**Heads of Agreement – Best Western**

**Lessee**: Tenant to establish SPV to act as both lessee and owner of the management lots. At this time, it is intended for this entity to remain debt free.

**Guarantee**: 6 months bank guarantee plus expenses plus GST

**Lease commencement**: 1 April 2013 or as soon as practical thereafter.

**Term**: 10 years

**Options**: 10 years

**Rent**: 32% of Gross Room Revenue (GRR) for Hobart and 31% of GRR for Launceston. GRR to have no deduction with the exception of GST

**Payment of rent**: The rent will be paid in advance on the 1st working day of each month. The first 2 months are likely to be estimated.

**GST** GST payments will be a flow through charge for all GST liable entities.

**Outgoings**: The tenant is to be responsible for the payment of all statutory outgoings, Building, Public Liability and Fusion Insurances and maintenance costs. A separate sinking fund will be established by the Body corporate payable by the owners towards capital costs over the next 20 years. Best Western will be invited to participate in the management of this process.

**Furniture/paint/carpet**: It is unclear as to the ownership of furniture with differing legal opinions. We recommend that Best Western’s offer for the management lots should include all assets held under the Lanco operations entities. During the term of the lease, the lessee will replace as required from the FF&E fund which will be funded by Best Western at 3% of GRR. On expiration of the lease, the tenant will ensure furniture left behind is clean and undamaged. BW is proposing to contribute $180k towards the presentation of Hobart and $120k for Launceston immediately.

**Legal costs**: The costs of the preparation of the lease will be borne by the Lessor. Costs for amendment of the Lease, Stamp duty, and registration will be borne by the Lessee. Once a lease document is agreed, BW to issue copies to all owners for execution

**Branding**: Best Western is to brand the Hotels with the BW Plus (4.5 star) brand within 12 months subject to DD findings. BW will retain the Hotel at this level for the term of the lease. Any changes must be agreed with the Body Corporate.

**Other**: Best Western has confirmed 4 free nights each years within the Hotels owned by each lessee subject to certain black out dates. In addition, BW has a “Friends and Family” rates deal to be confirmed. BW to consider “Owner and Investor” rates.

**Due Diligence**: BW to conclude DD as soon as humanly possible.

**Offer subject to**: Acceptance by the banks for the purchase of the management lots

Due diligence

Lease documentation

Acceptance by unit owners

Agreement with Hamilton Murphy

**Timeline**

1. Advise non successful lessee hotels. I have advised Gunn and Parkinson and the Old Woolstore already. I will wait until next week to advise any others,
2. I have advised KPMG we are likely to support Best Western
3. Resolve the ownership of the furniture in the rooms with Hamilton Murphy – **Graeme Kirkwood.** In addition BW to ensure their offer includes this asset.
4. Discuss the role and the appointment of a Strata manager for the future – **Rob Windsor**
5. Arrange for BW to carry out their due diligence by **Mar 31**
6. Prepare and negotiate a new lease structure for all units – **Andrew**
7. Set up handover program / timeframe – **All**