

HEADS OF TERMS LONDON ROAD STADIUM

These heads of terms have been formulated following the agreement of Heads of Terms signed by PCC and PUFC in September 2012. The Terms have been formulated following extensive discussions and negotiations between the two parties and the involvement of specialist external valuers Lambert Smith Hampton.

PUFC currently occupy the ground under two leases. Both leases are due to expire in June 2014, approximately nine to ten months after the expected start of works on the Moys End Stand and Skills Centre. This, alongside the need to make the ground compliant with League requirements on seating, in the event that the Club returns to the Championship at some stage, has required the parties to ensure that a workable solution is reached which addresses these issues, alongside revenue issues relating to ongoing rents and rent arrears.

- (1) **Works** – PCC will seek Council approval to the letting of a contract for the construction of the Moys End stand, with the intention that work should start as soon as practicable after approval and completion of the OJEU process.
- (2) **Surrender** - Prior to commencing works on the ground PCC will take a surrender of the Moys End stand, access road and car park (as defined on the attached drawing)
- (3) **Current Lease Rent** - The rent under the current leases will be reduced from the current total amount under the two leases of £500K plus VAT per annum to £300k per annum, from the 24th June 2012. A Deed of Variation to the leases will be entered into to document the reduction in rent.
- (4) **Rent Arrears** – The rent arrears of £375,000 for the period July 2012- September 2013 will be paid in 12 monthly instalments in the amount of £30,000 commencing July 2013 for the first 11 months followed by a final payment of £45,000. In the event of surrender of part of the ground by PUFC, to enable the building works to commence, on or before 30th August 2013 the rent arrears will be reduced to £350,000 payable on the same instalments as set out above, but with the final instalment reduced to £20,000. Should the surrender take place after the 30th August the rent arrears will be reduced on a pro rata basis.

- (5) **Rent Abatement** – The Council will credit the Club the sum of £296K towards the annual rent as rent abatement during the period of 53 weeks for the overall works on the Moys End Stand.
- (6) **Interim Lease** – On conclusion of the current lease, the Council will grant a new interim lease on the same terms as the existing leases at a rent of £300K per annum, subject to the same abatement as provided for in (5) above. The interim lease will terminate prior to the grant of the lease of the ground incorporating the new Moys End stand referred to in paragraphs (7) and (8) below.
- (7) **Agreement for Lease** – PCC and PUFC will enter into an Agreement for Lease of the football related areas of the newly developed Moys End Stand, the remainder of the ground and associated rights to park. The new lease will exclude common parts such as the stairwells of the Moys End Stand, car park areas and the access road which will remain in PCC's ownership but will be subject to the payment of a service charge by PUFC. A full copy of the tender issue plans and specifications will be annexed to the Agreement.
- (8) **New Lease** - On completion of the Moys End, the Club will enter into a new 25 lease within ten working days from the certified Practical Completion date.
- (9) **London Road Terrace** – As soon as reasonably practicable following completion of the Agreement for Lease for the ground, the Council will apply for planning approval for the retro-fitting of the London Road Terrace. Subject to approval being granted by the Local Planning Authority, the Council will commit to spend a maximum of £1m on retro-fitting the London Road Terrace with seating and associated works. The start date of the retro-fit will be during June 2014 in consultation with PUFC. In the event PUFC do not want the works to proceed PUFC shall notify the Council by (1st February 2014). A Licence for Alterations is to be put in place between PCC and PUFC in the same format as the works to the floodlighting previously undertaken. The Licence for Alterations is to be entered into prior to commencement of the retro-fit.
- (10) **Rent** – The initial rent under the new lease will be £380K per annum, which will rise to £430K per annum, upon practical completion of the London Road Terrace works. A timetable will be agreed between the parties with regards to when the London Road Terrace works will commence, taking into consideration factors including the best time of the year for the works to take place.
- (11) **Rent Review** – The rent under the new lease will be subject to an upward only review every five years in accordance with the Retail Price Index (RPI) subject to a cap on the annual increase being no more than 1% per annum compounded.

(12) **Repair and Decoration of Ground** – PUFC will be responsible for:

- all structural, external and internal repairs of the ground excluding the Moys End stand, subject to a Schedule of Condition to be attached to the new lease;
- the internal repairs of the football related areas of the Moys End Stand comprising the concourse and seating area;
- for the repair and maintenance of the seating to be fitted.

The Council will be responsible for all structural and external repairs of the Moys End subject to the payment of a service charge by PUFC.

(13) **Football Income** – The tenant shall have the benefit of all football income in relation to the Property and over the car park on match days, which for the avoidance of doubt shall include but not be limited to such income as stadium naming rights, advertising and sponsorship, catering and other such incomes derived from the Tenant carrying out its business at London Road Stadium. The Tenant shall notify the Landlord of those days when the Car Park shall be used on match days.

(14) **Permitted User** - as a football and other sports stand and pitch including but not limited to the use of the stand and pitch for concerts, charity events and religious assemblies and such other ancillary uses of a football club together with other ancillary uses and events as are approved by the Landlord from time to time in writing (such approval not to be unreasonably withheld or delayed).

(15) **Alienation** – PUFC will be permitted to assign and underlet the whole. PUFC will also be permitted to underlet Permitted Parts as defined by the lease of the Property with the Landlord's prior written consent (such consent not to be unreasonably withheld or delayed).

(16) **Ss 24-28 Landlord & Tenant Act 1954** – the lease shall not be contracted out of the Act.

Agreement to Purchase – PUFC will be granted a right to purchase the ground at an agreed valuation within the first ten years of the Lease. On serving 12 (twelve) months written notice on the Council, the Club and Council will jointly instruct a firm of suitably qualified surveyors to value the freehold of the ground. The ground will only be sold subject to a covenant restricting future use to that of a football ground with ancillary community use. The valuation will be carried out on a depreciated replacement cost (DRC) basis, consistent with RICS guidance on the valuation of specialist assets. For the avoidance of doubt DRC is defined by the RICS as "The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Following completion of the valuation, the Club and Council will seek approval from the relevant decision makers to the principle of a sale at the valuers recommended figure.

PUFC will be granted a right of pre-emption for the first 10 years of the lease in the event that the Council wishes to sell the freehold of the ground.

In the event of a sale of the ground to PUFC under the Agreement to Purchase or under the pre-emption, PUFC will grant a 150 year lease back to the Council of the Skills Centre at a peppercorn rent. The additional terms of such lease to be discussed following any agreement to sell the ground, the lease to be within Sections 24-28 of the Landlord & Tenant Act 1954.

In addition PUFC will grant the Council an ongoing right of pre-emption in perpetuity in respect of any disposition of the Property. The pre-emption to the Council will apply to successors in title to PUFC.

- (17) **Confidentiality** – The contents of these Heads of Terms will remain in commercial confidence to both parties, until after they have been considered by the Council at an extraordinary meeting at the end of July (date to be confirmed).
- (18) **VAT** – For the avoidance of doubt all figures referred to in this Heads of Terms will be subject to VAT at the standard rate.
- (19) **Memorandum of Understanding** – (to be drafted to also reference NPA)
- (20) **Council Approval** – For the avoidance of doubt the detail of this letter will be subject to formal Council Approval.

Signed on behalf of PCC.....

Signed on behalf of PUFC.....

Date..... 18.07.13