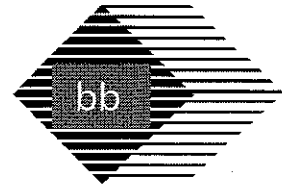


Bridget Baker Consulting

**PROPOSAL RELATING TO ADVISORY SERVICES
TO ASSIST IN DELIVERING A HOTEL AT
WARWICK RACECOURSE – NEXT STEPS**

August 2017



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Chris Elliott
Chief Executive
Warwick District Council,
Riverside House, Milverton Hill,
Royal Leamington Spa,
CV32 5HZ

Sent via email

11 August 2017

Dear Chris

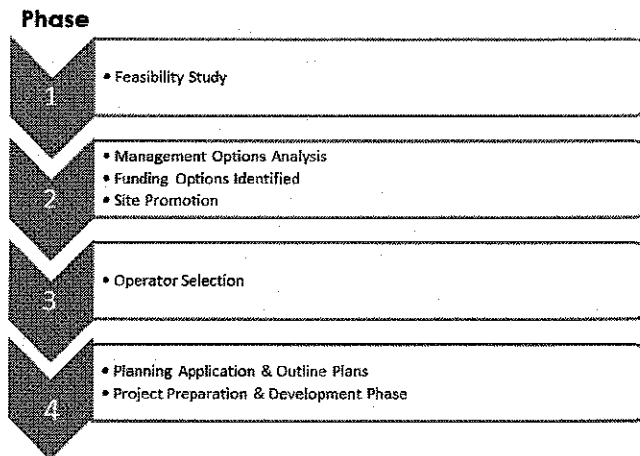
Advisory Services to Deliver a Hotel Project at Warwick Racecourse – Next Steps

Further to your instructions we are pleased to submit our proposal regarding how we would suggest providing continued assistance to you in relation to the above.

Background and your Requirements

We have recently undertaken research and issued our report relating to the potential 'need' for a hotel at Warwick Racecourse. This report showed a positive result and following our recent correspondence you now wish that we assist you in moving the project forward.

We set out below the phases that would normally be required to bring a hotel to opening:



We would recommend that the following be undertaken:

- Convert the Hotels Needs report to a Hotel Market Demand and Financial Feasibility Study including recommended facilities, with GL Hearn advising on planning issues separately.
- Prepare a summary version of the report to show the opportunity to be presented to interested parties.
- Assisting you with the selection process of operators.

Further to your email confirming the above, this proposal answers this request.

Methodology

Phase 1 – Updating the report to from Market Demand and Financial Feasibility study

- Based on the needs assessment report for the racecourse site, prepare a market demand and financial feasibility study, this would be a re-ordered report but would also include more information on recommended facilities and would take out some of the references to 'need'.
- Ideally this report should be prepared within the next two months then we would not need to undertake additional research in the market area, but we would rely on you and your team to update us on any changes in planning applications for any new major infrastructure and/or hotel projects that have changed since we issued our report.
- We would prepare more detailed estimates of Room Occupancy and Average Achieved Room Rate for the proposed Hotel. These would form the basis of the likely revenue and costs for the first five years of operation to EBITDA level (in current day values) of the hotel project.
- GL Hearn would need to provide planning advice on any issues that may impact the location, size, design of the hotel etc. Their fees are not included in this quote.

This report would be issued electronically and would be suitable to present to potential funders, hotel operators and developers.

Phase 2 - Development & Management Options & Site Promotion

At this point we would propose having a meeting to discuss the preferred options for the Council.

Issues that are likely to be covered could include:

- Who would develop the hotel?
- How the hotel would be funded?
- Would an option be for the Council to fund the construction?
- Identification of management options: such as a hotel management company with/without a franchise from a major brand; a non-branded hotel; a joint venture partner etc.

It may be that you are open to a range of options depending on the interest in the project site.

In order to attract potential developers/partners we will prepare a 'taster' information pack relating to the project. We would ask you to provide any relevant site plans and photographs. The majority of this information will be taken from the Market Demand and Financial Feasibility Study. The full report would be given to interested parties subsequently.

At the outset we would present this in a word/pdf format. We do not think it will be necessary to prepare a 'glossy' type of brochure/pdf, but if you would like to do this, then we can discuss this.

We will then prepare a listing of these types of companies and the relevant individuals and then contact them to present the opportunity. At the outset we would propose contacting them by telephone/email and follow up with meetings as required. In terms of the larger hotel groups we would approach their national development teams in order to obtain likely franchise/development partners who develop and operate their brands.

It is likely that some of the interested parties would wish to visit the site and we could set aside a day for these visits.

After the initial promotion campaign and site visits we will give you a verbal update on the reaction of each company.

We will invite these developers/operators to submit expressions of interest, detailing what they would offer in terms of development and preferred management options.

We would then list and analyse the responses and provide you with the following:

- Evaluation of the bids presented by the interested parties including background information on each of the companies;
- An indication of how the hoteliers' brands/standards would fit at the Warwick Racecourse site.

From this we would prepare a shortlist (depending on how many expressions of interest are received) and we can discuss the best way to proceed.

Phase 3 - Operator Selection

Pending the interest in the site from hotel developers/operators we are able to assist further with the negotiations which are likely to include the following issues, although as negotiations proceed we would recommend that we involve a specialist lawyer:

- Evaluation of profit and loss forecasts provided by the hotel operators on the shortlist.
- Joint venture options – if any.
- The type of contract that would be preferable.
- The term and renewal options.
- The requirement for equity, loan, grant etc.
- The fee structure i.e. base and incentive fee (management contract).
- Recommendations as to performance guarantees.

Other issues may need to be explored depending on the outcome of Phase 2.

Professional Fees

Phase 1 – Update Hotel Needs Report to Provide a hotel Market demand and Feasibility Report - [REDACTED]

Phase 2 – Site Promotion & Initial Operator Shortlist - For the site promotion process our fee will be [REDACTED]

A retainer fee of [REDACTED]

Phase 3 – Operator Selection - If following this phase an operator is secured for the project a success fee [REDACTED]

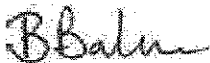
Although we are confident we will identify an appropriate operator and conclude a deal satisfactory to you, we cannot of course offer any guarantee that this will be the case, and there is always the risk we will not be successful.

Subsequent Phases - Following selection of the operator we would be happy to offer ongoing support during the development phase and these terms can be agreed in due course.

If you have any questions or wish to discuss any aspect of these proposed terms, then please give me a call.

We look forward to hearing from you and having the opportunity to see hotel at Warwick Racecourse, Warwick be realised.

With kind regards
Yours sincerely



Bridget Baker