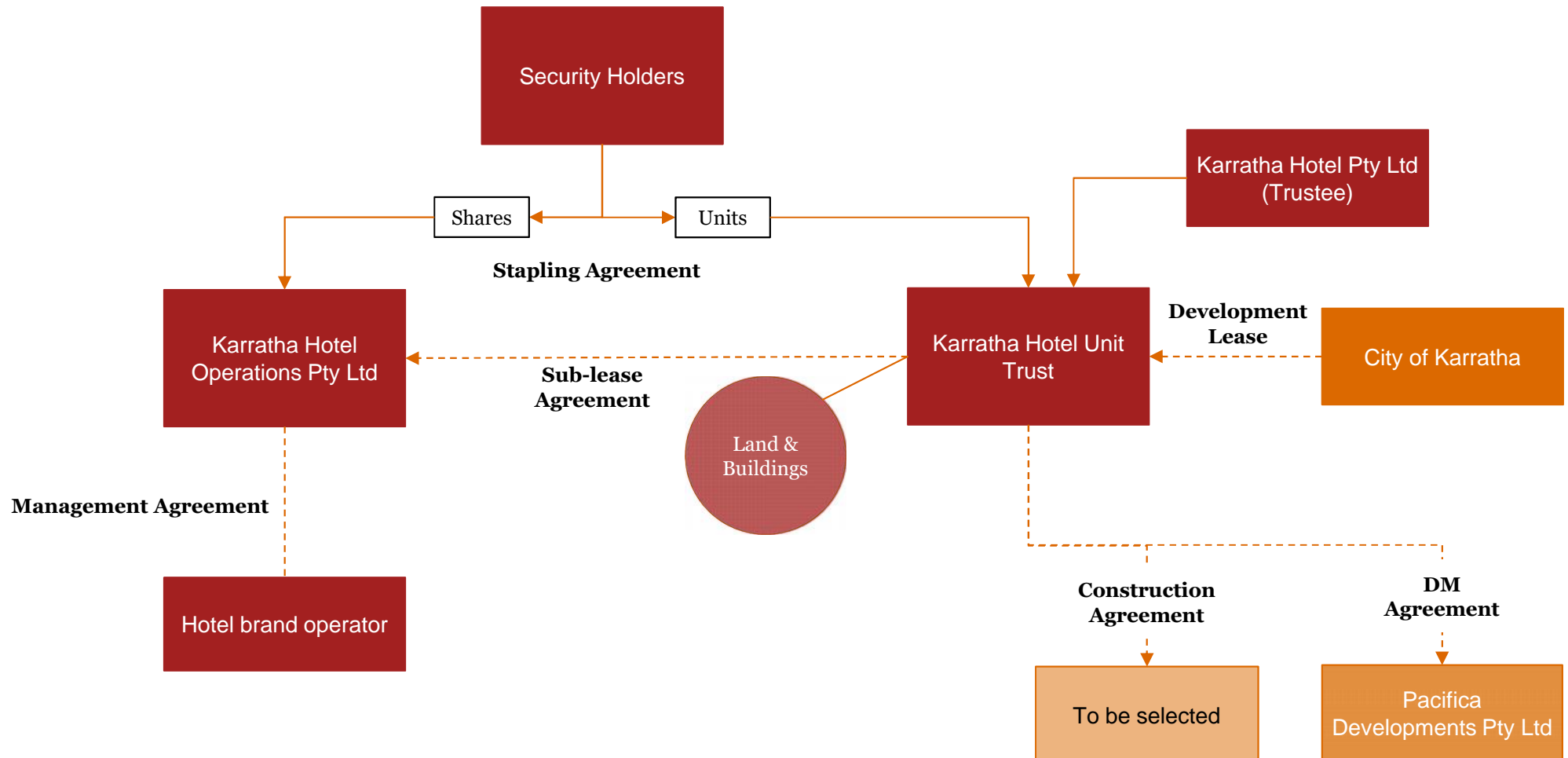


Potential commercial framework

Illustrative



Commercial framework:

Structured based on a stapling arrangement. Stapled securities involve the stapling together of separate securities such as a share in a company and a unit in a trust which cannot be traded separately. This type of structure, of which there are many variants, has been used quite intensively in Australia by A-REITS (real estate investment trusts) and infrastructure funds.

Structure utilised to address characteristics of capital investors, particularly offshore investors, and tax objectives.

The special purpose vehicles in this context are the Karratha Hotel Unit Trust and Karratha Hotel Operations Pty Ltd. The special purpose is that they are established to exclusively deliver this project (do not include operating or investing activities of other projects in the portfolio – helps City perfect security) and the vehicle is the corporate form it needs to take to achieve commercial efficiency – in this case a unit trust and a Pty Ltd.

In this case the units in the Karratha Hotel Unit Trust are stapled to the shares in Karratha Hotel Operations Pty Ltd.

Unit trust (Karratha Hotel Unit Trust):

- Owns the asset
- Signs the development lease with City of Karratha
- Builds the hotel (appoints consultants / builder)
- Retains 100% interest in buildings
- Leases the hotel facilities to a related / stapled Pty Ltd
- As a trust it has to have a trustee (Karratha Hotel Pty Ltd atf Karratha Hotel Unit Trust)
- City of Karratha makes fit-out payments to this entity
- Entity responsible for making lease payment to the City of Karratha

Pty Ltd (Karratha Hotel Operations Pty Ltd):

- Leases and operates the asset
- Signs management agreement with Hilton
- Makes lease payments to the Unit trust