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To: The Board of Trustees

From: The Transaction Advisor

Date: 24th May 2024

Subject: Transaction Advisor's Comments on Rock City's Proposal to SSNIT for the Purchase of 60% shares in 4 Hotels (Lots 1 and 2)

Summary of the Latest Proposal

Payment of US\$61.20million as full consideration for the purchase of sixty percent (60%) of the shares held by SSNIT in the four (4) hotels (Lots 1 and 2) on the following terms:

1. Initial payment of USD30.60 million for 50% of the 60% stake on Lots 1 and 2
2. Scheduled payment of USD30.60 million for the remaining 50% of the Shares as follows:
 - a. Tenor: 36 months
 - b. Instalment Payments: Semi-annual payments
 - c. Interest Rate: 2.5% per annum on the outstanding balance of USD30.60million for the allotted shares until final payment.

Additional Terms:

1. The payment of the first USD30.60 million shall immediately trigger a transfer of ownership of a minimum 50% of the 60% share ownership (paid-up shares) in the hotels to Rock City Hotel (RCH).
2. The remaining 50% shares (valued at USD30.6 million) for RCH shall be automatically transferred to RCH upon periodic payment over a period of (36) months in proportion to instalments payments made.
3. SSNIT shall maintain Board control and RCH assumes management control until RCH has paid over 51% of the total shares after which RCH shall assume board control commensurate with its shareholding.
4. All payments shall be made in Ghana Cedi equivalent at the prevailing Bank of Ghana exchange rate on the date of payment.
5. Notwithstanding the payment status of the allotted Shares, RCH commits to a CAPEX plan of 60% contribution by RCH and 40% contribution by SSNIT whether or not the acquisition of remaining shares is completed.
6. SSNIT may offer to use its payments from RCH as its contribution towards CAPEX calls up to USD30.60million.
7. Funds required for the CAPEX on the hotels may be raised as debt and/or equity. The debt could be from shareholders or third-party financing.

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8. RCH agrees to pay SSNIT 5% of the initial cash payment of USD30.6million in the event that it is unable to or fails to complete full payment for the Shares. SSNIT, consequently at its sole discretion may elect to cancel the entire transaction.

On 20 May 2024, RCH presented revised payment terms which is presented below:

PAYMENT TERMS - OLD	PAYMENT TERMS -NEW
<ol style="list-style-type: none"> 1. Cash Payment of USD30.60 million 2. Payment of USD30.60m million for the equivalent percentage of the shares ("allotted") in the following terms <ol style="list-style-type: none"> a. Tenor: 36 months b. Installment Payments: Semi-annual c. Interest rate: 2.5% annual 	<ol style="list-style-type: none"> 1. Cash payment of USD30.80 million to be applied as follows: <ol style="list-style-type: none"> a. USD 10.80 million for full payment of Lot 2 b. USD 20 .0 million for part payment (24%) of Lot 1 2. Balance of USD 30.40 million for Lot 1 to be paid in instalments as follows: <ol style="list-style-type: none"> a. Tenor 24 Months b. Instalment payments: Semi-Annual c. Interest Rate: none

The new payment terms reallocate the cash payment of USD30.80 million to an outright payment of USD10.80 million for Lot 2 and USD20 million for part payment (24%) of Lot 1. In addition, the installment period has been reduced from 36 months to 24 months.

The following risk mitigants are presented:

1. Unencumbered assets of RCH valued over USD110 million to be leveraged for CAPEX
2. Immediate disbursement of CAPEX funding starting with Labadi Beach in 60/40 ratio
3. Unallocated shares will be held by SSNIT until RCH has completed payment for remaining shares in Lot 1.

Comments:

1. The proposal offers an installment plan with no confirmation of availability of funds. Payment is based on the cash flows of RCH with no credit enhancement from any bank.
2. There is no indication of ability to pay.
3. The arrangements for the transfer of the shares do not satisfy the objectives of SSNIT. Transfer of the management and ownership will take two years.
4. The two-year installment plan was not made available to all bidders.



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List all the issues that make the offer unacceptable so that RCH can adjust offer accordingly

The latest proposal does not meet the objectives of SSNIT which were clearly stated in the Terms of Reference for this transaction:

The objective is to select a strategic partner with the necessary gravitas, expertise and financial muscle to turn around the fortunes of the hotels. SSNIT's preference is to limit its equity holdings in these investments to between 26% and 49%. The strategic partner is to take up the rest of the equity by injecting the equivalent capital into the hotels.

The RCH proposal as it stands will not satisfy SSNIT's objective.

- 1. The transaction is stretched out over a two-year period of uncertainty during which the implementation of the SSNIT's strategic objectives will essentially be on hold.*
- 2. Other investors who submitted bids did not have an option of spreading the payment of shares over a two-year period.*
- 3. A two-year transition will make the transaction a target of public scrutiny.*
- 4. The proposal does not indicate the source of funding for the balance of the acquisition price.*

From SSNIT's perspective, the transaction should be a cash transaction which will transfer full payment of the hotels to SSNIT in exchange for the shares and the assumption of management control by the investor.

Attach a template for the term sheet backed by a bank that we requested, so Rock City Hotel can ascertain the information they are supposed to provide from the bank.

RCH's latest proposal does not include a bank guarantee.

Provide an opinion as to whether RCH met the Financial Due Diligence Requirements to undertake the deal or whether their finances per the report can support the transaction.

The financial due diligence was generally satisfactory. The major issue was the financial capacity of RCH given the size of the transaction. To minimize the risk to SSNIT, we asked RCH to submit assurance letters from banks that will provide financial support. The two banks who provided the assurance were:

Fidelity: \$100 million

Access Bank: Amount not specified.

However, the current proposal does not reflect a bank guarantee and a firm indication of the ability of RCH to settle the transaction in full. Below is an analysis of the semi-annual payment that would be required of Rock City at different rates of interest:



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Interest Rate	Semi-annual Payment (USD)	Semi-Annual Payment (GHS)
0%	7,600,000	106,400,000
2.5%	7,417,838,975	109,745,650
3.0%	7,887,121	110,419,694
4.0%	7,983,762	111,772,668
5.0%	8,080,863	113,132,082

Assuming that SSNIT accepts a 2-Year plan with semi-annual payments and an interest rate of 2.5%, the periodic payment that would be required of RCH would be \$7.8 million (GHS109.7) million). RCH's financials cannot support the transaction. The table below shows that RCH's total projected annual revenue for 2024 cannot meet the half-yearly installment payment of GHS109.7 million. In addition, the company does not have cash reserves to support the installment payments.

RCH Total Revenues	
Year	Revenue
2024	50,151,207
2025	62,638,212
2026	75,125,217
2027	88,877,531
2028	101,364,537

In short, the current proposal does not meet the requirement to demonstrate the financial capacity to close the transaction.

Recommendations

- o SSNIT's position should be to insist on full payment now.
- o SSNIT should avoid the risk that comes with carrying a receivable for two years in order to achieve its objectives.
- o A bank guarantee does not eliminate the risk as SSNIT will still be faced with the bank's credit risk.



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- If RCH is unprepared to make full payment now, SSNIT can offer RCH a fallback option of buying only one lot for which RCH can make a 100% payment of the agreed price. RCH can then negotiate an option to buy the second lot with a fixed date for the expiry of the option

A handwritten signature in black ink, appearing to read 'Dr. Sam Mensah', is written over a faint, circular stamp or watermark.

Dr. Sam Mensah
(Transaction Advisor)