

Stonegate Group

PUB PARTNERS

Turnover Lease (Scotland) (20 year)

Summary of Terms

1. THE LEASE

Term The term will be for 20 years.

Ending the Lease Subject to You complying with the terms of the Lease You will be able to end the Lease at any time in the first 6 calendar months of the Term, for any reason, upon giving Us 6 months' notice. There will be no further entitlements to end the Lease save for us where You are in breach.

Costs Each party pays its' own legal costs.

You will also be responsible for 1) making a Return and paying the required Land and Buildings Transaction Tax assessed on the Lease and 2) the costs of registration of the Lease at the Land Register of Scotland.

If We have to obtain head landlord's consent to the Lease a contribution of £750 (ex Vat) will be payable by You on acceptance of the offer of a new Lease, to be refunded to You only upon legal completion.

2. AGREEMENT FOR LEASE/MISSIVES

The Lease may be preceded by an Agreement for Lease or Missives. Unless We and You otherwise agree an alternative date You will be able to occupy the pub on all the terms of the Lease as soon as You legally enter into the Agreement for Lease or Missives The start date of the Lease will be the date of the Agreement for Lease/conclusion of Missives or such other date as You and We agree

3. THE RENT

Rent (consisting of base rent and turnover rent elements) 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.

Turnover Rent Turnover Rent will be payable in addition to the Rent. The Turnover Rent will be calculated as a percentage of the expected Net Sales, calculated in reference to the Market Fair Maintainable Trade (FMT) of the premises. You will only pay Turnover Rent on Net Sales up to and equivalent of the assessed FMT, any Net Sales achieved above the assessed FMT will not attract a Turnover Rent. In the event that You pay more in Turnover Rent than the Net Sales actually achieved in each 6-month Rebate Period, You may apply for a rebate which shall be applied to your rent and trade account held with Us.

Payment the Rent, including VAT, shall be 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 for the premises and the business carried on by You, this includes but is not limited to all utilities and You must notify all suppliers of your responsibility on commencement of the Lease

Deposit A cash deposit equivalent to 3 months' rent is required on commencement of the Lease. This will be held by us for the duration of the term of the Lease. Interest is payable on the deposit. Further monies may be required in order to obtain credit on trading terms.

Annual Indexation The base 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 of the base rent.

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 premises, and dark kitchen use (subject to any necessary consent being obtained).

5. INSURANCE

Landlord We will arrange insurance for the premises and for two years' loss of rent. 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, 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 in such instances the cost will be charged to You weekly in advance together with VAT. The current rate can be found in Our Guide to Agreements, typically this is reviewed annually on 1st October.

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 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: packaged beers, packaged ciders, flavoured alcoholic beverages, wines, spirits or minerals in exchange for payment of an annual Tie Release fee for each category released. Once You have selected whether You would like to pay any Tie Release

Stonegate Group 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ stonegategroup.co.uk

Stonegate Group is Stonegate Pub Company Limited (FC029833) and its subsidiaries, including Ei Group Limited (02562808), Ei Publican Services Limited (06522972) (FCA 81623), Enterprise Managed Investments Limited (08805929), Unique Pub Properties Limited (03726292), and The Craft Union Pub Company Limited (09429990).

All Stonegate Group entities are registered in England & Wales at 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ.

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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 Lease nor can You elect to become free of tie on any further products once Your Lease has commenced. You may not transfer any Tied Drinks purchased pursuant to Your Fixed Term Lease to any other site, nor can any products purchased at any other site be transferred to the premises.

Guest Beer Recognising the option for a tenant under a tied lease to have a right to a "Guest Beer" under the The Scottish Pubs Code Regulations 2024 (Pubs Code), the lease contains such a right subject to the Guest Beer chosen from time to time by You meeting the qualifying criteria laid out in the Pubs Code.

Annual Release Fees If any aspect of the "full wet tie" is released, this arrangement will continue for the duration of the Lease, 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 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. The Full Tie Release Fee shall be adjusted upwards at or around each anniversary of the start date in line with the Retail Prices Index (RPI). All adjustments of The Full Tie Release Fee in line with RPI are subject to a cap of 6% and a collar of 2%.

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

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 We will require to consent to any such installations and in the event that we do so consent this will be subject to You having all necessary licences and registrations, and using reputable suppliers.

Beer Dispense Equipment Dispense equipment is provided by the nominated suppliers and is maintained and owned by them. Cellar cooling equipment is your responsibility

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. REPAIR OBLIGATIONS

Exterior and Interior Structural/Non Structural and Services As the Lease is granted on FRI terms (full repairing and insuring) You alone are responsible for all repairs, replacements and where required improvements for all element of the premises, Our fixtures and fittings and tenant's improvements excepting only damage covered by the buildings insurance that we arrange under the Lease (and only so far as we may have a successful claim under that insurance). . You are responsible for notifying Us as soon as You become aware of any required works. You will also 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. See further under paragraph 14 of the put and keep nature of the obligations undertaken by You under the Lease.

Redecoration You must redecorate the interior and exterior of the premises 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.

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Alterations/Additions You shall not carry out any structural alterations or additions but may carry out non-structural alterations or additions with Our permission. Such permission is subject to you obtaining prior to the grant of Our permission, the Local Authority permissions required in particular Planning/Building Control and Licensing Board consent We may ask You to reinstate all or some of these alterations/remove any additions at the end of the Lease term.

Service Charges/Common Charges You will be responsible for all costs payable to a factor, managing agent or other owner where the premises is part of a larger building or larger development.

9. PRE-EMPTION AGREEMENT

If you intend to assign the interest You have in the Lease, prior to Our granting any consent that may be required under the Lease, You shall first be required to offer to surrender your interest in the Lease to us or Our nominees on the same terms as you can demonstrate has been offered to you by an independent arms' length party with whom you have entered into an Agreement or missives for the assignment of the Lease.

10. ADDITIONAL SERVICES

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.

11. ASSIGNATION

You may not assign, underlet or share possession of the premises or part of the premises without Our permission which We may not unreasonably withhold but may grant, refuse or grant subject to conditions.

12. TRAINING

We ask that you attend Our 2 day induction which will help you ensure you are set up for success. The workshop is designed to support you and your new pub by providing the skills and knowledge for a long term, profitable business. During the workshop you will be introduced to best practices in marketing, social media, recruitment and cellar management to name a few. In addition, we also recommend that you undertake the BII Pre-Entry Awareness Training (PEAT) course as part of ensuring you are set up for success.

13. PREMISES AND PERSONAL LICENCES

We or Our nominee will throughout the term hold the Premises Licence for the premises. You or your nominated DPM must also hold a Personal Licence and be named as the Designated Premises Manager (DPM) for the Premises, unless We consent to some other person being the DPM.

All variations to the Premises Licence will require Our consent and will be applied for by Our nominated solicitors. You shall provide such assistance to Us as We request (including, without limitation, allowing Us or Our agents to display the Premises Licence and any statutory notices upon the premises) and furthermore You shall not do, nor allow any third party to do, anything which would jeopardise the status or progress of such application.

14. GUARANTORS

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

15. 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 Lease have repairing obligations which are "put and keep" in nature. This means that although a Schedule of Condition may be provided during negotiations on the terms of the Lease as part of the Pubs Code, it is not part of or referred to in the Lease and therefore the premises' condition at the commencement and during the Lease is effectively disregarded and you are wholly responsible to comply with the repairing obligations under the Lease notwithstanding any defect or record of condition. It is therefore important that You understand the condition of the premises 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.

To assist you in obtaining the relevant professional advice we will provide complimentary membership to the British Institute of Innkeeping (BII) once you have progressed your application. The BII is a rich source of independent information for all prospective publicans on all aspects of running a tied pub. You will receive contact from a BII representative inviting you to take up this membership to assist you in the application process including signposting you to accredited professional advisors.

This Summary of Terms is provided for guidance only and are Subject to Contract and the Agreement to Lease/Missives.

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