

Stonegate Group

PUB PARTNERS

Publican Partnership Incentive Lease (Tied)

Summary of Terms (10 Year Term)

1. THE LEASE

Term

The term will be for 10 years. The Lease is not protected by Part II of the Landlord & Tenant Act 1954.

Incentive Payment

In order to recognise and reward strong sales performance this lease includes the opportunity to obtain an incentive payment at year 10 based on sales growth. Assuming that you meet an agreed barrellage target specified in the Lease (and are in compliance with all material terms of the Lease) then within 28 days from the tenth anniversary of the Lease we will make an incentive payment to you which will be comprised of a set cash sum (agreed at the outset of the Lease) which will be added to a further sum which will be calculated by reference to the number of barrels which you have purchased from us during the term of Lease multiplied by £20.

Costs

Each party pays its own and other fees. A contribution of £750 will be payable by You on acceptance of the offer of a new Lease, to be refunded to You only upon legal completion.

Cooling Off Period

Unless this lease amounts to a renewal or surrender and regrant of an existing lease that You already hold at the Property You will have the option of withdrawing from the Lease without penalty on serving 6 months written notice within the first 6 months of your occupation under the terms of the Lease or any preceding Agreement for Lease.

2. AGREEMENT FOR LEASE

The Lease may be preceded by an Agreement for Lease when Lease Support Works are to be undertaken or where head-landlord's consent is required. You will be able to occupy the pub on all the terms of the Lease as soon as You enter into the Agreement for Lease and then we will be bound to grant, and You will be bound to take, (subject to the terms of the Agreement for Lease) the new Lease when head- landlord's consent is obtained or when the works are completed. The commencement date of the Lease will be the Commencement Date of the Agreement for Lease.

3. THE RENT

Rent

Rent will be agreed by negotiation, having regard to the potential profitability of the business and taking into account all of the terms of the Lease save for the Incentive Payment which has no bearing on the rental assessment.

Payment

Rent, including VAT, is paid weekly in advance by Direct Debit or such other means as we may specify. We reserve the right to

make administration charges if payments are not made by Direct Debit.

Outgoings

You will be responsible for all rates and all other outgoings including but not limited to all utilities and You must notify all suppliers of tenancy change on commencement of Lease.

Deposit

A cash deposit equivalent to 3 months' rent is required on commencement of the Lease. Interest is payable on the deposit.

Further monies may be required in order to obtain credit on trading terms.

Open Market Rent Review

An open market rent review is scheduled to be conducted on or around the fifth anniversary of the Term and so long as the Lease remains tied then the rent can be adjusted upwards or downwards. However, as an alternative to an open market rent review you will have the option, subject to time conditions being met, to settle the review by completing a memorandum of rent review on the basis of Annual Indexation. We are able to call for an upwards only open market rent review in the event that the agreed trading tie ceases in its entirety.

Annual Indexation

Except on the fifth anniversary when there is an open market review, so long as the Lease is tied the rent is adjusted upwards or downwards at or around each anniversary of the start date in line with the Consumer Price Index House (CPIH). If the agreed trading tie ceases in its entirety then indexation adjustments are upwards only.

Exclusions

The value of your approved voluntary improvements to the building, your exceptional goodwill and also the benefit of the incentive payments are excluded from any rent reviews.

4. PERMITTED USE

The premises may be used as a fully licensed public house for the retail sale of alcoholic and non-alcoholic drinks and the ancillary provision of accommodation, food and other refreshment.

5. INSURANCE

Landlord

We will arrange insurance for the building and for two years loss of rent and recharges. Our insurance costs will be recharged to You weekly in advance together with VAT.

Tenants

You will be required to arrange cover for the contents including trade inventory, stock, all fixed glass, the premises licence and employer's liability. You must also insure against third party and public liability, loss caused by interruption to the business and any loss of money.

6. TERMS OF TRADING

Trading Tie

The extent of the trading tie is a matter for negotiation at the start of the Lease. A "full wet tie" would require You to purchase from us all beers, including cask conditioned and low alcohol or no alcohol ales, all lagers, all ciders, all flavoured alcoholic beverages, all wines, all spirits and all minerals whether in draught or packaged forms. You can, however, choose to be free of tie on some or all of the following categories: one guest cask conditioned beer sourced from a SIBA brewer and dispensed from one hand pump, flavoured alcoholic beverages, wines, spirits or minerals in exchange for payment of an annual Tie Release fee for each category released. You can serve 3 months written notice to cancel one or more Tie Release Fee at any time.

Payment

Payment for tied products ordered from your price list will usually be collected on the Rent Day in the next week following your delivery by way of Direct Debit.

Price List

The price list and any discount structure agreed at the outset will continue throughout the term subject to our entitlement to update prices and any applicable off invoice discounts and qualifying products from time to time.

Gaming and Amusements Machines

Unless otherwise stated in our letting particulars there is a prohibition against bringing gaming and amusement machines on to the premises. We may consent to the installation of such equipment and if so the terms of any consent will be dealt with in a machine consent letter.

Annual Release Fees

If any aspect of the "full wet tie" is released, this arrangement will continue for the duration of the Lease unless cancelled by you on 3 months' notice, subject to the payment of Annual Release Fees. These fees will be fixed at an agreed amount, subject to annual indexation in line with the Consumer Price Index House (CPIH) and payable weekly alongside your rent.

Beer Dispense Equipment

Dispense equipment is provided by the nominated suppliers and is maintained and owned by them. Cellar cooling equipment is your responsibility and so long as the Lease is tied You may opt to join our group servicing scheme to cover this.

Flow Monitoring Equipment

You must allow us or if relevant our agents, access to the Premises to install and inspect and maintain Flow Monitoring Equipment and to use your electricity supply at your cost to operate the equipment.

Disclosure

You will be required to provide copies of your VAT returns & annual accounts upon request.

7. FIXTURES AND FITTINGS

Tenant

You must purchase the loose trade inventory at valuation and You must repair and replace these items as necessary during the term. We may purchase the trade inventory at valuation during or at the end of the Term and offset the value against any money You may owe. You may not sell or charge the inventory to any third party and You must sell the inventory to any authorised assignee of the Lease.

Landlord

Landlord's fixtures and fittings remain in our ownership throughout the Term. You must repair, maintain and replace all fixtures & fittings during the Term.

8. REPAIRS

Structural Repairs Subject to the provisions of the Lease We are responsible for repairs to the main structure which We reasonably believe are required to protect the structural integrity of the property. You are responsible for notifying Us as soon as You become aware of any required repairs in order that we can both mitigate against further consequential damage.

Non-Structural Repairs You will be responsible for the repair and maintenance of the whole property but not the structural parts which We are responsible for pursuant to the terms of the Lease. You will be responsible for all other repairs (including the surface coverings of the main structure) and day to day maintenance, including drains, fixtures and fittings all pipes, toilets and sanitary equipment and to keep all car parks, access ways, gardens, play areas, landscaping or other unbuilt upon areas safe for public access, properly lit, surfaced or cultivated, clean and tidy and free from weeds.

Redecoration

You must redecorate the interior and exterior of the property in an agreed initial decoration year and thereafter as often as is required or at least every 3 years and in the last 6 months of the term if we reasonably require.

Alterations

You may not carry out any structural alterations but may carry out non-structural alterations with our permission. We may ask You to reinstate these at the end of the term.

Signage

You must maintain all signs and lights. You may not alter the signage without our prior consent.

Repairs and Maintenance Fund

You will contribute to a repair & maintenance fund and You may draw down from that fund for the purposes of complying with your repairing obligations or we may do so if we carry out repairs for which You are responsible. The balance of the account will be repaid to You when You leave the pub if it is in good repair and all other accounts are up-to-date.

Service Charges

We will deal with compliance testing (but not remedial works) for health & safety, lifting equipment and gas & electrical safety in exchange for a service charge paid to us weekly in addition to your rent. The initial charge is currently £1,273.75 plus VAT per annum. That initial charge may be subject to review at any time, based on the actual cost to us of providing these services. If You opt to join our group servicing scheme for the maintenance of the heating system and cellar cooling equipment You will pay a maintenance service charge which is currently £602.23 plus VAT per annum for the cellar cooling maintenance and currently £906.91 plus VAT per annum for the heating system maintenance.

Accounts and Stocktaking

All lessees are required to ensure that they instruct appropriate third-party accounting and stocktaking services from properly qualified suppliers. Upon request, you will be obliged to provide to us copies of any documentation that they prepare for you as a result of them carrying out these services in respect of the business. The cost of these services will be payable by you direct to the service provider.

9. VARIATIONS CONSEQUENT ON RELEASE OF TERMS OF TRADING

If the terms of trading become wholly or partially unenforceable then we may conduct an open market review of the Rent and it will be conducted on an upwards only basis.

10. ASSIGNMENT

The Lease may be assigned after the end of the first two years.

You must obtain our consent to any assignment and we will have the right to act as a substitute purchaser of the Lease if we so require at that time. Any assignee must satisfy us that they are fit and proper and have adequate experience to run the business. They will be required to produce a business plan together with proof of funding and pay a rent deposit. They will be required to attend an appropriate training course and to take appropriate professional advice. Subject to being satisfied in these respects and subject to us not wishing to purchase the Lease ourselves, we will not unreasonably withhold consent.

Future Liability

You will be required to enter into an authorised guarantee agreement on assignment to guarantee the obligations of your assignee under the Lease.

Mortgages

You may charge the Lease to a reputable bank with our consent but You may not charge the trade inventory.

11. TRAINING

We require You to complete Our Elearning training modules which are accessed via our applicant channel and attend the BIIAB Award in Beer and Cellar Quality course.

12. PREMISES AND PERSONAL LICENCES

Unless we request otherwise You must obtain by transfer or otherwise and hold throughout the Term a Premises Licence for the premises. You must also hold a Personal Licence and be named as the Designated Premises Supervisor (DPS) for the Premises, unless we consent to some other person being the DPS.

If We (acting entirely at Our discretion) elect to apply for a 'shadow' Premises Licence for the Property (such application to be made entirely at Our cost) You shall provide such assistance to Us as We request (including, without limitation, allowing Us or our agents to display any statutory notices upon the Property) and furthermore You shall not do, nor allow any third party to do, anything which would jeopardise the status or progress of such application.

13. GUARANTORS

We will ask corporate tenants to provide personal guarantees from two of its directors.

14. LEGAL & OTHER PROFESSIONAL ADVICE

You must receive independent professional advice in advance of preparing Your business plan. Before entering into a Lease You should receive further independent professional advice about all its terms. Before completion You would need to demonstrate You have taken further independent professional advice or confirm in writing Your decision not to do so despite our recommendation.

All Stonegate Pub Partners Leases have repairing obligations which are "put and keep" in nature. This means that the property's condition at the commencement of the Lease is effectively disregarded when applying the repairing obligations. It is therefore important that You understand the condition of the property at the outset and the obligations that You are entering into.

In all cases we recommend that You commission your own independent building survey and take specialist advice before entering into a Lease which contains repairing obligations.

This Summary of Terms is provided for guidance only. In the event of any inconsistency between this Summary of Terms, and the current form of legal documentation, the latter shall prevail. Subject to Contract and formal Tenancy Agreement.

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