



FERNHILL ESTATE

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PENRITH CITY COUNCIL

BUSINESS PLAN

November 2013

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BACKGROUND

Fernhill is a large country estate with historic significance of National interest. It is located on 1,850 acres in Mulgoa Valley, on the first land grant issued in the area in 1810 by Governor Macquarie to Colonial Magistrate William Cox. It is a truly stunning and distinctive property that has to date been a private residence, inaccessible to the community. The uniqueness of Fernhill offers the opportunity for it to be a significant landmark and asset for Mulgoa Valley, Penrith and Western Sydney.



The heritage listed homestead is constructed from sandstone quarried on the property and built by Irish stonemasons brought out under the “bounty system” of immigration. It is a magnificent example of architecture and craftsmanship seldom seen, featuring a large ballroom and cellars that extend beneath the entire building.

Over Fernhill’s 200 year history, the Estate has had very few owners and almost every one has found it to be financially too onerous to maintain. Even the Cox family moved on due to financial issues. Both of the previous two owners, the Darlings and the Andersons went bankrupt over Fernhill. Under Warren Anderson’s ownership, Fernhill was placed into receivership in late 2010 and remained unoccupied until December 2013 when the Tripp family, under an arrangement with Angas Securities, moved to the estate.

This Plan outlines their vision to reawaken Fernhill and describes their business model aimed at implementing their goal for Fernhill to have a secure, long term a sustainable future by becoming a self-sustaining and viable working enterprise.

VISION

Their vision embraces two underlying beliefs:

- I. Fernhill must be a working enterprise that is financially self-sustaining in order to fund conservation, maintenance and ongoing operational costs. Fernhill must be managed as a commercially viable operation in order to be assured of a sustainable and secure future.
- II. Fernhill must be a celebrated asset for Mulgoa and Penrith, being accessible to and shared with the community, becoming a showcase for Western Sydney and a drawcard for local, National and International visitors to the region.

This vision incorporates a Working Heritage Masterplan and Voluntary Planning Agreement (refer relevant documents). This Plan outlines the establishment and operation of a working Estate that includes equestrian and agricultural activities, corporate and private functions, a small number of selected signature events, regular community participation, and establishment of the Fernhill Foundation to ensure conservation and public benefit remain a priority.

OVERRIDING DEMANDS/CONSTRAINTS

Fernhill faces three key demands now and into the future.

1. To ensure conservation of the heritage item into perpetuity
2. To establish a sustainable, going concern that manages the ongoing operation of the property in an effective manner
3. To service and retire previously accumulated debt attached to the property in order to enable the mechanisms required to implement 1 and 2 above

This plan is based on three key elements specifically aimed at addressing each of these 3 demands:

1. Implementation of a Business model to ensure a going concern and deliver effective management and operation of the property as a whole
2. Establishment of a Foundation that guarantees funds and effectively manages the conservation demands
3. Sub-division of peripheral lands and biobanking of conservation lands to generate funds that service and retire the debt and in turn enable the establishment and continuation of 1 and 2 above

These 3 elements are inherently interdependent in that:

- a. The business model (1) is based on certain land use provisions and activities that in turn create the value and benefits essential to the establishment of the Foundation (2). In other words, the concept of the Foundation relies on the specific activities and facilities described in the Business Model.
- b. Neither the Foundation nor the Business Model are sufficient to provide adequate funds for debt servicing and retirement (3).
- c. A mechanism for servicing and retiring debt is a pre-requisite for establishing the Business Model and Foundation. In other words, all three elements are necessary to address the demands Fernhill faces now and into perpetuity.



OVERVIEW OF BUSINESS MODEL

Fernhill requires the implementation of a Business Model that ensures the Estate is run as a going concern, able to generate the funds required for effective management, ongoing operational and maintenance requirements of a property of this complexity, size and nature. The business model advocates that Fernhill must operate as a self-sustaining, viable business that ensures a long term future as a feasible, working Estate i.e. Fernhill must become a commercially viable operation in order to be assured of a sustainable future.



Key goals are to:

- a. be financially sound and self-sustaining
- b. implement a schedule of restoration and maintenance as per the Voluntary Planning Agreement and Conservation Management Plan (refer to relevant documents)
- c. implement a structure and operation that is not dependent on individuals but is transferable and can be managed by an executive team
- d. ensure community access to facilities and involvement in a range of activities
- e. contribute positively to the local community, both directly and indirectly, through employment, supplier relationships, flow on business and increased tourism/visitors to the region
- f. establish a reputation for quality and distinction in all areas of operation and management

This Business Model proposed in the Plan is based on six key elements:

1. Equestrian Centre of Excellence e.g. agistment, coaching, clinics.
2. Primary Produce and Agriculture e.g. cattle, honey, pecan nuts.
3. Functions - e.g. weddings, celebrations, corporate meetings and community activities
4. Signature Events - e.g. Picnic Races, Music Concert, Symphony Under the Stars.
5. Fernhill Foundation – membership benefits and funding directly servicing/linked to preservation
6. Biobanking and Subdivision of Peripheral Lands

This Plan has a primary focus on equestrian operations, particularly racehorse spelling, agistment and training which is expected to be the primary regular income source that will fund the running of the Estate. While showjumping is also a part of the business plan, these pursuits are not financially viable in terms of funding the operational costs of the Estate, and are more of a private passion of the owners. This Plan also includes some focus on agriculture and primary produce, mainly through cattle, but this too is not at a level to be a viable business model. Rather it is seen to make a contribution to the operational costs of the property and an activity that retains its rural heritage.

This Plan includes regular small functions (under 300 people) that make the Estate accessible to the public, sharing the heritage and allowing the community to utilise the magnificent facilities and buildings, while contributing to funding the considerable costs of maintenance. In addition to regular small functions, this Plan outlines the delivery of 4-6 signature events that will showcase the Estate, aiming to bring visitors to the region while also offering something new to Western Sydney. Income

for signature events is expected to also provide occasional cash injections to fund major works and capex required on the Estate, for example, replacement of the sewerage plant, replacement of main pump on the large dam, restoration of burnt out sheds, etc.

This Plan also proposes establishment of the Fernhill Foundation that will offer membership benefits directly associated with the features and facilities of the Estate, in return for fees that will be allocated to conservation and heritage protection of the asset. It is important to note that the operations proposed in this Plan (i.e. equestrian, primary produce, functions and signature events) underpin the concept of a Foundation that is able to deliver membership benefits derived from the features, facilities and events that constitute the business entity. The business model must deliver the practical elements and intrinsic value-add that enables the Foundation to attract membership that secures the conservation model.

Each business line is outlined in this Plan. Specific detail on the venues, number of events per annum, number of people per event, facilities proposed, etc, are detailed in the Master Development Application. Please refer to relevant documentation as appropriate.

1. EQUESTRIAN CENTRE OF EXCELLENCE

a. Introduction

Fernhill has a long equestrian history dating back to the first owners, the Cox family. Building on this notable equestrian past, the goal of this business line is to establish:

- a world class facility for acquisition, breeding, agistment and training of international quality showjumping riders and horses, and
- a high quality thoroughbred racehorse spelling and pre-training facility.

This equestrian operation is the major focus of the Estate's business plan. The showjumping operation will be high profile but remain small and focussed, while the racehorse spelling and pre-training is expected to become the primary consistent revenue stream.

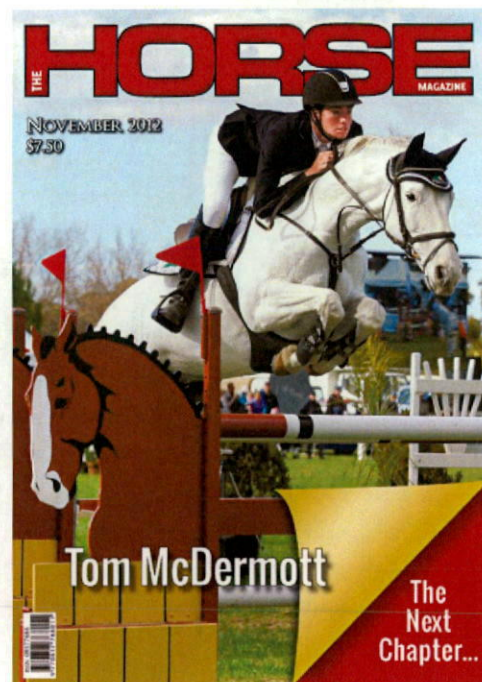
The showjumping operation has a number of aspects including clinics, specialist coaching and training as well as occasionally hosting shows and jumping competitions which may include Australian and NSW Championship events, International World Cup Qualifiers and Grand Prix events to prepare Australia's future Olympians for overseas competition.

The racehorse spelling operation will be primarily to provide relaxed and spacious paddock time for racehorses not currently in work. This operation will also include some pre-training and fitness preparation prior to horses returning to full work. It is not intended that Fernhill becomes a racing facility, but rather a spelling/timeout facility for racing horses not in full work.

b. Expertise

Greg and Tom McDermott, based at Fernhill, together with the Tripp family have years of experience in the equestrian industry. Ex-Olympian showjumper Greg McDermott and his son, Tom, are some of Australia's most experienced horsemen with an incredible passion for the sport of showjumping. In 2012 Tom was both the Australian Senior and Young Rider champion having won both titles at the Australian Showjumping Championships, a feat no other athlete in Australia has ever achieved. In November 2012 he was awarded the exceptionally prestigious HSBC Rising Star Award by the Federation Equestre Internationale (FEI) in Europe, successfully acknowledging him as the best young talent in the world. At nineteen years of age, he has already broken a number of world records, including being the youngest person in the world to win a World Cup qualifying event in 2011. He competed at the Youth Olympics in 2010 and is a definite prospect for the 2016 Olympic Games in Rio. His talent also earned him Equestrian Australia's Young Athlete of the Year title for the second time.

Greg McDermott has ridden at the highest level, being a member of the Seoul Olympic team. He has coached many of Australia's top riders, including his son Tom, over a number of years. Prior to



moving to Fernhill, Greg McDermott operated a very successful racehorse training business in Wagga Wagga. He has an impressive list of contacts in the industry that Fernhill will enable the development of this business line.

The experience of this team is a major strength of this business line which includes agistment, coaching, training, breeding, campaigning and competition assistance, buying/selling horses for clients and stallions at stud.

c. Demand for showjumping coaching, facilities and services

Both McDermotts have coached some of Australia's best showjumpers for a number of years prior to moving to Fernhill. Riders from all over Australia seek them out for lessons, coaching and training. They consistently have more client demand than they can cater for and regularly have to turn clients away. Clients not only take lessons for themselves, but also leave their horses with the McDermott's for extensive training and campaigning. Tom McDermott also attracts a number of sponsors to the facility e.g. RanVet, Equiline, feed and tack suppliers. In addition to coaching and facilities, Fernhill currently has two world class stallions at stud.

Other successful showjumping businesses analysed for this plan include Diamond B Farm (Freemans Reach; Chris Chugg), Somersby Equestrian (Gosford; Martin Gostelow), Sanna Equestrian Bloodstock (Glossodia; George Sanna), Yandoo Equestrian (Ebenezer; John and Kerrie Winning) and Oaks Sport Horses (The Oaks; Alice Cameron). Each of these facilities experience similar high levels of demand for showjumping coaching and facilities and have waiting lists for all services.

d. Revenue from showjumping operation

Both the Tripp's and the McDermott's acknowledge the showjumping operation at Fernhill to date has been a passion driven by an Olympic dream rather than a strictly commercial model. The majority of horses currently at Fernhill are owned by the Tripp's and McDermott's. The level of showjumping revenue from client horses in the first year has been at a level that just offsets the costs of the owned horses. The goal for 2014 is to shift the balance between paying/client horses and private/owned horses in order to reach a level where the paying clients exceed the private costs and deliver a small profit.

Agistment is charged at a weekly rate of between \$70 per week for spelling to \$250 per week for full board. Coaching, training and campaigning are additional charges. There are currently 45 showjumping horses at Fernhill, 20 are paying clients, and there is a waiting list of 10. Two full time staff and two casual staff are employed. Aside from labour, other major cost items include feed, farrier, vet, shavings, consumables, general stables equipment and facilities, some of which are on-charged to clients (e.g. farrier, vet)

In addition to agistment and coaching, Fernhill's stallions (Quintago and Balou) can be expected to generate a consistent revenue stream from servicing fees. Both are extremely well bred, but young. During 2013 they have begun to compete in young horse classes with great success. During the latter part of the year Quintago won a major Futurity class and Balou won the 5 year old class at the championships. These results have led to many enquiries for covers and also increased the value of each stallion if they were to be sold. From early 2014, both stallions will be campaigned and promoted for servicing fees. Currently fees are \$2,500 per cover and will increase progressively as they mature and achieve more results in open classes. Each stallion can be expected to perform between 15 and 20 covers per year.

e. Capacity for showjumping coaching, facilities and services

There are currently 45 horses at Fernhill, approximately half owned by Tripp/McDermott and half by clients. Existing showjumping facilities and resources (eg staff, equipment, arena, etc) have capacity for between 50 and 70 horses in work depending on the mix between horses requiring stabling and private paddocks versus those in shared paddocks and not stabled. This Plan proposed to increase the showjumping horse numbers slightly to approximately 50 in work, but more importantly to alter the ratio of client horses to private horses from the current 50:50 to ratio of around 70:30. This plan is based on a recognition that showjumping training at this level is an extremely intensive and specialised operation, and while it can be profitable, it is a very tough industry where scale does not necessarily deliver better financial results. This Plan is based on maximising results from the current resources, with small expansion, but no plans for major growth in showjumping horse numbers or facilities with the exception of creating a professional quality showjumping surface/arena where there is currently a basic sand arena. The cost of creating this surface is expected to be approximately \$100k. This surface would enable the Estate to host showjumping competitions such as the Australian Championships or a 'Horse of the Year' type of event.

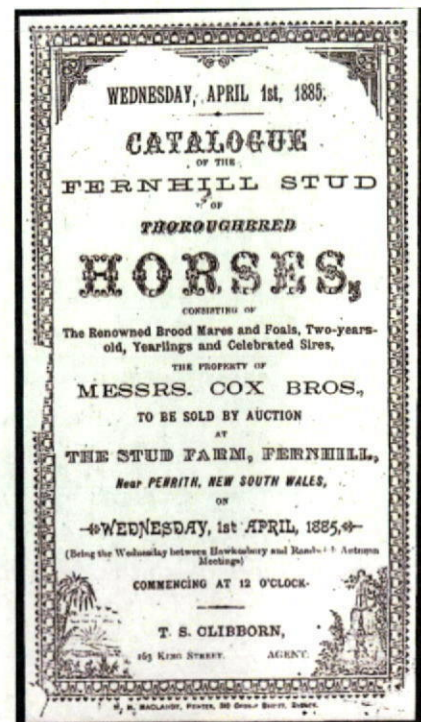
f. Establishment of Racehorse Spelling and Pre-training

The financial equestrian model for Fernhill is achieved through the spelling of thoroughbred race horses, and this is to be the primary focus of the equestrian business line.

On an international scale Australia has more racecourses than any other nation. It is second to the United States in the number of horses starting in races each year. Australia is third, after the U.S. and Japan for the amount of prize money that is distributed annually.

Fernhill Estate has a special connection with the thoroughbred racing horse industry having bred and trained two Melbourne Cup winners – Grand Flaneur in 1888 and his brother, Chester, in 1877. Grand Flaneur was an outstanding Australian Thoroughbred racehorse who won nine successive races, and was the leading Australian sire in 1894-95 and was close to the top of the list for a decade. In 2007 Grand Flaneur was inducted into the Australian Racing Hall of Fame.

The Cox family (first owners of Fernhill) achieved notable prominence in the field of agriculture and ran a reputable thoroughbred stud having brood mares, foals, yearlings and celebrated sires.



During 2013, the 2,400m race track at Fernhill was restored and the inaugural Fernhill Picnic Race successfully held on 9 November in conjunction with Racing NSW and Hawkesbury Race Club.

While race horse agistment has been part of the Tripp/McDermott plan for Fernhill since the beginning, the success of the Picnic Race and the overwhelming demand for facilities raised by

owners, trainers and others in the industry, has led to an increased focus on this as a priority and major emphasis for the business plan.

A series of meetings and discussions with a number of contacts in this industry following the picnics, combined with an analysis of similar spelling facilities strongly support the demand for facilities of this nature, especially in Western Sydney as most current facilities are based some distance from Sydney, for example, Hunter Valley and Scone. It should be noted too that a number of existing facilities are private, and do not offer services for trainers/owners.

The goal of this business line is to grow the agisted horse numbers to around 200 by 2015 with this growth coming primarily from spelling of race horses. Spelled horses are not stabled and do not receive hard feed but can be given supplementary hay if required depending on season and levels of natural feed in paddocks. Average paddock size per horse for this type of spelling is 60m x 30m (approximately 2.2 paddocks per acre). Larger paddocks can be allocated to shared agistment, mares and foals, and retired horses if required. This plan is based on approximately 50 horses being in large shared paddocks (four to five large paddocks of approximately 25 acres each with 10-15 horses in each group) and 150 being in single horse paddocks of 60x30m (total area ~68 acres, ~5% of total Fernhill land holding).

It is proposed that racehorse spelling facilities be located adjacent to existing equestrian facilities surrounding the existing stables, in paddocks on the other side of the main driveway, and in existing paddocks to the rear of the house and hall area (see diagram)

While the Estate has some equestrian infrastructure already in place investment in year 1 and 2 will include additional fencing, automatic waterers, horse walkers/exercise facilities and general setup of professional race horse spelling facilities. The restoration of an existing round yard and a disused equestrian water training pontoon in the lake close to the existing stable complex is also required. While there is extensive fencing already in place, much of it is in poor condition and not of the standard required for quality spelling facilities. Approximately 20km of fencing will be required over 2 years, along with other facilities, giving a total expected investment of approximately \$1M.

While racehorse spelling requires an initial capital outlay, it is a high margin business where operating costs are relatively low and include supplementary feed/hay, veterinary if required and staff (approx. 1 per 60-70 spelled horses). Agistment income averages \$210 per week per horse (average \$30 per day per horse), giving total revenue from 200 horses of over \$2M per annum. Additional income is derived from providing horse transport services as well as breaking and pre-training, both of which Greg McDermott has many years of experience.

2. PRIMARY PRODUCE AND AGRICULTURE

Fernhill currently runs approximately 150 head of cattle. This plan proposes to expand the current herd over year 1 to approximately 250 head and then to maintain at this level as a self-sustaining herd into Year 2 and beyond. The current herd has two servicing bulls and a healthy breeding herd. Pregnancy testing of cows in May 2013 revealed that 92% of the herd were pregnant. At the writing of this document all but two cows had successfully calved (48 in total) and all calves were doing well.

Fernhill's Cattle Management Plan proposes a seven month fattening period after which 80% of year 1 steers will go to market. Depending on market prices at the time this can be expected to generate between \$30 - \$50k income. Cows will be retained on the property and add to the breeding herd for year 2. Income for year 2 is expected to be around \$60 – 80k, and in year 3 approximately \$80 - \$120k. A small number of cattle will also be set aside to provide meat for the Estate's own consumption. This plan will remain in place until the herd reaches the level proposed, after which cows may be considered for market too, thereby adding to the revenue stream.

While there is some equipment on the Estate, investment in year 1 will be required in additional yards, crushes, scales, fencing and equipment and general maintenance of these facilities with upgrades/replacements thereafter, as required. Initial investment of approximately \$30-50k is estimated with a recurring investment in equipment upgrades and maintenance of approximately \$10-\$12k per annum.

Maintained at this level, cattle farming is not a sufficient business strategy to sustain Fernhill, however it does contribute to covering running costs and also the rural atmosphere and agricultural history associated with the Estate. It is not proposed to expand the herd to the level that would be required to make it a primary business line, but rather to maintain the levels proposed above as an element that contributes to offsetting some Estate costs and adds value to Foundation members who can experience mustering, calf marking, pregnancy testing, castrating and various other related activities.

Other areas that have been identified for future analysis are sheep, honey and Pecan Nuts. Fernhill has a 20 acre planted Pecan Nut grove that has minor commercial potential. A business analysis of the market potential, revenue versus required expenditure is required to determine whether there is any value in developing this further in future.

3. FUNCTIONS

A distinctive and historic property like Fernhill is uniquely placed to host a variety of functions including weddings, celebrations, corporate meetings and training, as well as a venue for filming and photo shoots. Increasing disposable income in Western Sydney (see 'Gentrification of the West') combined with continued urban expansion along the western corridor intensified by the prospect of Badgery's Creek airport, support strong evidence a growing demand for services and facilities in the West. Fernhill proposed to offer unique venues and historic, country style facilities for high end weddings only. Weddings at Fernhill need to be positioned as exclusive, special events for a very discerning clientele in the higher budget end of the market. The quality of what Fernhill has to offer allows it to be selective in its offering.

Penrith Visitor Information Centre list 22 wedding venues in the Penrith Valley but none are of a high quality, with a significant number being in RSL clubs, cheap hotels and small, down-market venues (see attached). Curzon Hall near Ryde and Sydney Polo Club in Richmond are some of the only examples of facilities that offer anything similar to what Fernhill proposes to offer as a venue for exclusive, upper-end market weddings. Our analysis of the demand for high-end weddings and special function/celebration venues, along with the increasing gentrification of the West, together with the limited availability of facilities in the area, indicates a high demand. Analysis of industry costs associated with delivery of a full service indicate a 25-30% margin potential for this line of business. In the past year Fernhill has received over 100 wedding enquiries by word-of-mouth and a simple 1 page website, without any advertising or promotional activity at all. Weddings enquiries are typically made 9-18 months prior to the event, meaning Fernhill is in a position to run weddings from March/April 2014 subject to consent/approval. These weddings will provide much needed cashflow for upkeep and restoration of the Estate.

A similar analysis of the demand for corporate facilities for meetings, training, conferences and functions, and a review of the facilities available in the area, indicates a high level of demand, especially for venues offering something different which Fernhill is perfectly situated to do. This line of business can offer a consistent revenue source with reasonable margins if run efficiently. Over 50 enquires have been received during 2013 by word-of-mouth and a simple one page website, with no advertising or promotion activity. Lead times for these types of functions is much shorter than weddings typically being four to ten weeks prior to the event. Unfortunately due to the need for local Council and Heritage consents, over the past year Fernhill has had to turn away much needed revenue that could have been derived from this business line and contributed to restoration, maintenance and upkeep.

Neither the weddings or corporate/functions lines of business are sufficient on their own to sustain an Estate the size, complexity and cost of Fernhill, but consistent revenue will contribute significantly to offsetting overall operational costs and provide regular income to facilitate cash flow management. This business line can aim to in effect, "pay the bills".

Based on our analysis and the positioning of Fernhill as an upmarket venue, the goal is to host up to 30 weddings and 30 corporate functions/celebrations/special events. Corporate functions will typically be on weekdays while weddings will usually fall on weekends making these complimentary business lines.

Investment in year 1 is required in tables, chairs, cutlery/crockery, whiteboards, projectors, etc estimated at \$35k and a budget for ongoing maintenance and replacement of approximately \$5k is expected. Return on initial investment is estimated at 3-6 months from commencement of functions.

Typical weddings average 100 people @ \$175 - \$200 per head. In year 1, the goal is to host up to 20 weddings are therefore expected to have a revenue stream of \$300-350 at margins of between 20-30%.

Corporate and private functions vary from small groups of 10-15 people through to 200-250 people. Per head rates vary from \$80-100 for meetings to \$165 - \$195 for celebrations. Margins range from 20% - 40% depending on type and size of event. These functions are expected to have a revenue stream of over \$150-200k at an average margin of 30% in 2014.

COMMUNITY ACTIVITIES

A central element of our vision is a belief that Fernhill should become more accessible to the public and make a positive contribution to the local community. Therefore, along with the functions describe above, Fernhill aims to also host a number of community based and open events and programs. These programs may include horses (e.g. Riding for the Disabled), or involve non-horse oriented support for community and charitable projects such as Rotary clubs, Make a Wish, Street Kids, as well as fetes, celebrations and other community events as appropriate.

To date inquiries have been made by a range of schools, equestrian organisations, charitable trusts and local sports clubs. Since arriving at Fernhill the Tripp family have facilitated a number of tours of the Estate and homestead for individuals, groups such as Rotary, Historic Homes Trust, descendants of William Cox and interested local residents. Fernhill has also been involved in a number of fund raisers, charity events and community activities e.g. Melbourne Cup Tour, school kids 'day on the farm', schools art competition, Panthers Train and Trial partner, Mulgoa Primary school awards assembly, etc. Fernhill has also sponsored a number of activities e.g. Equestrian Australia and NSW Showjumping.

It is envisaged that certain of these community and charitable activities will become integrally linked to aspects of the Foundation activities and benefits.



4. SIGNATURE EVENTS

The success of our vision for Fernhill is based on events occurring at two levels. On one level, the small scale (less than 300 people) events such as weddings, corporate functions and private celebrations described in the previous section, provide regular income that contribute valuable cash flow to cover staffing and daily running costs of the general operation of the Estate. There is however, an additional requirement to intermittently provide lump sum injections of funds to provide financial security and build cash reserves. This Plan proposes that this is derived from a small number (between 4-6) high profile, larger scale public events per annum. These events may include, for example, a Picnic Race, Music Concerts, Easter Festival, Symphony Under the Stars, etc. These events also have the potential to provide major benefits for the region in relation to profile, tourism, positive perceptions, experiences and opportunities for Western Sydney. These events can be a major drawcard for visitors to the region while also providing something unique for Western Sydney.

Financially these signature events require substantial investment in year 1 for each. It is envisaged that first time events may incur losses in order to be established, but management aim is to break even in year 1 of each event. Year 2 for each will see a shift to profitability going forward as the event is established and basic infrastructure improves.

While these events are largely "pop-up/pack-down" scenarios, significant investment is required in power, communications, infrastructure and capability to effectively deliver events of this scale. Return on investment is estimated at 1-2 years depending on mix of events held.

During 2013 Fernhill has delivered ToughMudder under a venue for hire contract with a fixed fee, and the Picnic Races as an own event. While the second scenario is far riskier financially, it does allow Fernhill to control how the event is run and to ensure the outcomes are to the benefit of the local community and Penrith as a whole.

Signature events proposed for 2014 are Picnic Races, Symphony performance, and two music concerts. Each event will have a detailed plan of its own.

5. FERNHILL FOUNDATION

Fernhill requires a mechanism to ensure consistent and continuous conservation of the heritage value that is independent of the land owners and/or occupiers at any time. This mechanism must:

- guarantee a minimum level of funding for conservation,
- withstand any future changes in ownership/occupation,
- withstand any future changes in management vision or goals with respect to the ongoing operation and activities of the property, and
- ensure independent and effective implementation of the conservation management plan into perpetuity.

The mechanism proposed is the establishment of the 'Fernhill Foundation' managed by an independent Board composed of representatives to be determined, but possibly drawn from Penrith Council, Heritage Council, Local Members of Parliament and local Community leaders, as well as representatives of Fernhill's owners and management. Regular reporting to the Board on nature and status of conservation works will be required.

The Foundation will have a minimum level of funding, to be guaranteed by the owners, at least equal to the dollar amount specified in the conservation management scope of works/schedule. This figure is currently estimated at approximately \$250,000 per annum. These funds are to be completely and directly allocated to conservation and preservation of Fernhill. These funds and their allocation to conservation works will be monitored by the independent Board described above. It will be a requirement in the VPA and CMP, and attached to the property, that the owners (present and future) guarantee this level of funding which is specifically set aside for conservation of the heritage value of the property.

This plan proposes the Foundation is established with a bank guarantee of \$250,000 (TBC) provided by the owners. While the owners will be required to guarantee this level of funding is always in place, the goal of the Foundation will be to generate the required funds from membership fees. As membership fees grow, funding provided by owners can decrease, and the Foundation can progressively become independent and financially sound in its own right. Notwithstanding this independence, the owners will be required under the VPA and CMP to always guarantee the required funds are available regardless of membership contributions, and to "top-up" as and when required if membership fees are insufficient at any time. Any owner of Fernhill will be required to guarantee the minimum funding regardless of the level of membership contributions or status of the Foundation at any time.

The purpose of the Foundation is to provide for a limited number of membership opportunities that allow carefully managed access, participation and exclusive benefits of being associated with Fernhill. Benefits include access to the Estate and participation in a variety of activities that could include hiking, bird watching, picnics, horse riding, photography, tours of the homestead, opportunities to experiencing a working farm, as well as involvement in programs and special offers on events, facilities and experiences.

The concept of allowing membership of a Fernhill Foundation is clearly aligned with the vision for Fernhill to be more accessible and shared with the wider community in a controlled way. As population pressure and urban expansion spreads further and further into Sydney's western corridor, open spaces and unique properties like Fernhill will become rarer and increasingly valuable.

It is foreseeable that increasing demand for land development in the west will pose a significant and undeniable threat to Fernhill in future. Establishment of the Fernhill Foundation now, as part of the proposed integrated DA, CMP and VPA, will ensure this open space is protected into perpetuity, regardless of westward expansion and urban development stress, and regardless of changes of ownership or management objectives.

It is also expected that membership will become increasingly valuable and highly coveted as the open spaces provided by Fernhill become increasingly rare. Membership will provide people with an opportunity to "own a piece" of something unique, while in turn, their membership contributes directly to the conservation of the asset. Members will know their fees are going directly to conservation of the asset they enjoy and the importance of the Foundation in this regard. It is their opportunity to "...become a part of our history...." - a phrase implemented nine months ago by the current management team at Fernhill to capture our vision for Fernhill. The Fernhill Foundation has something unique to offer members that in turn ensures it is protected and conserved for future generations to enjoy.

This plan envisages growth to 500 Foundation members, including private, corporate and community memberships. Private memberships may be individuals and families. It is expected that private memberships will value benefits associated with quiet enjoyment of the open space, rural setting and unique beauty of Fernhill for example bushwalking, horse riding, visiting a working farm, etc, as well as special offers on events such as Picnic Race tickets or venue hire for a function. Corporates are expected to value the benefits associated with corporate hospitality at events, e.g. a private suite at the Picnic Races, as well as discounted access to facilities for board meetings, staff development days, etc. Community memberships are expected to be approved clubs/groups, for example - orienteering, photography, bird-watching, history enthusiasts, artists – who are allowed restricted access for appropriate club activities.

This plan envisages a cap of 500 members comprised of approximately 150 corporates and 350 private and community memberships. The fee structure proposed is in the order of \$5k per annum for corporate and \$500 p.a. for private and community. It is expected to take 2-3 years to build membership to this level. The success of this approach will deliver security for the conservation of Fernhill that goes beyond an ongoing, and potentially uncertain, reliance on an individual owner's personal financial ability to continually guarantee the funds required. Rather, it creates an independently managed, self-reliant and self-sustaining approach to conservation into perpetuity that is additionally secured by an owner's guarantee.

The concept of the Foundation described above depends on the property features and facilities as well as the perceived value and benefits to members. These benefits are inextricably linked to the approved land use, activities and facilities proposed by the Business Model described in the next section of this document. As stated previously, the Foundation and the Business Model are inter-dependent elements of the overall Plan.

6. SUB DIVISION AND BIOBANKING

The most pressing and potentially debilitating demand on Fernhill is that of servicing and retiring the accumulated debt. For the Estate to realistically transition to the operation described in this document, the debt burden must be relieved.

The Estate has an inherent value which largely reflects current planning controls, its location and unique potential. The debts against the property reflect this value. The history of many heritage estates across Australia, and indeed Fernhill, is one of managing debt issues over time. Debt was the initial trigger for the Cox family to sell in 1896, and has since been a major factor in subsequent changes in ownership. Of the 9000 acres originally held by the Cox family in the Mulgoa Valley in the 1800s, Fernhill is the last remaining intact curtilage.

The property value can be realised in two ways; either through the existing planning controls and/or through a heritage incentive approach.

Under existing planning controls subdivision is permitted. The current Penrith Local Environmental Plan 2010 allows minimum lot sizes in different parts of the estate of 10, 20 and 40 hectares. The estate already comprises 14 titles and with the existing subdivision the land could be fragmented into over 30 separate titles. While subdivision would realise substantial value in the holding it would compromise forever the state and local heritage of Fernhill. Further, the limited mix of permissible land uses have limited ability to provide viable long term financial support for heritage conservation.

This plan is based on a heritage incentive approach which we believe is superior to the existing controls because a tailored approach to 'facilitate' heritage outcomes can be considered. The subdivision of peripheral lands in the east and west allow the state heritage listed area to be maintained and enhanced by additional areas of local heritage and biodiversity value. The retention of the heritage then affords the opportunity for adaptive re-use of the estate to ensure a sustainable future. While this approach will also realise value in the property, it provides a long-term sustainable outcome that prioritises the conservation of a unique item of state heritage.

Detail on the proposed subdivision of the peripheral lands, consolidation and adaptive re-use is available in the Conservation Management Plan prepared by Paul Davies Heritage Architects. This approach allows the consolidation and adaptive re-use of the remaining lands to be economic as it reflects the value of existing planning potential, the potential of a significant site in a unique setting, and incentives to facilitate genuine heritage conservation outcomes.

Additionally, suitable lands at Fernhill have been identified for environmental conservation by the NSW Office of Environment and Heritage. Biobanking provides a financial incentive to contribute to the protection of important biodiversity and each year an increasing area of lands identified for environmental conservation areas in Western Sydney are protected permanently through property titles.

Fernhill contains areas of high ecological value as large tracts of the property remain in a natural state and are home to a range of ecological communities including Cumberland Plain Woodland, Shale Sandstone Transition Forest, and Sandstone Ridgetop Woodland

This Plan ensures these areas will be permanently protected. Please refer to documentation provided in the Master Development Application for more detail.

HIGH LEVEL FINANCIAL SUMMARY

Regular income overview (as outlined in this plan) is:

• Equestrian	\$ 800,000	-	2,000,000
• Primary Produce	\$ 30,000	-	100,000
• Functions	\$ 400,000	-	800,000

Equestrian income will build from its current base of \$200,000 in 2013 to approximately \$1M in 2014 and \$1.5M in 2015 and increasing up to \$2M by 2016, depending on extent of facilities and infrastructure being in place. Income from primary produce of \$30k will be achieved in 2014 and increased according to the scheduled outline in this plan into 2015 and beyond. Income from functions will be dependent on timing of Council Approval to host events. Assuming ability to start promoting and delivering functions from March 2014, income is expected to be in the order of \$500 in 2014 and grow over 2015/16 up to approx. \$800k.

Additional revenue in 2014 will be generated from 4 planned signature events. An application is currently with Penrith Council for a performance with the Penrith Symphony Orchestra in April. Revenue is expected to be approximately \$250,000- 300,000k (3000 people ave. \$100 per head). An application for the 2014 Picnic Race will be submitted in early 2014 and is expected to generate revenue of approximately \$600k from sponsorship, ticket sales and food and beverage sales. Two additional events are proposed for late 2014 generating further income of approximately \$500k in total. Fernhill management is currently in negotiation on the nature and content of these events.

The Foundation will be established and membership sought from the point at which Fernhill has approval to conduct events and provide facilities. Membership is expected to grow over 2014 and 2015 to achieve revenue of up to \$1M p.a. going forward into 2016.

Current average monthly operating costs are \$120,000 per month totalling approximately \$1.4M per annum. These costs are expected to increase by 25-30% (reaching up to \$2M per annum by 2015) as the operations grow and functions become regular features. Capex, infrastructure and facilities development is expected to be \$1M over 2014 and 2015.

Excluding Signature events and the Foundation, and subject to functions being held from March, equestrian, primary produce and functions revenue for 2014 is budgeted at \$1.5M, operating costs at \$1.4M and capex at \$400k. Without signature events this would result in a loss of approx \$270k for the year. Proposed 2014 signature events (subject to Council approvals) are expected to deliver a net profit of \$500k during this period. Total net profit from all proposed activities for 2014 is therefore expected to be around \$200 - \$250k for the year.

Proceeds from sub-division and biobanking will be allocated entirely to servicing and reduction of historical debt.