

Stonegate Group

PUB PARTNERS

Fixed Term Tenancy (5 year)

Summary of Terms

1. THE TENANCY

Term The term will be for 5 years. The Tenancy is not protected by Part II of the Landlord & Tenant Act 1954.

Ending the Tenancy Subject to You complying with the terms of the Tenancy You will be able to end the Tenancy at any time in the first 6 calendar months of the Term, for any reason, upon giving Us 6 months' notice.

Costs Each party pays its' own legal costs. If we have to obtain head landlord's consent to the Tenancy a contribution of £750 will be payable by You on acceptance of the offer of a new Tenancy, to be refunded to You only upon legal completion.

2. AGREEMENT FOR TENANCY

The Tenancy may be preceded by an Agreement for Tenancy where head-landlord's consent is required. You will be able to occupy the pub on all the terms of the Tenancy as soon as You enter into the Agreement for Tenancy and then We will be bound to grant, and You will be bound to take, (subject to the terms of the Agreement for Tenancy) the Tenancy. The start date of the Tenancy will be the Commencement Date of the Agreement for Tenancy.

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 Tenancy.

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 or if any payment is not honoured.

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.

Deposit A cash deposit equivalent to 3 months' rent is required on commencement of the Tenancy. Interest is payable on the deposit. Further monies may be required in order to obtain credit on trading terms.

Annual Indexation The rent is adjusted upwards at or around each anniversary of the start date in line with the Retail Prices Index (RPI). All adjustments of Rent in line with RPI are subject to a cap of 6% and a collar of 2%.

Rent Reviews There are no cyclical open market 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, preparation and sale of food for consumption off the property, and dark kitchen use (subject to any necessary consents being obtained).

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 insurance 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. We may offer this service to You currently at a cost of £1,697.45 per annum, subject to review.

6. TERMS OF TRADING

Trading Tie The extent of the trading tie is a matter for negotiation at the start of the Tenancy. A "full wet tie" would require You to purchase from Us all beers, including cask conditioned and low alcohol or no alcohol beers, 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: flavoured alcoholic beverages, wines, spirits, minerals and, where there is a clear business need, a single guest ale from a SIBA brewer. Payment would be in the form of a Tie Release fee for each category released. Once You have selected whether You would like to pay any Tie Release Fees so that You can purchase the relevant products free of tie, these cannot be returned to being tied products at Your election during the Term of the Tenancy nor can You elect to become free of tie on any further products once Your tenancy has commenced. You may not transfer any Tied Drinks purchased pursuant to Your Fixed Term Tenancy to any other site, nor can any products purchased at any other site be transferred to the Property.

Annual Release Fees If any aspect of the "full wet tie" is released, this arrangement will continue for the duration of the Tenancy, subject to the payment of Annual Release Fees. These will be fixed at an agreed amount, subject to annual indexation in line with the Retail Prices Index (RPI), and shall be payable weekly alongside your rent (and any other appropriate sums).

Full Tie Release We may, at any point during the Term, serve a notice upon You confirming that We are releasing all Trading Ties. If such a notice is served upon You, You shall be required to pay Us the Full Tie Release Fee and this shall be payable weekly alongside (and in addition to) Your Rent (and any other appropriate sums). The Full Tie Release Fee is assessed on the basis of a fair maintainable trade profits method calculation, made through consideration of the achievable uplift in gross profit for You moving from purchasing the Tied Drinks from Our price list to what We assess to be achievable pricing for an appropriate product range in the open market. We then consider the consequential impact of this to the divisible balance, adopting a rent bid We believe is reflective of the resulting agreement terms.

In the event that, for any reason, We are required to release any product tie under the Tenancy or if the Full Tie Release Fee cannot be used there may (at Our election) be an open market review of the Rent.

Supply by Us In the event that We are unable to supply You with any products which You are required to purchase from Us under Your Trading tie for an unreasonable period of time (being not less than 14 days), We may serve notice upon You

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allowing You to purchase those products from an alternative provider until such time as We are able to supply them to You again. In the event that We serve such a notice, You shall be required to supply Us with all records of any products which You have purchased from the alternative supplier and, if We demand such payment, You must pay to Us a sum as determined under the Tenancy.

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 discounts and qualifying products from time to time.

Gaming and Amusements Machines Provided that You use only reputable suppliers, and that You have all necessary licences and registrations, You may install and offer to Your patrons gaming and/or amusement machines.

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 You must 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, inspect, maintain and (at Our election) remove 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. If You own the trade inventory We may purchase it 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.

Landlord Landlord's fixtures and fittings remain in Our ownership throughout the Term.

8. REPAIRS

Repair Matrix Throughout the Term We shall maintain and make available to You a copy of Our Repair Matrix. This document will give directions for the repair and maintenance of the Property, and We may update this from time to time. You must ensure that You are acting in compliance with the Repair Matrix at all times.

Exterior Structure and Services We are responsible for all repairs to the exterior, structure and services. 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. You will be responsible for all other repairs and day to day maintenance, including drains, 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 surfaced or cultivated, clean and tidy and free from weeds.

Interior and Non-Structural You will be responsible for the repair and maintenance of the interior and repair and maintenance, but not replacement, of our Fixtures and Fittings.

Redecoration You must redecorate the interior of the property in an agreed initial decoration year and thereafter as often as is required and in the last 6 months of the term if We reasonably require. We will redecorate the Exterior as often as We consider necessary.

Decoration Fund You will pay an agreed amount per week to be put towards Your decorating obligations and You may drawdown from that fund for the purposes of complying with Your obligations or We may do so if we carry out decorations for which You are responsible. The balance of the fund will be repaid to You when You leave if the premises are in a good state of decoration and all other accounts are up to date.

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.

Service Charges We will deal with compliance testing (but not remedial works unless they fall within our obligations) 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. You will pay a maintenance service charge which is currently £337.29 plus VAT per annum for the cellar cooling maintenance and currently £517.65 plus VAT per annum for the heating system maintenance.

9. ADDITIONAL SERVICES

Marketing Support You shall pay Us the Marketing Club Membership Fee and We shall provide You with marketing and promotional materials.

Accounts and Stocktaking. All tenants 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.

Full Tie Release Event In the event that there is a notice served by Us to invoke the Full Tie Release Fee, We may also elect to cease to provide any other ancillary services including (without limitation) the Marketing Support, Health & Safety Compliance Services, and/or Maintenance Services. If this happens You will no longer be required to pay any amounts to us in relation to the provision of those services.

10. ASSIGNMENT

You may not assign, underlet or share possession of the premises.

11. TRAINING

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We require You 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.

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.

At the end of the Tenancy, or during the tenancy if We so elect, You must provide Us with a signed consent to transfer the Premises Licence.

13. GUARANTORS

We will ask corporate tenants to provide personal guarantees from two of its directors or additional cash deposits in place of personal guarantees.

14. LEGAL & OTHER PROFESSIONAL ADVICE You must receive independent professional advice in advance of preparing Your business plan. Before entering into a Tenancy 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 Tenancies have repairing obligations which are "put and keep" in nature. This means that the property's condition at the commencement of the Tenancy 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 Tenancy 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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