



Peter S O'Meagher
Development Manager
Laing O'Rourke
November 12th 2009

Dear Peter,

RE: Newcastle or North Sydney Opportunity

Thank you for your time on Tuesday.

We have an interest in pursuing any opportunity available in the North Sydney/Crows Nest or Newcastle City area for the development of a Palace Cinema complex.

We would require an ideal minimum footprint of 2000 sq. meters with an ideal ceiling height of 8m to 10m, and on this level would offer a gross rental of approx \$275 a sq. meter for North Sydney. We can offer an initial fifteen (15) year term with two options of ten (10) years each.

Our rental offer is based on a warm shell construction i.e. the owner would be responsible for all structural elements including electrical, mechanical, hydraulic services etc and our internal fit out would include carpets, seats, sound/projection equipment, curtains, screens, joinery/carpentry, light fittings etc.

By way of background, on a national basis Palace Cinemas' name is synonymous with class and style in that we provide the discerning moviegoer with a stylish alternative to that of our major competitors. Palace Cinemas is renowned as an exhibitor of only the finest quality International and Australian film product.

Palace Cinemas currently comprises some twenty three (23) locations in five Australian states, hence our national branding is unquestioned. Our success has been largely built on fashionable inner suburban locations such as Palace Cinema Como in South Yarra, Palace Norton Street Cinema in Leichhardt NSW, Palace Centro Cinema in New Farm QLD and most recently The Barracks Cinema in Paddington QLD, all of which appeal to the more discerning and art conscious moviegoer.

Palace's cinema locations foster an unmistakable sense of community, each one catering to an identifiable demographic that is specific to that local community.

In the arthouse/quality cinema market Palace is unique as the only operator to have a truly national representation. It is not only our unique suburban locations that differentiate Palace from the traditional multiplex cinemas that proliferate the industry. We ensure a level of personalised service and individual style that provides our patrons with a cinema experience that is unmatched.

Utilising the services of renowned architects in each state, Palace ensures that each of its locations is a statement of individual style and design. Our internal fit outs include the highest quality fittings/furnishings and the very latest in stadium style lounge seating and sound/projection equipment. A visit to Palace Cinema Como in South Yarra, Palace Norton Street Cinema in Leichhardt NSW or Palace Centro Cinema in New Farm QLD will attest to this fact.

Integral to all of our recent cinema acquisitions and/or redevelopments has been the creation of spacious licensed bar and lounge facilities that have proven to be extremely popular with patrons and a destination in their own right. Going to a Palace Cinema has moved well beyond just seeing a film, it is now a complete night out, an event!

In that spirit of events, we have played a key role in fostering cultural and community film festivals. Palace has founded and/or programmed annual cultural events such as the Italian, Greek, French, Spanish and German Film Festivals. As well we have been instrumental in programming a variety of community festivals. These would play a vital part of our offering if successful in finding Palace a home on the lower north shore.

We would welcome the opportunity of holding discussions with you at which time we can discuss in detail the many benefits of bring Palace to this development.

Yours faithfully,

George Livery
General Manager
Palace Cinemas NSW