

THE AMERICAN CLUB SINGAPORE

EXTRAORDINARY GENERAL MEETING - JUNE 3, 2015

RESOLUTION SUMMARY

2a. Resolution as recommended by Eligible Members

Mr. Richard Hartung, Mr. Jay Sibel, Mr. James Ellis

Rationale

The proposed Redevelopment Project could use all or nearly all of the American Club's reserves and would require a three-year construction period during which the pool and other facilities will not be available for a long period of time, while the renovation of the Club in this proposal can achieve very similar results at far less cost and with far less disruption. According to Club Bylaws, the Capital Fund is meant to ensure the Club survives in perpetuity. The proposed Redevelopment Project of the American Club is anticipated to cost about S\$94 million, including expected construction costs of S\$65 million and estimated operating losses during construction of approximately S\$29¹ million.

As of February 2015 the Club had approximately S\$90 million in reserves. Members can consider whether it is prudent to use so much of the Club's capital reserves, and whether it might leave the Club in a precarious financial position to meet unanticipated or emergency financial needs.

This Resolution proposes more limited budget for renovation of up to S\$45 million² that provides materially improved facilities, a new swimming pool, and back-of-house enhancements that will make the Club more efficient and safer for its employees and Members. And because no buildings would be demolished³, the construction period could be shortened, inconvenience to Members during construction would be reduced, and operating losses for renovation could be trimmed significantly.

The S\$45 million renovation proposed in this Resolution would focus on the following improvements as a priority:

- 1) Improving the quality of the Club so that it meets the needs of members far better and remains a leading Club that is highly attractive to members
- 2) Addressing existing operational back-of-house operations to enhance efficiency, provide greater safety and a better environment for both staff and Members, with an expected focus on material logistics, kitchen centralization and staff areas
- 3) Addressing long-term maintenance needs of existing Club facilities, including redevelopment of the existing pool and pool deck area, and replacement of pool engineering and filtration equipment
- 4) Improving space allocation and utilization to meet the needs of both members and staff better

Should the above budget be sufficient to meet more than items 1-3 above, the Club could seek to address as many “Second Phase” improvements as listed on the Redevelopment Project of the Club’s website as possible with surplus funds.

Negative operating cash flow is unknown in this scenario, but should be less than the projected negative cash flows in the S\$65 million Redevelopment Project.

We believe a lower cost renovation without demolition of the structurally sound Scott’s Road building can achieve major improvements to the amenities of the Club, improved back-of-house facilities and a new swimming pool with far less disruption for Members. The Strategic Planning Committee can review the original four proposals and, drawing from this previous groundwork, create another option that meets the parameters of this Resolution. Adopting this renovation resolution would leave the Club with sufficient reserves to preserve the Club’s future structural integrity and financial health and, at the same time, members could enjoy a tremendously improved Club facility at a far lower cost and with the potential for much less noise and disruption to their usage and enjoyment of the Club.

Footnotes:

- 1 Operating losses during construction under the Club’s base case are projected at approximately S\$29 million due to lower intake of new members during the 3 year construction period, lower usage of the Club by members due to noise, dust, & disruption from construction, reduced parking facilities and less attractive temporary, relocated facilities for some outlets during construction. Together, construction costs and losses during construction could reach S\$94 million.
- 2 Absent any special project the Club expects about S\$18 million would be required to replace engineering and plant equipment over the next five years. With S\$27 million remaining in the budget under this Resolution, significant renovations could be made without demolition of the Scott’s Road building.
- 3 The Club’s appointed Master Planners, Aedas Interiors, which has been engaged to plan the Club’s redevelopment, confirmed that all of the Club’s existing buildings are structurally sound, including the Scotts Road building.