

Sean Butler

From: Daniel.Smith@bankwest.com.au
Sent: Monday, 30 May 2011 2:54 PM
To: sbutler@iinet.net.au
Subject: Re: Bankwest Facilities Lighthouse & National hotels

Hi Sean,

Thanks for the below.

As we discussed on Friday, Bank will consider your request to not apply default rate of 18.81%.

Additionally, as discussed the bank is seeking a proposal jointly from both you and Brian that would see full repayment of debt (in one tranche).

Will await the joint proposal before presenting such to banks credit committee for consideration.

Thanks

Daniel Smith | Manager | Credit & Asset Management | Risk Management | Bankwest
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From: "Sean Butler" <sbutler@iinet.net.au>
To: <Daniel.Smith@bankwest.com.au>
Date: 30/05/2011 02:34 PM
Subject: Bankwest Facilities Lighthouse & National hotels

Hi Daniel.

I attach a P&L for the Lighthouse Beach Resort to April 2011. It is trading well.

Last year the property was placed on the Market and to make it more saleable I increased the R&M spend by over \$80,000 to what it had been in previous years for the same period. Out of that spend I refurbished rooms and reopened the Cellars Bar which is now another revenue stream for the Hotel.

We had a cash offer for \$14 m in January which was due to settle in February however Brian decided to buy it to which at that stage I agreed subject to us agreeing on details and finalising contracts.

On 17 March without consulting me Brian advised Rob Byatt and I that our facilities at the Lighthouse would be transferred by 31 May. At that stage I hadn't received a sale contract from Brian for the property.

Rob Byatt advised me that if the facilities didn't clear by then that the Bank may impose large penalties, charge default interest and sell up the properties. At that stage I had been covering interest on all the loans except the National Hotel Loan which Brian had covered under our agreement. At that stage I had as well as spent \$80,000 extra on R&M at the Lighthouse and also contributed (as at end February) almost 90,000 over and above our

They did anyway on some facilities!!

Almost impossible as there were 4 properties involved all with separate Bankwest facilities. We were not allowed to sell or refinance one at a time - we were told all had to be done at once. Why would Bankwest allow us to sell properties or refinance in an orderly way if they needed their money back?

Shows net profit of \$314,000 After interest

agreement to cover interest on the Lighthouse Loans.

Knowing that it was likely the Lighthouse loans wouldn't be repaid by the end of May and that the National Hotel would be sold on instruction from the bank to avoid default interest I have done work totalling over \$75,000 on the National Hotel to make it more saleable.

I was advised by my accountant last September to change the operating entity of the Lighthouse from Butler Constructions to the National Hotel Property Pty so LBR profits could be offset against interest at NHP. This change would save me about \$10,000 pcm in tax. As it looked likely that the Hotel would settle in February I didn't make that change but in hindsight if I had I would have a further \$80,000 in the bank that could have been used on either interest or taking the walls out of the National.

In summary had not been for the above events over the last 10 months the extra cash in my bank would be:

Extra costs to refurbish Lighthouse Hotel & reopen Bar \$80,000
Spent at National Hotel since February
\$75,000
Tax savings on change of operating entity
\$80,000
TOTAL
\$235,000

So now extra spending on both properties has stopped. Lighthouse Beach Resort income is improving and outstanding interest on all loans should be able to be met at current interest rates and as shown by our latest P&L.

I sent an email to Rob Byatt on 6th May asking if we were going to be charged the 18% default interest if the facility wasn't repaid by the End of May. I have had no reply on that.

My concern is that if the facility isn't extended and if we are charged 18% interest then I will be unable to meet interest expenses at that level.

I sent Rob Byatt a proposal last week which I attach now.

We have had a very good relationship with Bankwest for over 8 years as you know and I want to do all I can to work this out.

I will talk to Brian this afternoon and call you to discuss.

Regards,

Sean Butler

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From: Daniel.Smith@bankwest.com.au [<mailto:Daniel.Smith@bankwest.com.au>]
Sent: Friday, 27 May 2011 5:05 PM
To: sbutler@iinet.net.au
Subject: *Confidential: Bankwest Facilities

Lighthouse Beach Resort

Carey Street
BUNBURY WA 6230

Profit & Loss Statement

July 2010 through April 2011

10/05/2011
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4-0000	Hotel Income	
4-1000	Rooms Department	\$1,846,142.61
4-2000	Food & Beverage Department	\$1,393,459.19
4-3000	Hotel Sundry Income	\$3,557.39
	Total Hotel Income	<u>\$3,243,159.19</u>
5-0000	Direct Expenses	
5-1000	Expenses - Rooms Dept	\$627,100.75
5-2000	Expenses - Food & Beverage	\$999,469.71
	Total Direct Expenses	<u>\$1,626,570.46</u>
	Gross Profit	<u>\$1,616,588.73</u>
6-0000	Admin & Repairs/Maint Expenses	
6-1000	Accounting Fees	\$5,912.50
6-1050	Advertising	\$4,720.93
6-1200	Bad Debts	\$150.00
6-1300	Bank Charges	\$1,753.79
6-1400	Bookkeeping	\$1,013.50
6-1700	Computer & Photocopier Exp	\$19,188.68
6-1750	Computer Software & Licences	\$3,235.00
6-2100	Donations	\$17,161.50
6-2300	Electricity	\$60,157.47
6-3000	Gas Supply & Bottles	\$24,011.59
6-3300	Hire of Plant & Equipment	\$1,200.50
6-3700	Interest Charged	\$300.82
6-3800	Insurance - Business	\$17,917.60
6-3830	Insurance - W/Comp	\$14,053.70
6-3900	Internet	\$7,434.05
6-4450	Liquor & Other Licences	\$140.00
6-4710	Managers Meetings	\$495.40
6-4720	Managers Entertainment & Promo	\$222.00
6-4730	Marketing & Sales	\$53,740.87
6-4750	Medical & First Aid	\$435.64
6-4800	Memberships / Subs / Licences	\$10,829.44
6-4900	Merchant Fees	\$24,883.09
6-4950	MV - Fuel & Oil	\$6,530.52
6-5350	Plant Rentals	\$2,580.45
6-5360	Pest Control Maintenance	\$1,910.00
6-5400	Postage & Stationery	\$2,445.97
6-5500	Printing & Brochures	\$1,140.00
6-6000	Rates & Taxes	\$136,471.70
6-6200	Repairs & Maintenance	\$222,467.99
6-6400	Small Equipment < \$100 General	\$144.55
6-6500	Security Costs	\$381.80
6-6700	Telephone	\$24,369.33
6-6800	Travel & Accommodation	\$2,639.54
6-8050	Wages Expenses	\$189,217.57
6-8400	Wages Leave Expenses	\$35,446.92
6-8493	Entitlement Provisions	\$72,533.41
6-8500	Superannuation Expenses	\$17,907.61
6-8600	Other Employee Costs	\$10,733.46
	Total Admin & Repairs/Maint Expenses	<u>\$995,878.89</u>
	Operating Profit	<u>\$620,709.84</u>
8-0000	Other Income	
8-2010	Rental Income - 1 Fraser	\$10,500.00
	Total Other Income	<u>\$10,500.00</u>
9-0000	Other Expenses	

Lighthouse Beach Resort

Profit & Loss Statement

July 2010 through April 2011

10/05/2011
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9-1000	Interest Expense	\$1,632.20
9-2010	Rent Expense - 1 Fraser	\$6,000.00
9-2011	Ins Landlord - 1 Fraser St	\$1,007.76
9-2013	Rates - 1 Fraser St	\$5,836.37
9-3010	Rent Expense - 2 Carey	\$6,000.00
9-3012	R & M - 2 Carey Street	\$1,966.54
9-3013	Rates - 2 Carey St	\$6,430.19
9-4000	Rent LBR	\$288,000.00
9-9995	BAS/IAS - Penalty	\$330.00
9-9999	BAS/IAS-Rounding & Adjustments	-\$5.79
	Total Other Expenses	<u>\$317,197.27</u>
	Net Profit / (Loss)	<u>\$314,012.57</u>

After Interest