

13 June 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY)

Receipt of Indicative, Non-Binding Proposal

Gateway Lifestyle Group (Gateway Lifestyle) advises that on 12 June 2018 it received a confidential, indicative and non-binding proposal from Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively, Hometown) to acquire 100% of the issued stapled securities of Gateway Lifestyle at an indicative price of \$2.10 per security by way of schemes of arrangement (the Proposal). The Proposal states that the indicative price would be reduced by the value of any dividends or distributions announced following receipt of the Proposal.

The Proposal is subject to a number of conditions including due diligence and entering into a scheme implementation agreement subject to customary conditions and Foreign Investment Review Board approval.

The Board of Gateway Lifestyle is focused on maximising value for shareholders and has commenced a detailed assessment of the Proposal. Gateway Lifestyle has not agreed to provide due diligence access at this stage.

There is no guarantee that the Proposal or any discussions with Hometown will lead to a formal binding offer. Gateway Lifestyle will keep the market informed of material developments. Securityholders need not take any action at this point.

Gateway Lifestyle has appointed Fort Street Advisers as financial adviser and Herbert Smith Freehills as legal adviser in relation to the Proposal.

A summary of the Proposal provided by Hometown is attached.

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Summary of Proposal

Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively, **Hometown**) have submitted an indicative, non-binding proposal to acquire 100% of the stapled securities in Gateway via a friendly scheme of arrangement for Gateway Lifestyle Operations Limited and a trust scheme for the Residential Parks No. 2 Trust (the **Schemes**) for an all-cash consideration of A\$2.10 per stapled security, reduced by any distributions declared or paid by Gateway after 12 June 2018 and prior to completion of the Proposal (the **Offer Price**).

In order to progress their Proposal to a binding offer, they have requested a 4 week exclusivity period to conduct a short and focused due diligence exercise on Gateway.

Hometown have stated that they intend to fund the Proposal with immediately available liquidity including equity commitments.

Hometown's proposal is subject to the following conditions:

- Completion of the short and focused due diligence exercise outlined above;
- Entering into a Scheme Implementation Agreement (SIA) on customary terms and conditions for a transaction of this nature and reflecting the results of due diligence, including the following:
 - Hometown having received approval of the Foreign Investment Review Board;
 - No 'prescribed occurrences' or material adverse events having occurred;
 - All scheme related conditions having been satisfied; and
 - Customary deal protection provisions.
- All Gateway directors indicating publicly that they will recommend that security holders vote in favour of the Proposal (in the absence of a superior proposal), and that each of them intends to do so in respect of all stapled securities that they hold or control.

Hometown has entered into pre-bid agreements with four securityholders under which it has acquired a relevant interest in over 17.5% of Gateway's stapled securities.

Hometown America was founded in 1997 and operates over 60 Residential Land Lease Communities (RLLC) across eleven states in the United States. Hometown America is an owner and operator of RLLCs in the United States and acquired its first RLLC in Australia in March 2017. Hometown is sponsored by Calzada Capital Partners (Calzada), a global real estate private equity firm.