

Mercury Three Year Agreement (M3T) - Overview

1. The agreement

Agreement period: Fixed 3 year agreement period with no protection under the Landlord and Tenant Act 1954. This means that the Publican:

- will not have a right to remain in occupation at the end of the contractual term; and
- will not have a statutory right to ask for a renewal of the tenancy.

Permitted use: Use as a fully licensed public house.

Transfer: Sub-letting or transferring the whole or part of the property is not permitted.

2. The rent

Rent: The rent proposal is prepared in accordance with RICS Guidance and is based on the Profits Method of Valuation as specified in the RICS Guidance. It is prepared having regard to BBPA, ALMR, RICS, benchmarking reports as well as accounts, stock sheets and historic information regarding beer sales and data from the Punch estate (comprising tenanted and managed outlets).

Payment : In advance on the first day of each week.

Reviews : The rent is revised annually in accordance with any change in the Consumer Prices Index. The formula Punch uses is as follows:

$$\frac{A \times B}{C}$$

Punch take the Publican's current rent (A), multiply it by the figure given in the 'all items' index of Consumer Prices Index published by the Office for National Statistics (**index**) (B) on the anniversary of the term commencement date (**indexation date**) and divide the result by the figure given in the **index** on the most recent previous **indexation date** or (if there has been no previous **indexation date**) on the date the **agreement** started (C). The result of this calculation is the amount of rent payable by the Publican from the **indexation date**.

Service rent: The Publican is to pay a service rent to Punch for arranging for gas and electrical compliance certification and for the servicing of gas, electrical and mechanical items.

3. Early termination

The Publican is entitled to end the agreement at any time by giving not less than 28 days' notice, in writing, to Punch. Punch is also entitled to give 28 days' notice, in writing, at any time to bring the agreement to an end. If the Publican has breached the terms of the agreement then Punch may be entitled to bring the agreement to an end.

4. Insurance

Punch: Punch will arrange full buildings insurance, details of which are available on request. The premium is recharged to the Publican monthly in advance. If the property is destroyed or damaged by an insured risk then, provided the Publican has not caused or contributed to the damage, the rent will be suspended until the property is rebuilt or repaired.

Publican: The Publican is responsible for its own contents cover to include inventory, stock, all fixed glass in the property, all third-party risks, including employer's and public liability, loss caused by interruption to the business and loss of money.

5. Inventory

Publican: The Publican is required to buy the trade fixtures and fittings. The Publican is to keep the inventory in good condition and working order and replace as necessary during the agreement period. Punch may purchase specified items at valuation cost at the end of the agreement period or offset the value against any money owed by the Publican.

Punch : Punch's fixtures and fittings are to be repaired and maintained by the Publican during the agreement period.

6. Utilities

The Publican must pay all outgoings relating to the property including council tax, business rates, water, sewerage, electricity and gas.

7. Repairs

Publican: The Publican is to keep the inside of the property clean, tidy and in good order. External areas such as gardens and car parks must be kept in a clean and tidy condition.

Punch: Punch will arrange for gas and electrical statutory compliance testing to be carried out. The terms of the agreement do not oblige Punch to carry out repairs to the structure of the property or to any other part of the property for which the Publican is not responsible.

Schedule of Work: Punch may inspect the property and prepare a schedule of work such works to be carried out by the Publican if the property is not in the required condition.

8. Security deposit

The Publican will provide a security deposit at the start of the agreement period. It will be held in Punch's name. Interest will accrue to the Publican at 0.5% below the base rate of Barclays Bank Plc. Punch can use the security deposit if the Publican does not pay any money which is owed to Punch. If money is deducted from the security deposit then the Publican must pay an amount equivalent to the shortfall to Punch. The security deposit will be returned to the Publican within 30 days of the date on which the agreement ends (less any sums due to Punch). If Punch becomes insolvent, the security deposit will be indistinguishable from Punch's other assets and could be used by the insolvency official to meet the claims from Punch's general creditors.

9. Terms and trading

Drinks tie: The Publican is required to purchase all drinks from suppliers nominated by Punch. Punch may, in certain circumstances, agree a partial release of the tie. Payment for products at the supplier's standard price list is to be by direct debit or such other way as Punch may require. Interest on late payments will be at 4% above the base rate of Barclays Bank Plc.

Machines: The Publican is not entitled to install amusement machines or other machines.

Drinks-monitoring equipment: Punch may install equipment for monitoring the flow of drinks to dispensing equipment.

10. Alterations

No structural alterations to the property are permitted. No non-structural alterations are permitted without Punch's prior approval.

11. Licensing

The Publican is to ensure that all licences for the property remain in place. Punch holds the premises licence. The Publican (or someone nominated by the Publican) will be named as the designated premises supervisor and will be required to hold a personal licence. The Publican must comply with any conditions on the licences and pay Punch a weekly licensing service charge to cover the cost of complying with its obligations as the holder of the premises licence.

12. Training.

Punch uses an external training organisation to provide a comprehensive programme, which equips participants with the necessary qualifications to enter the trade as well as a selection of business building courses. All Publicans are required to pay for the training they undertake.

The summary of terms is provided for guidance only. In the event of any inconsistency between the above summary of terms and the current form of legal documentation, the latter shall prevail. Subject to Contract and formal Agreement.