

Date: 22/11/2023 (updated from 14/11/2023)

To: Members - Sydney Flying Squadron and Australian 18 Footers League

Sydney Flying Squadron and Australian 18 Footers League Amalgamation

Introduction



Discussions between Sydney Flying Squadron Ltd (SFS) and the Australian 18 Footers League Ltd (A18s) have been going on for the past few years to consider what it would mean to bring the two clubs together. The underlying themes are:

- SFS put out an expression of interest to Clubs NSW and the A18s responded.
- Operating the two clubs as one entity will provide a stronger balance sheet for both clubs bringing a combined financial strength to better support 18 Footer sailing into the future
- A18 have professional staff and experience in successfully managing a club to apply to SFS to improve its financial performance.
- There will be operating efficiencies that will assist both clubs to improve their bottom line financial results.
- The history of 18 Footer sailing and racing on Sydney Harbour exists at the SFS, and in more recent years at the A18s. The efforts of both historians John Stanley and Frank Quealey have been fantastic in building up the library of articles, trophies, etc. This rich history needs to be preserved. It is a differentiator for the brand and for the future of the class to embrace this rich history and venue.
- A18s sees a strong bond with the SFS with our common goals to continue promoting 18 Footer racing on Sydney harbour. A single brand to do this and utilise a promotional

platform will provide a stronger position for 18 footers. This will take advantage of the status of 18 Footer racing in both forms to drive support and involvement in the spectacular nature of racing on Sydney harbour - club hospitality, spectator craft, sponsor interest and participation.

- The enormous pressure from the multiplicity of sailing classes today makes it imperative to market, promote and leverage the brand attributes of the 18 Footer class to ensure its longevity as a sport suitable for both men and women to pursue.

Both the SFS and A18s boards have the view it makes logical sense to bring the two clubs together.



FAQ's

Every question formally raised to date by A18 members is below in an attempt to answer the pertinent questions about the amalgamation.

Sailing and Racing



What will happen to the 18 racing at each club?

The A18s calendar has been published, and will be in a similar format to last season with regular racing on a Sunday afternoon.

The sailing committee at the SFS have commenced their calendar of racing with regular Historic 18 racing to continue on a Saturday afternoon and 12 Foot skiff racing on a Sunday afternoon. There is opportunity for new events that promote the history and evolution of 18 Footer racing.

As combined clubs, there will be promotion for all A18s sailors to participate in the historic racing where possible. The ongoing sailing management and promotion will be a combined effort.

All skiff classes are encouraged and welcomed to take advantage of the facilities offered by both the A18s and the SFS for rigging and launching, and for pre and post-race hospitality.

There is a sailing strategy document that can be accessed at [The Amalgamated Clubs Sailing Strategy](#)

The MOU says nothing about actual sailing? Where do boats have to rig?

There is no plan to change anything into the near future. Please review [The Amalgamated Clubs Sailing Strategy](#)

Will the modern 18s all rig/unrig/launch from Double Bay? The "Explanations" document suggests that both venues could be used, effectively splitting up the fleet.

There is no plan to split the fleet. All 18 racing at Double Bay are owned by the club who dictates where they rig.

How can you assure us that the sailing club at Double Bay won't become a ghost town after sailing racing?

The existing modern 18 Footers will continue sailing from Steyne Park and the associated promotion of the Sunday racing will continue at Double Bay..

Who hosts the JJs? You are going to split this up completely. What systems are in place for this to make sure it does not and will never happen?

The Organising Authority for the JJG is currently the League and this authority to host will pass to the amalgamated club. There are no plans to move the event from Double Bay or Sydney but has been raced elsewhere in the past. Currently it is in the best interest of the club and the sailors to race from the League in Double Bay.

Amalgamation and Constitution

What is the process to bring the two clubs together?

The Sydney Flying Squadron Limited (SFS) board on May 23 2023 issued a request for an Expression of Interest in an amalgamation via Club NSW. There was a formal response from the Australian 18 Footers League Ltd (Aus18 Footers) as the only response back before the close of the EOI on 31 May 2023.

A Notice of Amalgamation was posted on the notice boards at both clubs at the beginning of October 2023. This was accompanied by the earlier version of this document providing explanation why this was happening.

A Memorandum of Understanding (MOU) is a summary of how the two clubs will amalgamate. This MOU has been created and it has been signed by both the SFS and A18s board as part of the approval process.

A Special General Meeting (SGM) has been called at both clubs for members to vote on a special resolution that will allow the amalgamation to proceed. The members of the Flying Squadron Club will be asked to approve (by special resolution) amendments to the Flying Squadron Club's Constitution. The A18s General Meeting will be held to consider the Ordinary Resolution to amalgamate the two clubs.

If the resolutions are passed by members, Club NSW and Liquor and Gaming will be requested to approve the amalgamation.

Providing all the approvals are in place, the legal documents will be drawn up and executed.

I am unsure of the meeting type. Is it an extraordinary General meeting? A special resolution meeting or and AGM? I am unsure of the heading General meeting. Please explain.

This is the approach recommended by the A18 legal team who has many years experience in Club NSW amalgamations. There is only a General Meeting or an Annual General Meeting as defined by the Corporations Act.

It was highly recommended NOT to have the resolution to be part of an AGM, too topical to include in a standard agenda AGM.

How does the voting work for the General Meetings?

The voting is defined by the Corporations Act.

As described in the Notice of General Meeting for the A18s, an Ordinary Resolution which relates to the proposed amalgamation requires votes from a simple majority (50% plus one) of those members who being eligible to do so are present and vote on the Ordinary Resolution at the meeting. In accordance with the Registered Clubs Act and despite voting restrictions in the Club's

Constitution in relation to certain classes, all members in all classes of membership (excluding Honorary and Temporary members) can vote on the Ordinary Resolution.

This is also the case with the SFS General Meeting however, there is also a Special Resolution to modify the Constitution to allow the amalgamation. To pass this requires votes from not less than three quarters of those members at the meeting that are eligible to do so (Life members and Ordinary members).

Both the A18s and SFS Ordinary Resolutions and the Special Resolution at the SFS need to be passed for the Amalgamation to proceed.

What will happen to the constitutions of the two clubs?

There will only be one surviving constitution. The SFS constitution will be the foundation modified to include sections of the A18s constitution. In fact, the SFS constitution was a more modern constitution and only needed a relatively minor amount of change to incorporate the amalgamation versus the A18s constitution which would have needed a significant amount more of change. The marked up version can be found at [Amalgamated Club Constitution with marked up amendments](#)

Is the proposed MOU a binding document?

Yes

Could this amalgamation not all be achieved with a lease document put in place?

It wouldn't be an amalgamation under a lease agreement

Why are we taking their constitution? Why can we not adopt ours and put it in place under an extraordinary general meeting of their members to adopt ours?

The SFS constitution will be the foundation modified to include sections of the A18s constitution. In fact, the SFS constitution was a more modern constitution and only needed a relatively minor amount of change to incorporate the amalgamation versus the A18s constitution which would have needed a significant amount more of change.

Can you please forward me a copy of our constitution and the squadrons.

Both these documents are available on the websites. A18s are at:

<https://18footers.com/wp-content/uploads/2023/11/A18-Constitution-consolidated-4-December-2022.pdf>

The SFS is at <https://www.sydneyflyingsquadron.com.au/about-us/constitution/>

What will happen to my membership?

For an A18s member, all existing life, 10 year, gold, silver memberships will remain in place for accessing the clubhouse bar and restaurant in Double Bay.

SFS members will continue to have the same access to the SFS in Kirribilli as before.

Both SFS and A18s members will have reciprocal membership entitlements at both clubhouses for the 2023/2024 membership year.

Both memberships will ultimately become one in the 2024/2025 membership year and beyond. The structure of the combined clubs membership has had careful consideration and is described in the updated constitution.

Has permission been sought from waterways and council for an assignment of lease?

Council does not hold the lease. Dept of Trans NSW has been advised of the amalgamation and verbally it is seen as acceptable. Only following a member vote can an application for approval be made.

What happens if the squadron don't vote for the constitutional change?

The amalgamation will not go ahead.

What Communications have been sent out regarding the Amalgamation to the A18 Members?

As at 22/11/23:

- The Notice of the Amalgamation, the Signed Memorandum of Understanding, and a Frequently Asked Questions document were posted on the notice board at the A18s and on the A18 website on the 13/10/23.
- For the 3045 members with emails, the General Meeting Notice was sent on 2/11/23 at 2:10pm. There were actually 2,299 successful deliveries, with 1,471 opens.
- 368 General Meeting Notice Letters were posted to A18 Members who had no email recorded in the membership system.
- The Club Newsletter was sent on 3/11/23 at 1:15pm referencing the General Meeting to 6,198 recipients with 2,873 opens
- The Club Newsletter was sent on 9/11/23 at 5:00pm referencing the General Meeting to 6,061 recipients with 2,562 opens
- The Information Session Notice was sent out on 14/11/23 at 5:52pm to our total mailing list of 6,030 with 3,310 opens.

I have spoken to many members who have not received the email notification, nor does anyone seem to know anything about this? Why is there a rush? Why could we not have an open meeting and Q and A with members to discuss before going to a vote?

There has been no rush. This amalgamation has been discussed over the past few years, with significant effort and cost in the last 12 months. The notices have been posted as required by the Act. An information session was held at each club over the weekend of the 18/19 November 2023.

What are the compelling reasons for 18 Footers members to vote in favour of this amalgamation?

There has been a due diligence exercise performed earlier in the year when considering this question. The A18s board have agreed to proceed as they see the two clubs coming together commercially advantageous and in the best interest of the class and club members.

The most basic question is - what is in this for members of the A18s? It has been a successful financially stable club over the long term and merging with a club that is failing must have risk.

There is always a risk. Noting that the SFS is not failing, they are just not operating to the level we are. The board are confident the commercial status, potential and risks have been carefully considered and are in line with our reason for being under our existing constitution:

'To promote, manage, conduct sailing races for the 18 ft. class of sailing boats as defined in the Sailing Regulations and Sailing Constitution of the Club'

'To support and encourage open boat sailing within the Commonwealth of Australia and elsewhere'.

It is the guiding principle in considering whether to amalgamate with SFS or leave it to its own fate.

Why is the SFS the Surviving Entity rather than the A18s? Isn't that back to front?

Consideration was given to the assets held by SFS vs the A18s. Advice was sought and given by Jae Yang - principal of Charitas Law. Her findings were in summary:

4. The clubs are considering amalgamation options where it is implemented by:
 - (a) the dissolution of the Squadron, the transfer of all of its assets to the 18 Footers, including the shares in Pattons, and the continuation of the 18 Footers as the corporate vehicle of the surviving club. **(Option A)**
 - (b) the dissolution of the 18 Footers, the transfer of all of its assets to the Squadron and the continuation of the Squadron as the corporate vehicle of the surviving club. **(Option B)**

Executive summary

5. We recommend Option B as the preferred amalgamation option as it does not trigger any duty or CGT liability¹.
6. We recommend that:
 - (a) the surviving club (i.e. the Squadron) and Pattons have their income tax status reviewed as a not-for-profit Sporting Organisation may be able to self-assess as income tax exempt; and
 - (b) the surviving club (i.e. the Squadron) and Pattons consider transferring the Land to the club in the manner set out in this advice.

The whole advice can be found at [Memo of Advice re Amalgamation Options](#).

How much was the (potential) stamp duty to be paid?

It was estimated that on a bank valuation of \$5.6m done in 2021 that the stamp duty would be circa \$320k.

We have watched rugby league teams amalgamate and one side always loses

I cant respond to general rugby league teams amalgamations. But please consider that we have a deep history of 18 footer sailing on Sydney Harbour. Something that the amalgamation will both assist in preserving and further promote into the future. Without the amalgamation, I suggest that the SFS are in danger of ceasing to exist at some point in the future, and the history will be lost.

Governance

Doesn't 1 board member live in Perth, and one lives in HK? How can this be in the best interest of members?

Both board members in question invest considerable personal time as directors in directing the A18s. They are no different to the other board members who each run a portfolio as part of the overall governance of the A18s.

How can you 100% assure 18-footer members you will always control the board with members from Double Bay?

The new entity will have members from both clubs as an initial membership, and then into the future will be members of the same club; the Australian 18 Footers. It will be requisite of the board to ensure they make the best decisions on behalf of the sailors and members in line with the constitution

What is stopping SFS from voting the A18 board out?

Unlike the A18 existing constitution, the new constitution has the Club NSW Act triennial rule where only three positions of the nine positions are vacated each year.

The existing 18 Footer board on completion of the amalgamation, along with the President of the A18s and SFS become the board of the amalgamated club. This is a caretaker role until the next AGM where there will be 3 positions vacated.

If 10 historical 18fters race with a crew of 9 that's 90 voting sailing members from the squadron. If the A18 only has 16 boats with 3 sailors on each we are already out voted on everything, and the squadron can quite easily stack a board?

We will be one board. A18 sailing members are not limited to those sailing on a given Sunday and are broader group. For voting in of the board, whilst only sailing members can stand, all members have a vote.

The first Board of the Amalgamated Club will be the Board of 18 Footers, who will take office on the date of Completion of the Amalgamation. What happens after that?

Normal process of holding board meetings and electing directors at the AGM would ensue.

Under the SFS constitution is the proposed path of the A18s board becoming the SFS board - seemingly unelected - constitutional?

It is as advised by the Legal team as the correct starting position post-amalgamation.

What happens if a board member resigns during the term?

The position is vacant until the next AGM.

Financials and Operations



Will the names of the clubs change?

The surviving corporate entity will be the Sydney Flying Squadron Limited however, the name will change to 'Australian Eighteen Footers Limited'. This is a corporate structural entity decision based on the assets and tax implications of the two clubs, subject to the consent of the Australian Securities and Investments Commission.

The club houses will still hold their respective trading names. The Sydney Flying Squadron will still be known as the Sydney Flying Squadron, and the 18 Footers will still be known as the Australian 18 Footers League.

Is the 18 Footers financially viable in its current form?

Absolutely. We are trading well.

Does the transfer of assets and revenue streams to the Squadron under the merger not expose the 18 Footers to the risk of becoming financially unviable, therefore triggering the ability of the Board (after the initial 3-year period) of taking the decision to cease trading?

The 18 Footers have no property assets, but operate very profitably. The SFS has assets but is not trading well. The result is a stronger balance sheet with the ability to use the 18 Footers operating model over at SFS. Combined revenues will be higher, and each facility will play an important part in generating revenue and profits. It will be up to the management team under board guidance to continue the viability growth of the new club across two venues.

Why should 18 Footers members vote in favour of a scheme that potentially may lead to the closure of the premises on the above grounds?

As an organisation, we have a fundamental constitutional requirement to sail and promote 18 Footer sailing on Sydney Harbour. To not amalgamate will potentially see the SFS go by the wayside and that requirement will be less satisfied. The Board is confident that the SFS facility operations will

be a net contributor to the new entity as an amalgamated club and be in a better position to conduct 18 Footer sailing into the future. All business has its risks, the Board have sought to mitigate these risks.

What are the compelling reasons for 18 Footers members to vote in favour of this amalgamation?

There has been a due diligence exercise performed when considering this question. The 18 Footers board have agreed to proceed as they are convinced it is in the best interest of sailors, members and the future of both clubs and the class.

Has the A18 done a business plan on how they would run the Squadron and most of all what Cap Ex is expected over the next 5 years? I.e., if the Squadron has been making losses for so many years why does the A18 board think they can do better?

We have a business plan that will ultimately bring the SFS clubhouse into a better operating position and it is imperative that the facility operates profitably independent to the A18 facility as well as Pattons

Could you explain what the operating efficiencies will be?

Operating efficiencies are expected but the successful operation of the two venues is not contingent upon them. A few examples: The alcohol volume rebates at the bar will be collectively worth thousands of dollars per annum. The consolidation of IT and POS systems will create licensing and support savings. Staffing will be spread across both businesses reducing management overhead. The insurances will be less with one entity rather than two.

Who will run SFS and A18s?

There will be one board, initially made up of the existing board members: the SFS (President) and A18s board.

The Licensee will be a common licensee across the two facilities.

The existing management and operational teams across the two facilities will be reviewed to bring it under a single team.

What changes do we expect to see at the SFS?

Outwardly, it will be business as usual. A review of rental, membership and operational income will be conducted to confirm the proposed increases in revenue.

How many members does the Squadron have and how many does A18 have at present?

Memberships as at 31 October 2023

	A18	SFS
Honorary Members	3	
Sailing Members	63	65
Gold (equivalent of social / silver but with upfront joining fee)	1981	
Silver/Social	776	260
10 year Members	583	
Other (life, foundation, Members 50 Years)	106	53
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	3,449	378

Has the bank been notified of this proposal and what will this do to our current covenants?

Yes the bank has been notified. The loans will need to be transferred over to the new entity which is an easy process according to our bank manager.

Overall, you state that the club will have a better balance sheet and get better deals? How is a member to know this? You have provided nothing financial to us at all? The only thing we do know is that our club has survived (thanks to many board members and members over a very long period), and the squadron has had nothing but problems as long as I can remember. Can you please send me the copies of balance sheets and P and Ls for both clubs so we can make an informed decision when casting our vote on meeting day.

The Annual Report for both clubs are freely available on the Website. A18s is at <https://18footers.com/our-club/club-notices/>

. SFS is at <https://www.sydneyflyingsquadron.com.au/about-us/annual-reports/>

ICR and LVR ratios and future lending prospects v amortisation. What happens to the investment that needs to be made at Double Bay.

We have a facility of approx. \$1m that will be transferred to the new entity. The facility will remain in place.

On completion of the amalgamation, the lease for the 18 Footers premises will be transferred to the Squadron. Has this been priced on legal fees?

The legal fees are minor for this transfer.

Cost to date (20/11/23) for the Amalgamation (borne by the A18s) - \$62,616. If the decisions are made to the positive in the coming few weeks, there is still the legals to perform with contract transfers. The likely total for the amalgamation will be circa \$85,000.

Cessation of Trade from Premises of both Clubs What does this mean?

It is a regulation required under the Registered Clubs Act to state what would occur if certain conditions were met.

1. we are not going to see any significant change at Double Bay and we are significantly more viable than the SFS.
2. I cannot foresee why we would be ordered by a court to do so
3. fire is a risk but we have protection and insurance.
4. the lease is until 2035, no reason it would be considered for renewal with the next 3 years.

Does the transfer of assets and revenue streams to the Squadron under the merger not expose the 18 Footers to the risk of becoming financially unviable, therefore triggering the ability of the Board (after the initial 3-year period) of taking the decision to cease trading?

There is always risk, however, noting it is going to be one organisation. The A18s do not have the balance sheet strength of the SFS, but operates well. But while SFS is asset rich in comparison, they are not trading as well. The result we expect is a stronger balance sheet with the ability to use the A18s operating expertise over at SFS. Combined revenues will be higher, and each facility will play an important part in generating revenue.

In the 2021- 2022 SFS financial report the SFS has \$522k debt, current liabilities exceed current assets by \$65k and there was only \$26k in the bank. What is the status of the 2022-23 accounts?

The [SFS Annual Report 2023](#) has now been published.

What is the current SFS debt?

\$848,000

How much do SFS current liabilities \$848k exceed assets \$341k by?

Circa \$500k

The Secretary and Chief Executive Officer of the Amalgamated Club will be the Secretary and Chief Executive Officer of 18 Footers. What is plan B when or if this falls over do you then put in more levels of management under yourself, we don't need?

There is currently a Bar and Restaurant Manager at the A18s, and GM at the SFS. We wouldn't be putting more overhead in.

I'm an employee, what happens to me?

For the A18s staff, all existing entitlements and arrangements described in the employee agreements will be transferred to the SFS. It will be business as usual in Double Bay for scheduling and working at the A18s.. There will be opportunities for staff to work over in Kirribilli and potentially take on different roles as the two facilities operate as one.

The same will be for SFS staff, the existing agreements remain in place.

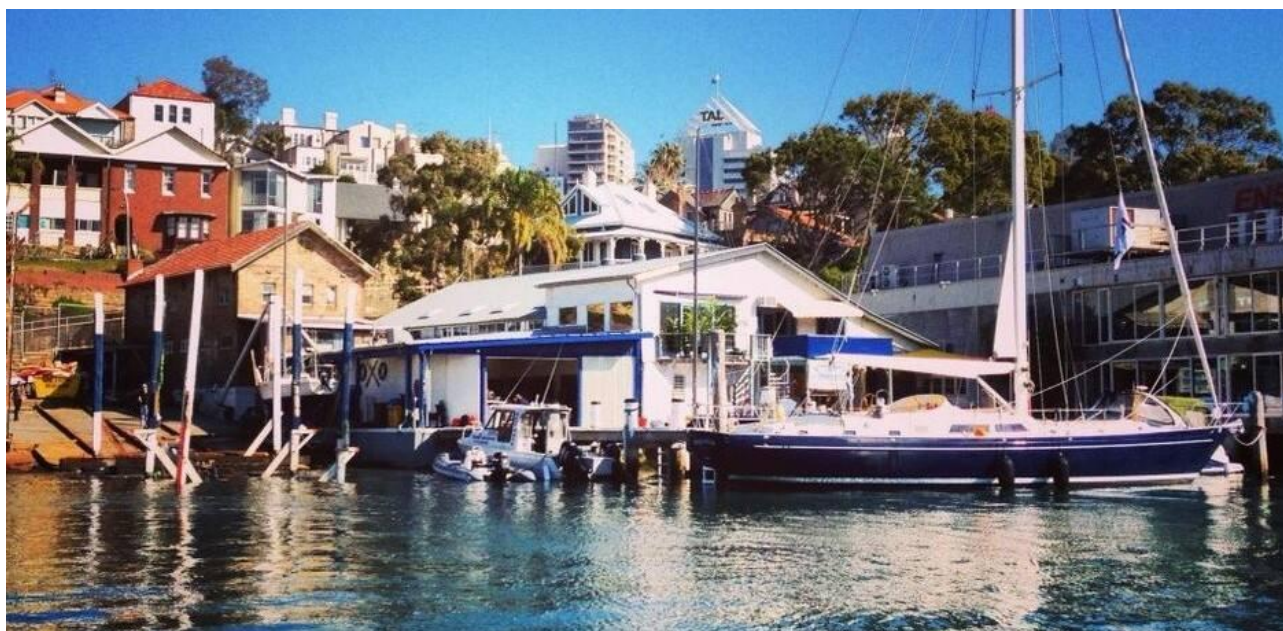
What about any existing contracts or leases?

For SFS, nothing changes to what is currently in place. However, there will be a review in due course for all supply arrangements with the view of considering new arrangements across the two facilities.

For A18s, each contract will be reviewed on its currency. In most cases, the contracts/agreements will be transferred to SFS under the existing conditions.

The legal advice is the A18s lease with Transport NSW will be transferred under existing conditions.

Pattons Slipway



What will happen with Pattons Slipway?

The slipway will continue to operate as usual. The holdover leases will be reviewed to promote a more secure future to the tenants at Pattons.

There has been considerable work done on a Development Application for upgrading the slipway. It is highly desirable to continue pursuing an upgrade to Pattons that will be inline with providing facilities to assist with supporting 18 footer racing.

What are the embedded liabilities that come with Patton's & the SFS facility? Are they in need of capital/maintenance spends? Have we even had the building looked at regarding R and M and more importantly compliance? If a DA is lodged what does the fine print say about bringing the slipway up to current codes?

We have done considerable work in understanding the sitrep at Pattons. There is certainly considerable capex needed on the slipway to continue operating however, the slipway does continue to operate and within EPA compliance. The other buildings on the freehold land are in reasonable shape. The DA replaces the slipway with a hardstand and will need to comply with the current EPA regulations. As a contingency, we have interest from The Ensemble Theatre to buy a part of the freehold land. The land value is significant.

What are the terms of the rent received? Why was it \$13k less in 2022 than 2021 which led to a small loss.

Assume this refers to all the leases now. There were significant concessions provided to the tenants during covid.

What is the long-term plan for monetizing this site?

There is a business case as part of the DA which describes the revenue from the developed site. In the meantime, negotiations have started with the slipway operator to renovate the slipway to increase income. This in turn will yield higher rental revenues.

What happens if needs to be brought up to a legal standard of waterfront development?

There will be a significant cost to develop the site to the DA if approved, the funding hasn't been determined at this point. However, as it stands currently, it is up to legal standard.

How much of the Patton's site is freehold and how much leased?

The slipway is a wetlease with Dept of Trans NSW, the rest of it is freehold.

Is the lease all with Maritime or other? If there is a lease, when does it expire?

The Dept of Trans NSW lease expired in 2015 and the site is currently on a holdover lease with the pending DA.

What is the zoning for the site?

IN4 Working Waterfront

What is the status of the DA? As far as i can tell it has been rejected but perhaps that is stale information?

The original DA was submitted in 2019 and rejected in 2020. There has been a lot of work since formulating a more robust DA which is close to be submitted with a SEARS pending.

Who operates Patton's and who holds the lease?

Interpreting this question as 'who operates the Slipway'. It is Sydney Harbour Slipways Pty Ltd. The lease is expired and is a holdover lease based on the wet lease holdover.

What experience the current board and you (CEO) has in running a slipway.

There is a tenant there responsible for operating the slipway under a lease agreement. I have along with other board members at the A18s considerable experience in operating leases and use outside advice as needed.