

Jon Berry

From: Roger Foster <Roger.Foster@hoteldevelopmentgroup.com>
Sent: Friday, 6 October 2017 10:48 AM
To: Jon Berry
Subject: Proposed Hilton Garden Inn Busselton Foreshore update request

Hi Jon

I am sorry for the delay in updating you in relation to the proposed Hilton Garden Inn development on the Busselton Foreshore.

As you are aware we were the original proponent for the tennis court site and as such at the time of application were unaware that it would take until 2018 / early 2019 for the site to become available. Your advice that the successful proponent for the Metro Inn has formally withdrawn last month and the advice that we could now possibly take the place of that proponent by building a Hilton Garden Inn on the proposed site of the Metro Inn site is welcome, however, we require some level of certainty and confidence that we are secure as the proponent as considerable time money and effort, not to mention reputation has to be expended in order to achieve the goals that the City of Busselton are desirous of achieving in a rather limited time

We have had indicative discussions with numerous parties in relation to both equity and senior debt as well as branding and specifications however as you would appreciate this is not be perceived as a "real project" until we are given a firm undertaking with conditions and milestones to be met and then we are in a position to move the project forward quickly through the appropriate channels.

In summary, I cannot at this point in time identify exact names and commitment to this project as this is not the way that the development cycle works. We now have established that Pindan will construct the site and may possibly leave in some money as equity however we are yet to determine a cornerstone investor wishing to take the majority shares.

We anticipate being able to identify and confirm the cornerstone investor within 12 weeks at which time a term sheet and an MOU with the Shire and the Commonwealth Government regarding the lease can be executed. Following the execution of these documents senior debt will be identified and the project will become live. To conclude this arrangement, it will take us until the end of March with an anticipated commencement of construction sometime in July 2018 however we require a firm commitment from the City of Busselton in order to move forward through the appropriate channels to give some certainty to all involved stakeholders. It is vital that this process is undertaken in a logical manner to ensure that the project does not stall then becomes over exposed to the market leading to a concern that the project is not viable. I have seen this happen on a number of occasions and I would be cautious in relation to this.

The following activity has been initiated as part of the process leading to the above being concluded.

1. Indicative costings undertaken by Pindan Construction with an understanding from them that they will leave in a \$1 million equity contribution to the equity financing for a period of time after opening. The project will comprise of 110 rooms and will be branded Hilton Garden Inn Busselton Foreshore with facilities that include 2 restaurants, one on the ground floor and one on the roof, banqueting facilities for 150 people, resort style ambiance with large recreation facilities including swimming pool and gymnasium. The hotel will have the broadest market appeal and will be suitable for the corporate, meetings and leisure market and will be an attractive entertainment hub for the local community and an essential component to ensuring Busselton becomes the gateway to Margaret River and the South West with the introduction of the new Airport facility.
2. Griffin Group have been approached who are specialists in raising equity in suburban and regional WA. They have undertaken many projects of a similar nature and their investors are not overly concerned by the cyclical nature of economic activity in WA in comparison to other capital raising organisations who

are concerned about the downturn in the current economic conditions. They are currently seeking capital from Singapore, Malaysia and Indonesia and we should have indicative feedback by the 25th October.

3. We are also working with Ascend Corporate the hotel and business broker to identify potential local equity investors that they have worked with previously within Western Australia as well as high nett individuals in and around the South West.
4. Orient Occident are undertaking similar sourcing of interested investors through the HCCS (Hangzhou Chamber of Commerce Shanghai) who's original President was Jack Ma of Alibaba.
5. Avison Young a Canadian-North American hotel brokerage company have also been approached to identify possible equity investor candidates. This company has a worldwide network.

We have cast the capital net wide and not concentrated solely on WA as we need to ensure that this project does not become over exposed however subtle approaches to qualified high nett worth individuals are being made.

I am running this project in parallel with the proposed Hilton Garden Inn Perth Hills at Armadale. This will give us leverage both in construction costs and other associated synergies.

Jon, if we are to continue to move this forward in the manner described above then we need certainty that our endeavours are not wasted. We do require a commitment from the council that the Metro Inn site would be made available to us and seek your confirmation as soon as possible in order to move this forward as we have done in a similar form with City of Armadale.

I look forward to your advice.

Best regards

Roger Foster

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