[redacted]

Date: 3rd November 2026

From: [redacted] Limited (the "Investor")
To: Torbay Council (the Principal)
Copy to: Milligan (the "Development Partner"); [redacted] Limited (the "Operator)

Subject to contract and without prejudice

Dear Sirs,

LETTER OF INTENT
Proposed co-investment in Invest Co for the [redacted] and SPA development at 7–14 Strand, Torquay TQ1 2AG

1. Purpose and status
This letter records the principal terms on which the Investor is prepared to progress discussions regarding an investment of up to [redacted]% of the equity required for a newly incorporated special-purpose investment company ("The Hotel Op Co"). The Hotel Op Co would hold the parties' agreed interest in the proposed 133-bedroom [redacted] Hotel and Spa development at 7–14 Strand, Torquay TQ1 2AG (the "Development").
Except for sections 10 (Confidentiality), 11 (Exclusivity), 13 (Costs), 14 (Governing law and jurisdiction) and 15 (Legal effect), which are intended to be binding if completed and agreed, this letter is an expression of present intention only. The proposed transaction remains subject to contract, agreement of pricing and full-form legal documentation. Neither party is obliged to proceed unless and until definitive agreements are executed.

2. Proposed investment

- **Vehicle:** The Hotel Op Co, to be incorporated on terms agreed between the parties.
- **Investor participation:** Will take the form of 2 separate contributions:
    - A) An investment of £[redacted] into the Hotel OpCo for [redacted]% of the equity in The Hotel Op Co, subject to agreement of total development cost, capital structure, funding timetable, governance, reserved matters, and exit arrangements.
    - B) a key money contribution by the Manager of £[redacted], subject to a Non-Disturbance Agreement for a minimum period of [redacted] years with the Hotel Op Co, The Strand Hold Co and subject to the terms of the institutional funding the Institutional Investor.
- **Development:** a fully completed, furnished and operationally ready 133 bedroom hotel and spa at the Property.
- **Funding:** contributions shall be made in the proportions and at the times agreed in the definitive investment and shareholders' agreements. Any debt funding, cost overruns, contingencies and further funding obligations shall be separately agreed and bourn by The Strand Hold Co (developer and superior Landlord).
- **Opening working capital:** The Hotel OpCo shall provide working capital equal to three months' forecast operating expenditure before opening, with all pre-opening costs being charged to The Strand Hold Co.

[redacted]

[redacted]

- **Liabilities Going Forward:** In accordance with the discussions with the Principal and the Development Partner, the Investor will not be held responsible for any shortfalls in rental payments that may occur. Further, the Investor will also not be obligated to make further contribution or reinvestment into the asset.

3. Conditions precedent

The Investor's participation is conditional upon, among other matters: (a) satisfactory legal, financial, tax, technical, planning, environmental, title, construction and operational due diligence; (b) agreement of pricing and an approved development budget and programme; (c) all necessary internal, investment committee, public-sector and third-party approvals; (d) satisfactory funding arrangements; (e) agreement and execution of all definitive documentation; and (f) the grant to the Operator of a hotel management agreement on terms satisfactory to the Investor and Operator, including the principal terms in section 5.

4. Development delivery and brand standards

- The Development Partner shall procure delivery of a fully constructed, fitted-out, furnished, equipped, tested and commissioned hotel and spa, including all furniture, fixtures and equipment ("FF&E") and operating supplies and equipment ("OS&E"), in accordance with the approved plans, budget, programme and [redacted] brand standards.
- The interior design will developed and overseen by the Investor's external interior design partner, at present this is DO Design Studios.
- [redacted] shall have final approval of the interior specification and the overall look and feel, acting reasonably and for the purpose of protecting brand integrity. A design approval process, response periods and change-control procedure shall be agreed in the definitive documents.
- All development and pre-opening works must comply with applicable law, planning permissions, licences, building regulations, warranties, insurance requirements and agreed technical standards.

5. Hotel management agreement

- **Manager:** [redacted] Limited.
- **Term:** [redacted] years from the hotel opening date, subject to the agreed termination provisions.
- **Key Money Contribution:** £[redacted] to be paid in accordance with the Investment Schedule
- **Base management fee:** [redacted] % of Gross Revenue, with the definition, payment mechanics and exclusions to be agreed.
- **Central marketing fee:** [redacted] % of Gross Rooms Revenue, with eligible central services and any pass-through costs to be defined.
- **Incentive/licence Fee:** [redacted] % of the Surplus NOI after rent as paid through the Hotel OpCo paid annually in arears (the form of this to be agreed and can be done off P&L).
- **Direct booking / central reservations contribution:** [redacted] % of revenue generated through direct booking channels and/or [redacted] 's central reservations operation, subject to negotiation and avoidance of double recovery through the base management fee. The parties shall consider a per-booking charge benchmarked against prevailing international operator practice as an alternative.
- **Pre-opening access:** [redacted] shall receive full and safe access to the Property for at least three months before the scheduled opening date to inspect completion, oversee operational readiness, implement brand standards and deliver staff training. Access shall not transfer construction or site-safety responsibility to [redacted].

[redacted]

[redacted]

- **General Manager:** [redacted] shall appoint the General Manager not less than six months, and preferably nine months, before the scheduled opening date. The General Manager's salary and associated employment costs together with other staff costs shall be treated as project pre-opening costs; treatment of costs incurred earlier shall be agreed in the approved pre-opening budget. The General Manager shall be an employee of [redacted] Ltd with all costs charged to the Hotel Op Co. All other staff will be employed directly by the Hotel OpCo or suitable company as may be agreed between the parties.
- **Pre-opening costs:** all approved pre-opening costs shall be funded by the Development Partner/development company and capitalised or otherwise accounted for outside the hotel's year-one operating profit and loss account, to the extent permitted by applicable accounting standards.
- **FF&E reserve:** the management contract shall provide for an annual contribution equal to [redacted]% of Gross Revenue to an FF&E reserve. [redacted]% of each annual contribution may be applied each year, at the Operator's sole discretion, [redacted], with any unused amount remaining in and being added to the reserve fund. The remaining [redacted]% of each annual contribution shall be held as a reserve for major items and emergency works, under the control of The Hotel Op Co.
- **Non-Disturbance Agreement:** A NDA with a minimum term of [redacted] years authorised by the Hotel OpCo, Strand Co and Institutional Investor.

6. Performance, returns and termination

The hotel management agreement shall include an agreed performance test, cure rights and termination mechanics that kicks in on the [redacted]th anniversary of the opening of the asset.

If the relevant performance test is not met after expiry of all agreed cure periods, the Hotel OpCo or relevant council entity may elect to terminate the agreement. The parties shall agree whether any additional compensation, outstanding fees, break costs or liabilities are payable.

On termination all branding, software, IP and proprietary data shall be removed from the property.

7. Operator restriction in the Torquay area

For so long as the hotel management agreement remains in force or the Property is operated by the Operator, the Operator shall not, without the prior written consent of The Hotel Op Co, directly or indirectly acquire, develop, open, operate, manage, franchise, brand or otherwise have a material economic interest in any other hotel within the Torquay area. The definitive hotel management agreement shall define the geographic extent of the "Torquay area", any permitted existing interests, passive investments and other customary exceptions, and the remedies for breach.

8. Governance and reserved matters

The shareholders' agreement shall provide for proportionate board representation, information and audit rights, an annual business plan and budget, and customary reserved matters requiring both parties' approval. Reserved matters are expected to include material changes to scope, budget or funding; borrowing and security; related-party arrangements; appointment or removal of the manager; material disposals; distributions; new equity; and any sale, refinancing or winding-up of Invest Co.

9. Due diligence and documentation

[redacted]

[redacted]

Each party shall provide reasonable access to relevant information and advisers. Definitive documentation is expected to include an investment/subscription agreement, shareholders' agreement, articles of association, hotel management agreement, development and funding agreements, direct agreements with funders where required, and any property or occupational documents. All documents shall contain customary warranties, undertakings, indemnities, limitations of liability, default remedies and completion conditions appropriate to the transaction.

[redacted]

[redacted]

10. Confidentiality
The existence and terms of this letter and all non-public information exchanged in connection with the proposed transaction shall be confidential and used solely to evaluate and implement the transaction, save for disclosures required by law, regulation, freedom of information obligations or to professional advisers and funders who are subject to appropriate confidentiality duties. This section is subject to any existing confidentiality agreement between the parties.

11. Exclusivity
For a period of [90] days from acceptance of this letter, the Development Partner shall not solicit, encourage, negotiate or enter into any competing proposal concerning an equity investment in Invest Co or the appointment of a hotel operator for the Development, except for discussions already disclosed in writing to the Investor. This section is optional and shall apply only if the parties complete the period and any permitted exceptions before signing.

12. Timetable and lapse
The parties will use reasonable endeavours to agree heads of terms, complete due diligence and negotiate definitive documents by [●]. Unless extended in writing, this letter shall lapse on [●], without prejudice to any binding provision stated to survive.

13. Costs
Each party shall bear its own legal, professional and other costs in connection with the proposed transaction, whether or not it proceeds, save that agreed project and pre-opening costs shall be borne as set out in the definitive documents.

14. Governing law and jurisdiction
This letter and any non-contractual obligations arising from it shall be governed by the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction.

[redacted]

[redacted]

15. Legal effect

No statement in this letter constitutes an offer capable of acceptance, a partnership, agency, fiduciary relationship or commitment to invest. Any investment is subject to satisfactory due diligence, final credit and investment approvals, agreement of all terms and execution of definitive documents. No party may rely on this letter as creating an obligation to complete the proposed transaction, except in relation to the provisions expressly stated to be binding.

If the above accurately records the basis on which discussions should proceed, please sign and return the enclosed counterpart.

Yours faithfully,
For and on behalf of [Investor]

Signed: _____
Name: [●]
Title: [●]
Date: [●]

Agreed solely as to the binding provisions and as a basis for further discussions:

For and on behalf of [Development Partner / Council entity]

Signed: _____
Name: [●]
Title: [●]
Date: [●]

[redacted]