | 290 | 0 | 0 | 0 | 0 | 0 | 0 |
| | \$785 | \$1,007 | \$1,488 | \$2,097 | \$2,785 | \$4 | \$899 | \$1,319 | \$1,786 | \$2,269 | \$2,765 |

Schedule F: Projected Income Statements

| St. Thomas Golf & Country Club | Projected (using 2017 to 2019 as base line) | | | | | | | | | |
|--|---|---------|---------|---------|-------------|---------|---------|---------|---------|---------|
| Projected Income Statements | | | | | | | | | | |
| (all figures \$000's and exclude HST) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| | | | | | Build years | | | | | |
| Golf | | | | | | | | | | |
| Membership fees | \$1,544 | \$1,637 | \$1,736 | \$1,841 | \$1,952 | \$1,991 | \$2,031 | \$2,072 | \$2,113 | \$2,155 |
| Guest and tournament green fees | 195 | 201 | 207 | 213 | 219 | 226 | 287 | 293 | 299 | 305 |
| Cart rentals | 165 | 170 | 175 | 180 | 185 | 191 | 195 | 199 | 203 | 207 |
| Wages, maintenance, utilities, supplies, equipment rent | (799) | (815) | (831) | (848) | (865) | (882) | (900) | (918) | (936) | (955) |
| Course maintenance equipment leases | (33) | (69) | (71) | (71) | (71) | (71) | (71) | (71) | (71) | (71) |
| Other golf expenses | (315) | (324) | (334) | (344) | (354) | (365) | (372) | (379) | (387) | (395) |
| | 757 | 800 | 882 | 971 | 1,066 | 1,090 | 1,170 | 1,196 | 1,221 | 1,246 |
| | | | | | | | | | | |
| Food and beverage | | | | | | | | | | |
| Revenue | 707 | 728 | 750 | 773 | 517 | 287 | 845 | 870 | 896 | 923 |
| Cost of goods | (283) | (291) | (300) | (309) | (207) | (115) | (338) | (348) | (358) | (369) |
| Wages, supplies and maintenance | (424) | (437) | (450) | (464) | (310) | (172) | (380) | (392) | (403) | (415) |
| Special events (net profit) | 22 | 23 | 24 | 25 | 26 | 27 | 34 | 35 | 36 | 37 |
| Net profit (loss) from food and beverage operations | 22 | 23 | 24 | 25 | 26 | 27 | 161 | 165 | 171 | 176 |
| | | | | | | | | | | |
| Pro shop | | | | | | | | | | |
| Revenue | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Cost of goods | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Gross profit | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| | | | | | | | | | | |
| Other revenues | | | | | | | | | | |
| Miscellaneous | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Interest | 5 | 5 | 6 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Locker rental | 19 | 20 | 21 | 22 | 23 | 24 | 24 | 24 | 24 | 24 |
| New initiatives (net profit) | 0 | 0 | 0 | 0 | 0 | 34 | 35 | 36 | 37 | 38 |
| | 35 | 36 | 38 | 39 | 34 | 69 | 70 | 71 | 72 | 73 |
| | | | | | | | | | | |
| Other expenses | | | | | | | | | | |
| General and administrative | 513 | 528 | 544 | 560 | 577 | 589 | 601 | 613 | 625 | 638 |
| Clubhouse wages, utilities, maintenance, supplies & uniforms | 209 | 213 | 217 | 221 | 225 | 230 | 235 | 240 | 245 | 250 |
| Post build cost savings (utilities, maintenance) | 0 | 0 | 0 | 0 | 0 | 0 | (40) | (40) | (40) | (40) |
| | 722 | 741 | 761 | 781 | 802 | 819 | 796 | 813 | 830 | 848 |
| | | | | | | | | | | |
| Operating income (loss) | 92 | 118 | 183 | 254 | 324 | 367 | 605 | 619 | 634 | 647 |
| | | | | | | | | | | |
| Other revenue (expenses) | | | | | | | | | | |
| Members assessments | 200 | 555 | 561 | 567 | 573 | 573 | 573 | 573 | 573 | 573 |
| Initiation fees | 53 | 55 | 57 | 59 | 61 | 63 | 32 | 33 | 34 | 35 |
| Gain (loss) on disposal of equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrigation mortgage and other interest | (57) | (54) | (51) | (47) | (44) | (40) | (36) | (32) | (27) | (23) |
| Building construction loan / mortgage interest | 0 | 0 | 0 | 0 | (55) | (300) | (238) | (225) | (212) | (199) |
| Member debenture interest | 0 | 0 | 0 | 0 | (4) | (4) | (4) | (4) | (4) | (4) |
| CEBA loan debt forgiveness | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization of fixed assets | (171) | (154) | (142) | (134) | (128) | (133) | (925) | (822) | (737) | (665) |
| Members assessment expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 25 | 412 | 425 | 445 | 403 | 159 | (598) | (477) | (373) | (283) |
| | | | | | | | | | | |
| Profit (loss) for the year | \$117 | \$530 | \$608 | \$699 | \$727 | \$526 | \$7 | \$142 | \$261 | \$364 |

Schedule G: Balance Sheet

| | | | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| St. Thomas Golf & Country Club | | | | | | | | | | | |
| Projected Balance Sheets | Historic | | | | | | | | | | |
| (all figures \$000's and exclude HST) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash | \$517 | \$734 | \$1,209 | \$1,813 | \$2,495 | \$4 | \$899 | \$1,319 | \$1,786 | \$2,269 | \$2,765 |
| Short-term investments | 268 | 273 | 279 | 284 | 290 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts receivable (net of allowance) | 194 | 210 | 246 | 256 | 267 | 257 | 244 | 294 | 300 | 306 | 312 |
| Inventories | 170 | 103 | 106 | 109 | 112 | 105 | 99 | 121 | 124 | 127 | 130 |
| Prepaid expenses | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 |
| | 1,186 | 1,358 | 1,879 | 2,502 | 3,205 | 408 | 1,285 | 1,778 | 2,255 | 2,748 | 3,254 |
| | | | | | | | | | | | |
| Property, buildings and equipment (NBV) | 2,796 | 2,675 | 2,571 | 2,479 | 2,395 | 7,317 | 12,262 | 11,387 | 10,615 | 9,928 | 9,313 |
| | | | | | | | | | | | |
| Total assets | \$3,982 | \$4,033 | \$4,450 | \$4,981 | \$5,600 | \$7,725 | \$13,547 | \$13,165 | \$12,870 | \$12,676 | \$12,567 |
| | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$130 | \$138 | \$142 | \$146 | \$150 | \$141 | \$132 | \$162 | \$166 | \$170 | \$174 |
| Government remittances payable | 40 | 41 | 42 | 43 | 44 | 40 | 37 | 44 | 45 | 46 | 47 |
| Current portion of long-term debt | 78 | 108 | 82 | 85 | 89 | 93 | 426 | 443 | 460 | 478 | 496 |
| | 248 | 287 | 266 | 274 | 283 | 274 | 595 | 649 | 671 | 694 | 717 |
| | | | | | | | | | | | |
| Long-term debt | | | | | | | | | | | |
| Mortgage - irrigation system | 1,392 | 1,317 | 1,239 | 1,157 | 1,072 | 983 | 891 | 794 | 694 | 589 | 479 |
| Interim construction loan | 0 | 0 | 0 | 0 | 0 | 1,100 | 0 | 0 | 0 | 0 | 0 |
| Mortgage - building | 0 | 0 | 0 | 0 | 0 | 0 | 6,500 | 6,171 | 5,829 | 5,474 | 5,106 |
| Members' debentures | 2 | 2 | 2 | 2 | 2 | 402 | 402 | 402 | 402 | 402 | 402 |
| CEBA program loan | 40 | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1,434 | 1,359 | 1,241 | 1,159 | 1,074 | 2,485 | 7,793 | 7,367 | 6,925 | 6,465 | 5,987 |
| Less, current portion of long-term debt | 78 | 108 | 82 | 85 | 89 | 93 | 426 | 443 | 460 | 478 | 496 |
| | 1,356 | 1,251 | 1,159 | 1,074 | 985 | 2,392 | 7,367 | 6,924 | 6,465 | 5,987 | 5,491 |
| | | | | | | | | | | | |
| Total liabilities | 1,604 | 1,538 | 1,425 | 1,348 | 1,268 | 2,666 | 7,962 | 7,573 | 7,136 | 6,681 | 6,208 |
| | | | | | | | | | | | |
| Net assets | | | | | | | | | | | |
| Share capital | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 | 252 |
| Unrestricted assets | 1,832 | 1,949 | 2,479 | 3,087 | 3,786 | 4,807 | 5,333 | 5,340 | 5,482 | 5,743 | 6,107 |
| Internally restricted assets | 294 | 294 | 294 | 294 | 294 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2,378 | 2,495 | 3,025 | 3,633 | 4,332 | 5,059 | 5,585 | 5,592 | 5,734 | 5,995 | 6,359 |
| | | | | | | | | | | | |
| | \$3,982 | \$4,033 | \$4,450 | \$4,981 | \$5,600 | \$7,725 | \$13,547 | \$13,165 | \$12,870 | \$12,676 | \$12,567 |

Schedule H: Question & Answer

- 1. If a new clubhouse is approved, what can I anticipate will be the change in my member costs for next season?**

If a new clubhouse is approved, member dues are expected to increase at the planned rate of 3% plus the rate of inflation for 2022. An assessment in the range of \$50 per month for all adult members is also anticipated.

- 2. How many members do we expect to purchase a bond?**

42% of survey respondents (120 members) indicated that they were willing to purchase a bond.

- 3. Will we have more outside functions to finance this project?**

Not necessarily. A new clubhouse will provide the opportunity to host more or higher value functions; however, it will be up to us to determine which functions we wish to include.

- 4. What is the experience of other clubs undergoing similar clubhouse projects?**

The clubs we have contacted have experienced increased demand for memberships, increased activity around the club from members, and a general increase in member satisfaction.

- 5. Will a new clubhouse affect the Club's ability to meet its capital and maintenance requirements for the golf course?**

The Board recognizes that the golf course is the primary asset of the Club and must be protected at all times. The financial projections are prepared on a conservative basis to ensure that adequate funds are set aside to maintain the high functioning of the golf course.

- 6. How do we know that the financial plan will be sufficient and that members will not be asked for additional funds in the future?**

The financing plan for the construction of the clubhouse is very conservative, with cash flow analysis showing sufficient cash to cover annual mortgage payments. The Board is satisfied that the budget is sufficient, with a contingency, to cover any potential additional costs. Through the Phase One Materials, members will have a more definitive sense of the financial picture. In any event, the Club would not move forward with construction if actual costs or funding differ materially from the projected amounts.

- 7. How many people could attend a function at the new clubhouse?**

Depending on the design option selected, the new clubhouse would be capable of hosting a seated event with between 150 and 200 people in attendance.

- 8. Will the club and cart storage be able to accommodate electric caddie storage and charging?**

Schedule H: Question & Answer

In addition to indoor storage for golf carts, it is anticipated that the new clubhouse would be capable of storing and charging electric caddies for our members.

9. Is there accommodation for the handicapped?

The new clubhouse would have barrier free access to all of its areas.

10. Will the golf course be affected by the new clubhouse or its construction?

The golf course would not be affected by the new clubhouse, and play on the course would not be disrupted. There may be temporary disruption to the parking lot during construction.

11. Will members be without a new clubhouse during construction?

If the new clubhouse is built on the current footprint, as presently contemplated, members would be without a clubhouse for part of a golf season. Every effort would be made to provide outdoor accommodations (e.g. enhanced patio and bar service) to ensure members continue to enjoy the facilities during the construction phase.

12. What would the operational implications be when there is not a clubhouse during construction?

Although there would be reduced revenue during construction, there would also be reduced expenses. A modest decrease in clubhouse operations net profit is expected during the construction phase; however, our experience during early 2020 would suggest that our members may continue to support the Club at a high level despite the lack of access to the clubhouse.

13. What is wrong with staying in the current clubhouse?

The present clubhouse is nearly 100 years old and is well past its normal life span. It has many needed repairs and replacements, making it very inefficient and costly to run. It is also challenging to retain members and attract new members with the present clubhouse. The function area is awkward and unable to host larger functions. For more information, please see the Background Information section.

14. Will the new clubhouse provide views of the golf course?

The new clubhouse will specifically provide excellent views of the golf course. The member lounge and patio are expected to be set alongside the 1st tee and 18th green to capitalize on the excellent views available to us.

15. How do we ensure that project costs do not escalate?

Before going forward with the project, the Board would enter into a contract with a reputable contractor for a price that is within the budgeted amount, accounting for significant contingencies. If the construction costs, for any reason, increase beyond the budgeted

Schedule H: Question & Answer

amount, the Board would not move forward without first obtaining the approval of the members.

16. What if future attrition of members is higher than expected?

Construction of the clubhouse is not anticipated to commence until 2025 or later. If member attrition over the next three years is higher than projected, the Board will need to reassess the project funding capabilities before committing to the construction.

17. Are there less expensive clubhouse options?

The project estimates have been calculated based on available market information and comparator projects. It is possible that actual costs will be less than the estimates. As with any project, you get what you pay for. The Club will make every effort to ensure that the project is completed to high standards while minimizing costs, in part, by engaging local contractors and services.

18. Why is the cost of renovation so high?

As described in greater detail in the Renovation section, the current clubhouse benefits from many grandfathering provisions. Much of its infrastructure would not meet modern code requirements, which is okay as long as we do not change anything. As soon as we make any modification, a cascade of update requirements would be necessary. Renovating a 100-year-old structure brings a variety of challenges and the price reflects this. In addition, the contingencies associated with a renovation are much higher than a new build, as there are a number of factors that will not be known until the renovation begins.

19. Will the new clubhouse be capable of generating enough revenue to fund its mortgage payments?

It is difficult to predict with certainty whether the new clubhouse operations will be able to fully fund mortgage payments. Other clubs who have undergone similar projects have tended to see increases in revenue over time. Our financial projections assume modest increases in revenue but do not unduly rely on incremental revenue to fund the project. Over time, clubhouse operations are expected to play a prominent role in funding; however, early-stage funding relies primarily on a member assessment.

20. Will the Club sell lands to fund the new clubhouse?

A new clubhouse is not contingent on the sale of land. A land sale is a separate decision which would be subject to a vote of the membership. The financial projections demonstrate that a new clubhouse can be funded without a sale of land. The sale of land and accompanying proceeds would assist substantially with the funding need, but are not a requirement.

Schedule H: Question & Answer

21. How will a new clubhouse impact the availability of tee times?

The Board recognizes that tee times are already in high demand. A significant increase in membership to fund the new clubhouse is not appropriate or expected. The financial projections rely on the current members, in large part, to fund the project. A focus will be placed on generating additional streams of revenue that do not place additional strain on the tee sheet.

22. Where will the new clubhouse be located?

It is expected that the new clubhouse will be built on approximately the same footprint as the old clubhouse. This location has a number of benefits, including course views, proximity to holes, and functionality, which would be difficult to replicate in another location.

23. Will the new clubhouse have an indoor golf practice area, and will it be capable of operating year-round?

Yes, the new clubhouse is expected to have an indoor practice facility and fitness area. These features would generate additional participation during the winter months, which would also enable the club to open its restaurant during winter months. Year-round operations are expected to generate additional incremental revenue for the club and provide value to its members.

24. Will the new clubhouse be a “green building”?

The Club will try to utilize environmentally friendly technology, whenever possible, in the design and construction of the new building. It is anticipated that a “greener” facility will result in positive cost efficiencies for the Club, as well.