



DURBAN UNDERSEA CLUB

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BACKGROUND INFORMATION FOR THE SPECIAL GENERAL MEETING OF DUC TUESDAY 27TH JUNE 2017

The quorum of senior members required for the SGM on Tuesday is 255. As this is an onerous number to achieve, we ask that if you are unable to attend, that you please send the club your proxy.

As much as we would like all members to have a say in the club future, to avoid any legal challenges to the result of the vote on Tuesday, we have to conduct the vote in the manner prescribed by the current club constitution which only allows Senior members to vote. As soon we have an opportunity to do so, the club will change this requirement but it will mean a 75% Senior quorum when this happens.

Please check if your name is on the voters roll on the link below.

If you feel that you have been omitted from the roll or conversely, you feel you should not be on the roll, please send an email to duc@mweb.co.za

Please do not attend the meeting on Tuesday if your name is not on the roll as we will not be able to accommodate all that would want to attend this important meeting and it will also make the counting of votes more complicated.

Below is some information for you to absorb to ensure that your vote is an informed one.

RELEVANT DOCUMENTATION:

[\[Click Here\]](#) To Download [Special General Meeting Proxy Form - 2017/06/27](#)

[\[Click Here\]](#) To Download [PWC Permanent Lease agreement](#)

[\[Click Here\]](#) To Download [PWC Temp lease agreement](#)

[\[Click Here\]](#) To Download [Voters Roll SGM](#)

Due to their size, some of these documents may take some a few minutes to download.

One of the main questions being asked is why the club has opted for a LEASEHOLD agreement with the Developers for 15 to 25yrs instead of a FREEHOLD agreement which would secure the long term future of the club in terms of owning the property and not being at the mercy of landlords.

FREEHOLD OPTION

After entering into the Freehold agreement in 2008 with the developers along with the other two Watersport Clubs (DSBC and PYC), DUC embarked on a concerted effort to raise funds to purchase and develop the envisaged freehold land and encouraged the other two clubs to do the same. Although the land was "cheap", the clubs would still have to fund the clubhouse building and facilities out of their own pockets when the time came to purchase and occupy the land. Various sites were proposed within the development for the land and clubhouse and eventually a site was settled on in approximately the position of the current DUC clubhouse.

If the clubs were still able to take up the freehold option they would now be looking at finding funding for a 5000 sq m clubhouse at an estimated R10 000 per sq mt building costs (approx R50 million) plus the purchase price of the land. DUC only has R15 million in the bank (we don't know what DSBC and PYC can bring to the party at this stage) so then the club would require a loan of at least R30 to R40 million at a repayment of approx R150 000 to R400 000 a month (depending on the terms of the loan) to build and fit out the club. This loan repayment would put immense financial strain on the future club and would probably result in a massive increase in fees and a decrease in membership. In any event, the loan repayment would be more than the current proposed rental and the clubs would have no "kitty" to fall back on.

Complicating the issue is that there was a buy back clause in the Freehold agreement that if the club was not able to continue, the developers would only buy back the land at the original selling price as well as the improvements made by the club would be

valued by the developers and they would only pay a fair value for these. It would be pretty difficult to secure a loan via normal channels under this condition.

LEASEHOLD OPTION

In 2014, the developers (UEM Sunrise) changed the complete layout and vision for the development and the sites available for freehold purchase were withdrawn. This change, along with municipality's plan to include the promenade across the front of the beach sites, complicated the issue and developers and the clubs had no option but to find a workable compromise.

As a compromise, the developers offered to build the clubs a clubhouse at the developers own cost within their new proposed Point Development plans. As this would alleviate the need for the clubs to find funding for building a clubhouse, the clubs accepted this compromise arrangement. As circumstances now stand, the clubs will only have to pay for the interior fitting out of the clubhouse to suit their requirements.

As DUC alone already has the funds to do this fitting out (plus more), the new joint PWC club will start out on a firm footing with funds in the bank and the ability to keep membership fees affordable for the foreseeable future. Depending on how much the clubs are able to contribute by the time the new clubhouse is ready, we are forecasting that the clubs should have approximately a R20 million rand "kitty". The interest earned on this investment alone will pay for the rental asked (plus more).

As far as the escalation clauses are concerned, we feel that these are acceptable as DUC club fees have historically been increased by between 5 and 10% for the last 10 years. If the club fees continue to be increased at the same rate, the rental escalation will be absorbed and affordable.

An important component of the affordability of the club going forward will be its efficient running and quality of the F&B offering. The future success of this in house club operation will be crucial to keeping membership fees affordable.

WHAT HAPPEN AFTER 15 YEARS?

Imagine a golfing estate without a golf club house! Now imagine a "waterfront development" surrounded by water on three sides without a water sport facility! The developers have repeatedly stated they see a value in having a water sport facility within the development that can cater for the water sport needs of the community.

By accepting the initial 15 year lease (with an option to renew for 10 more), we will be securing the medium term future of the club on a firm financial footing. To ensure the club's long term future, it will be up to the future club leadership and management (the "born free") to ensure that the club plays its role within the community and offers value and services to its members, the developers and the city. If the club fulfils this role, we see no reason why it should not have a long future.

As a side note, you may have seen that the new Ocean terminal will be funded by MSC to the tune of R225 million. MSC also only have a 25 year lease on this facility. So 25 year leases are now the norm, not some conspiracy to eventually take the land, property and evict the tenants for the benefit of the few (or the masses!).

Who knows now what the economic and political landscape will be like in 10 to 25yrs? The risk will always be there, but whether it is high risk or low risk depends very much on an individual's outlook of the present and future political and economic environment.

WHO WILL BE ELIGIBLE TO JOIN THE NEW CLUB?

All currently paid up members will automatically be eligible to become members of the new envisaged Point Watersports Club. There may be a bit of admin in terms of signing a new membership agreements for the new club and a realignment of the membership year but it should not cost you anything more than you are paying (or have paid) now.

Initially, the club will only take on bona fide water sport members like divers, boat skippers, spear fishermen, sailors, paddlers, fishing ski users, etc.. If we find we have the space to accommodate more members that are not water sport (ie social) then this may change. How membership levels are affected in the short term will be dependent on what the club can offer watersports enthusiasts and if, they in turn, will see value in the offering and retain their memberships.

What about the cost of relocating to and fitting out the temporary clubhouse?

As mentioned before, your committee has been planning for this relocation for 10 years and the funds accumulated over this period were always designated to facilitate the building or development of the new clubhouse.

The challenge is to try and minimize the relocation costs as well as to make the most of the 18 to 36 month period that we will be at the temporary site to accumulate more funds going into the permanent clubhouse.

To this end, any contribution by members that have the resources to assist the club with expanding the temporary facilities to make it comfortable and accommodating for the members would be welcome.

While the club is at the temporary site at the low rental of R100 per month, we have the opportunity to provide a facility that functions 6 days a week on a dinner, lunch and breakfast basis and operates on economies of scale with the combining of the club's staff, equipment and management.

During this period we hope to accumulate more surpluses with which to take with us into the new permanent clubhouse to help in securing its future and keeping membership fees affordable.

Imagine a Thirsty's type environment, family friendly with secure parking, beach access and launch facilities with an affordable and quality food and beverage offering. Why would you not want to be part of it?

Will there be a 'special levy' introduced to cover costs for new buildings/facilities in new or temporary club?

Since the current committee took over the club leadership in 2008, they have been planning for this day. To this end, the club has accumulated approx R15 million rand in savings to facilitate this event. As such, we do not foresee that any "special levy" will be introduced at this stage. If we are supported by the members during our stay in the temporary facility and we are able to save more funds, then we do also not anticipate any special levy for the new club.

In the interim, we will endeavour to stay out of any legal battles to preserve our capital so that we can launch the new club on a sound financial footing. Parties opposed to the development and who want to include this club in their legal actions will only be impacting negatively on the future well being of the club.

Where will the new permanent clubhouse be located and what will it look like?

The club composition will stay essentially the same and will look very similar inside to what you see today in and outside the current main dining hall area. The location of the new permanent clubhouse can be seen on plans that are currently up on the club notice boards and it will essentially be located between the current DUC clubhouse and current DSBC clubhouse.

It will be 180 meters long and 35 metres wide and cover an extent of over 5000 sq m. The current combined DUC / PYC joint facility is a proximately 1500 sq m.

What and who is a Senior member?

A: A senior member is defined in the club constitution as:

3.1 Senior Membership is limited to persons who participate(d) in the clubs' water sport activities as determined by the committee and shall include the following classes:-

3.1.1 Honorary Life Members

3.1.2 Life Members;