

Stonegate Investment Lease FAQ's

What is an investment lease?

The Lease will be accompanied by an investment deed where support works are to be undertaken to the Property by us, in consultation with yourself. This investment by us will mean that a market rent only option will not be available to you at the point of your 5th year open market review of the Rent.

How long is the lease?

The term will be for 10 years.

Are there any legal costs?

We both pay our own fees. We will ask you for a contribution of £750 on acceptance of the offer of a new lease. Don't worry, this will be refunded to you on legal completion.

How much will it all cost including any extras?

We'll agree the rent with you up front by considering all of the terms of the lease, and the potential profitability of the business. Once agreed, your rent, including VAT, will be paid weekly in advance by Direct Debit.

We will need a deposit from you equivalent to 3 months' rent. All rates and other bills including utilities will be down to you and you'll have to notify all suppliers of the change to avoid any confusion.

Will my rent change?

Your rent will be reviewed in two distinct ways:

Annual Indexation reviews where your rent will be adjusted upwards or downwards in line with the Consumer Price Index House (CPIH). If there's no trading tie in place, it will be upwards only.

On or around the 5th anniversary there will be an **Open Market Rent Review** and so long as the Lease remains tied then the rent can be adjusted upwards or downwards.

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.

What can I use the property for?

The property has to be used as a fully licensed public house, which means its main business is selling alcoholic and non-alcoholic drinks. You can also sell food to support the main business offer.

What insurance will I need?

You will be required to arrange insurance cover for 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. It sounds daunting but there's lots of help and advice out there – just ask and we'll point you in the right direction.

What products can I buy out of tie?

You can choose to be free of tie on some or all of the drink categories in exchange for payment of an annual fee for each category of drinks. These include conditioned cask, lager, cider, wines, spirits, minerals, flavoured alcoholic beverages and low alcohol products. If you do this, it will stay in force through the whole tenancy. However, either of us can give 3 months written notice to cancel a tie release fee and revert to a 'full tie' if they wish. Any tie release fees will be fixed at an agreed amount,

in line with the Consumer Price Index House (CPIH) and reviewed every year and will be paid alongside your weekly rent.

What about drinks discounts?

The drinks price list and any discount structure will be agreed from the start and will continue throughout the term.

Can I use gaming machines?

These are often referred to as fruit machines, amusement machines, pool tables and the like. We will agree the best plan for you, using the best suppliers, latest machines, and their expertise. We'll agree with you which machines will be suitable for your site and set this out in a machines consent letter.

Do you use any monitoring equipment?

Yes. We use a system to monitor draught products and to keep this equipment working well, we just ask that you allow us or the experts' access to the premises to install, inspect and maintain Flow Monitoring Equipment.

Will you need to see my accounts and stock reports?

To make sure that you're keeping the business running well we'll ask you to use and pay for appropriate third-party accounting and stocktaking services from properly qualified suppliers. We might ask to see copies of any documentation that they prepare for you to make sure everything being run well and so that we can advise and help if you need it. We may also ask to see copies of your VAT returns & annual accounts from time to time.

What about fixtures and fittings?

Once we have agreed a valuation of the items included in the what's called the 'loose trade inventory' you will have to repair and replace these items as necessary during the lease.

Please can you explain my repairing obligations?

To keep the pub looking attractive, we'll agree the timings for you to redecorate the exterior and interior of the property (every 3 years as a minimum). This will need to be done as often as needed and we might ask you to do this in the last 6 months of the term.

It's worth knowing that for your bigger plans you won't be able to carry out any structural alterations, but you may carry out non-structural alterations with our permission. It's worth bearing in mind we may ask that these alterations are reinstated at the end of the term.

You are responsible for the maintenance and repair of the entirety of the property on a full repair basis. To help spread the cost, we'll ask you to pay an agreed amount per week to be put towards your 'repair and maintenance fund'. You can then use this fund to comply with your repairing commitments. If you leave, and the premises are in a good state of decoration and all other accounts are up to date then we'll pay the balance of this fund to you.

To keep you and the property in a safe condition, we will deal with compliance testing for health & safety, lifting equipment and gas & electrical safety. To cover the cost, we'll ask you to pay a service charge, paid weekly in addition to your rent. You'll pay a service charge for the cellar cooling maintenance and for the heating system maintenance and it means it's all taken care of.

Can I assign the lease to someone else?

Yes. This Lease may be assigned after the end of the first two years, but you'll need to get our consent to any assignment. We may choose to act as a substitute purchaser of the Lease 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 professional

advice. If they meet those elements and if we don't want to take the Lease ourselves, we will give our consent.

We will need you to take out an authorised guarantee agreement on assignment to guarantee the obligations of your assignee under the lease.

If you want to take out a mortgage you may charge the lease to a reputable bank with our consent, but you won't be able to charge the trade inventory.

What training do you offer?

We want to make sure that you are well equipped to run your business so we would ask that you agree to complete our e-learning training modules which are accessed via our applicant channel and attend the BIIAB Award in Beer and Cellar Quality course.