



Elouera Ski Club Ltd

**53 Bridge Rd
Blaxland NSW 2774**

**Phone 0417236365
information@eloueraskiclub.asn.au**

**Pygmy Possum Lodge, Charlotte Pass
Kosciuszko National Park
And
Castaways Units, Shoal Bay
ACN 002 703 988**

11 February 2016

Subject: Current Position with Castaways Units

Dear Members

This Special Newsletter has been prepared in response to an item put to the AGM in July 2015, where we advised the members that the Castaway Units at Shoal Bay, as a whole have not been profitable for the past few years. The Board undertook to look at options to improve the Elouera Ski Club balance sheet before the next AGM. The Board is now advising the members of their decision and giving you all a chance to comment on our decision.

As most members are aware the units were purchased to provide the club with positive assets to ensure that the club could meet its debts and to have sufficient funds to be able to negotiate a new lease with the NPWS.

For over 10 years the Board has been accepting loans from members to offset the loans to the bank for the procurement of the Castaway units and to support our cash flow at Pygmy Possum. These loans currently stand at \$418,912 to members, with a further \$41,000 owed to the bank. Recently we have had requests from some of these members to repay \$280,000 of these loans. This makes our strategy with the Castaway a little more complicated.

A series of papers were prepared to provide the background and options for the Board. At a special meeting convened in February, the Board reviewed these options and made a tentative decision on the best way forward for the club.

Given the short timeframe before the new lease negotiations start and the need to keep our loans to a reasonable level, some of the options were more acceptable than others. The Board is seeking member comments on the more acceptable options.

Option 1: Retain all units and procure a bank loan

This was a base case but meant that we would have to find a bank that would lend us the money on falling revenue from our accommodation income. This was considered too risky an option for the Board to pursue.

Option 2: Sell some Units

Currently we have 4 units, 3 x 1-bedroom and 1x 4-bedroom units in a block of 8 units. There is already one unit up for sale by another owner but he is asking a high price. The occupancy in our single bed units has been about 15-20% for the past few years and the income to expenditure has been negative. The 4-bedroom unit is 65% occupied. It has had a recent upgrade so we expect occupancy to increase and result in a positive cash flow.

It is not necessary to sell all the units.

The Board considers selling 2 x 1-bedroom units and keeping the 4-bedroom unit and 1 x 1-bedroom units for member accommodation is the best option. It will liquidate some assets to enable repayment of loans and put some capital in the bank to begin our lease negotiations with NPWS.

Option 3: Sell all Units

The Board considers that there may be a developer interested in purchasing all four units and if they offer a good price then the Board will consider this. However, the Board does not have a desire at this stage to have a lot of money in the bank before we begin the lease negotiations and therefore prefer not to sell all the units.

Option 4: Each Member Pay \$1,000

This option requires that all members put in an extra \$1,000 into the club as payment for future membership under the new lease.

The Board considered this as a possible option but they felt that it would be difficult for all members to invest additional money to this degree. This option will not be considered further unless members show a preference for it.

Option 5: New Member Loans to meet repayment obligations

The Board is reluctant to move debt to other members or to increase member debt. Also, it may be difficult to find members who could afford to lend the money required to meet existing loan repayment requests. This option will not be considered further unless members show an intention in next two weeks to loan sufficient money to make it viable.

The Board has now opened this discussion to the members for their view and this will be considered in March before finalising our decision to move to the next process, as we are keen to pay our outstanding debts as soon as possible.

All comments must be received by 10 March 2016 either by emailing our email address at <information@eloueraskiclub.asn.au> or by post to The Secretary, Elouera Ski Club, 53 Bridge Rd Blaxland 2774.

Peter Quinnell
President