

DRAFT REPORT ON DOCUMENTATION

AGREEMENT FOR LEASE:

The agreement provides for the Grant of the Lease on the terms set out below on the 1 June 2014.

The Agreement also deals with two other matters pre-completion:-

1. In clause 5 the Agreement deals with the approval of the following matters:-

- (a) Plans and specifications for the Tenant's Works which are to be attached to the Licence to Alter.
- (b) A method statement relating to the Tenant's Work again to be attached to the Licence to Alter.
- (c) The Service Schedule which will be attached with the Facilities Management Agreement; and
- (d) The Operating Protocol to be attached to the Lease.

All of these items are to be approved by the Landlord/agreed by the parties acting reasonably. Accordingly, to some extent, there will be an "agreement to agree" which is unenforceable but the parties are obliged to cooperate in good faith in this regard.

2. The Agreement for Lease also provides in clause 6 that the Tenant may have access to the Property in stages; in respect of the second floor of the Property no later than 1 February 2014 and as to the whole no later than 10 March 2014. Access could be given earlier on two weeks' notice.

As mentioned above, the Agreement provides for the completion of the Lease on the 1 June 2014. On this date there will be an apportionment of rent and insurance rent (there is no rent free period) and the parties will enter in to the Lease, the Licence to Alter and the Facilities Management Agreement.

In addition on completion the Landlord must issue 132 car parking permits for use by the Tenant's employees within any of Rye Farm, Hales Meadow or Charter (levels 5 and above) car parks.

LEASE:

Tenant : The Tenant will be Oxfordshire County Council.

- Premises : The premises demised by the Lease are the part ground floor, first and second floors Abbey House Abingdon. This is an internal demise which is relevant for the Tenant's repairing obligations.
- Term : The Lease Term is a term of ten years commencing on 1 June 2014. The Lease is inside the security of tenure provisions of the Landlord and Tenant Act 1954 which means at the end of the Lease Term the Tenant will have a statutory right to remain in the Property and renew their Lease unless the Landlord can show certain limited grounds (for example redevelopment) apply.
- Tenant's Break : The Tenant has a right to break the Lease on either the 1 June 2019 or 1 June 2020 (Break Dates) on giving no less than twelve months but not more than twenty-four months prior notice. The operation of break is conditional on payment of the annual rent and vacant possession of the property being given at the Break Date. If the Lease is terminated then any rents paid in advance must be repaid to the Tenant to the extent that they relate to a period after the Break Date.
- Rent : The annual rent is £237,953 per annum payable on the usual quarter days.
- Rent Review : The rent is to be reviewed on the fifth anniversary of the term of the Lease to the open market rent. The rent review is upwards only. Note that the open market rent is assessed on the usual assumptions and disregards however, particular attention is drawn to the alienation provisions (see below) which are restrictive and therefore could have a detrimental effect on review.
- Permitted Use: The permitted use of the Premises is offices within Use Class B1 (a) of The Town and Country Planning (Use Classes) Order 1987.
- Repair and Decoration : This is a full repairing Lease on the part of the Tenant so the Tenant is required to keep the premises in good repair and condition (damage by the insured risks accepted). The Tenant is required to decorate the Property as often as reasonably necessary and in the last three months before the end of the Term. Note that there is no dilapidations provision so at the end of the Term the Tenant only has to return the Property in a clean and tidy condition making good any damage caused. The Tenant also has to remove its chattels.
- Insurance : The Landlord covenants to insure the Property against the usual commercial risks (confirmation as to whether this includes terrorism is awaited) for the full reinstatement value. If the Property is destroyed by

the Insured Risks then the Landlord must reinstate the same and during such time as the Property the Annual Rent will be suspended until such time as the Property is reinstated or three years whichever is sooner. If the Landlord considers the Property is impossible to reinstate then the Landlord may terminate the Lease on notice. The Tenant may terminate the Lease if the Property has not been reinstated within three years of the date of damage or destruction.

The Tenant is required to pay a fair and reasonable proportion of the cost of insuring the building and also the cost of insuring up to three years loss of rent. Note that a fair and reasonable proportion is defined in the Lease as being based on the net internal area that the Property bears to the remainder of the lettable units within the Building.

Services : The Landlord is required to use reasonable endeavours to provide the services to the Building which include maintenance of the structure and the common parts of the Building, cleaning the windows maintaining the machinery and equipment on the common parts and the other items set out in clause 8 of the Lease. The Landlord has the ability to vary the services, if reasonable to do so.

The Tenant is to pay a fair and reasonable proportion of the Service Charge on a quarterly estimated basis with a balancing charge or credit after certification at the end of each service charge year.

Note that whilst the Facilities Management Agreement is in place then some of the services may be charged under that document not the lease and there is to be no double counting.

Assignment : The Tenant may assign the whole of the lease with the consent of the Landlord, such consent not to be unreasonably withheld.

Note that there are certain circumstances in which the Landlord may withhold its consent which are:-

- (a) The annual rent or any money due is outstanding or there is an unremedied material breach of covenant.
- (b) The assignee is not of sufficient financial standing in the reasonable opinion of the Landlord.
- (c) The assignee and the Tenant are group companies.

- (d) The assignee is not a public body or an organisation which in the opinion of the Landlord shares similar goals and aspirations of the Landlord.
- (e) In the opinion of the Landlord the activities of the Assignee would conflict with the Landlord's day to day activities or overall security of the building.

Note that these latter two requirements mean that the Landlord has an effective veto on any assignee which could have a negative impact on rent review; on the other hand you will have greater control over the building than in a usual landlord and tenant situation.

On an assignment any assignee must take a novation of the Facilities Management Agreement unless otherwise agreed by the Landlord. The Landlord is also to re-issue the car parking permits to the assignee.

Underletting : The Tenant may underlet the whole or a permitted part of the Property with consent not to be unreasonably withheld. A permitted part is either whole floors or a part of the Property which is capable of independent occupation. The Landlord may withhold its consent to an underletting of whole where in its opinion the activities of the undertenant would conflict with the Landlord's day to day activities or the overall security of the building. Where the Tenant is Oxfordshire County Council, no consent is required for underletting to a supplier of services to the Tenant or a partner organisation.

All underlettings must be outside the provisions of the Landlord and Tenant Act 1954.

Sharing Occupation : The Tenant may share occupation of the Property with a public body, a subsidiary body or a body which provides services to the Tenant subject to each case in each case to consent not to be unreasonably withheld or delayed where the body will agree with the Landlord's reasonable requirements as to security.

Operating Protocol : There will be an operating protocol attached to the Lease setting out matters such as fire drills and first aid etc.

Rights Granted To the Tenant : The Tenant is granted the usual rights as would be expected over the common parts of the Building also to place refuse bins within a designated area and to place bicycles again in a designated area. There are also rights to load and unload in the exterior area to be

shown on the lease plan. The Tenant also has rights to use the lavatories and wash rooms on the first and second floor of the building and to display the name and logo of the Tenant on a sign provided by the Tenant outside the Building and in reception and at the entrance of the Property.

Landlord's Rights: The Landlord reserves rights to connect in to any Service Media within the Property, rights to develop adjoining property, rights to erect scaffolding, rights to re-route any means of access to the Premises or any service media. The Landlord may also enter the Property to carry out repairs and for any other purpose mentioned in the Lease. These rights of entry may be exercised on reasonable notice except in emergency subject to minimising disruption and making good any damage caused to the reasonable satisfaction of the Tenant.

Permitted Hours: The permitted hours in the Lease are 7am to 7pm, The Tenant will have 24 hour access to the Property but to the extent that services are used outside of this time there will be a separate charge.

Car Parking : As mentioned above, the Tenant will have a 132 car parking permits and will also have the ability to buy other permits on a discounted basis. The Landlord may change the designated car parks from time to time.

LICENCE TO ALTER

The Tenant on completion will also enter in to a Licence to Alter regarding its fit out works. The Tenant is obliged to carry out the works within six months of completion of the Lease.

The Licence provides that the works are carried out in accordance with the Method Statement and the Plans and in compliance with all laws. The Tenant must also comply with CDM requirements.

The Tenant's Works are to be disregarded on rent review.

FACILITIES MANAGEMENT AGREEMENT:

The Landlord is to provide certain services to the Tenant with regard to the Property i.e. cleaning and security etc. and the Tenant is to provide services to the Landlord for example, the post room. In addition the Landlord is to provide reception services to the Tenant or to a specification agreed. This Agreement is currently under discussion and we will add further details once its terms are firmed up.