

**NOTE TO POTENTIAL PURCHASER OF LONG LEASEHOLD INTEREST IN BENEFICIAL HOUSE
PARADISE STREET, SUFFOLK STREET, BIRMINGHAM (“the Property”)**

The purpose of this note is to outline the existing structure relating to the Property and the proposed structure in relation to the development of the Property to create a hotel together with retail & gym premises.

For the purpose of this note, the following definitions shall apply:

- (a) **“LLP”** means Beneficial House (Birmingham) Regeneration LLP (Company Number: OC382229);
- (b) **“SL”** means Saabon Limited (Company Number: 08182897);
- (c) **“Premier”** means Premier Inn Hotels Limited (Company Number: 5137608);
- (d) **“Property”** means Beneficial House, 27-37 Paradise Street, and 86 Suffolk Street, Birmingham B1 2BJ registered at the Land Registry with Title Number WM461237;
- (e) **“BCC”** means Birmingham City Council as the Freeholder of the Property;
- (f) **“Head Lease”** means a long Lease of the Property for a term of 125 years from 10 February 1989 and registered under Title Number WM461237. The current proprietor being the LLP;
- (g) **“Head Under Lease”** means a new 30 year lease from the LLP to Saabon Limited or an End Purchaser
- (h) **“End Purchaser”** means a purchaser who is to ultimately acquire the Head Lease investment interest
- (i) **“BPRA”** means Business Premises Renovation Allowance

The salient points to note are as follows:

- 1 The LLP is the registered proprietor of the Head Lease. The Head Lease has approximately 95 years left to run. This will be extended by way of a new Head Lease to provide 150 years.
- 2 BCC is the freehold owner of the Property.
- 3 The LLP entered into a development agreement in relation to the development of the Property.
- 4 This development qualifies for BPRA tax relief for the benefit of the LLP members.
- 5 The development agreement is to be amended to enable SL to complete the development of the Property for Premier Inns and limited additional space for retail and gym.
- 6 The LLP needs to avoid a Balancing Adjustment in relation to the BPRA arising within 7 years from completion of the development, this will require that they retain the Head Lease for this period
- 7 It is proposed that SL will undertake the development, the actual obligation to develop would be subject to various pre-conditions being complied with including:
 - 7.1 SL procuring a revised planning permission for the development;
 - 7.2 SL entering into an agreement for lease with Premier Inn Limited

- 7.3 SL procuring the necessary consents in relation to the development (this would include BCC's consent as freeholder to the alterations in accordance with the terms of the Head Lease);
- 7.4 SL securing a new 150 year Head Lease on behalf of the LLP.
- 8 Heads of Terms have been agreed with Premier for a term of 25 years (copy of the agreed Heads of Terms attached).
- 9 BCC have agreed to negotiate a new 150 year Head Lease
- 10 BCC planning department have confirmed in principle the revisions required to the existing consented hotel scheme in order to meet the needs of Premier Inns and SL
- 11 It is anticipated that the LLP and SL will:
 - 11.1 On the Unconditional Date, the LLP will grant to SL, or to whom SL may direct, a 30 year Head Underlease of the Property. It is anticipated that this Lease can go directly from the LLP to an End Purchaser.
 - 11.2 SL will then complete the development in accordance with the Agreement to Lease with Premier Inn.
 - 11.3 On completion of the development SL will grant the Occupational Lease to Premier Inn as per the heads of terms.
- 12 The Head UnderLease to be granted by the LLP to incorporate the following:
 - 12.1 Payment of a premium for the grant of the Lease
 - 12.2 A term of 30 years.
 - 12.3 Peppercorn rent.
 - 12.4 An option in favour of the Head Underlease (the End Purchaser) to acquire the reversionary interest in the Lease (i.e. to take an assignment of the Head Lease).

The fee payable for the option would be £1.

The option would be exercised after the 7 year period
- 13 SL or the End Purchaser who would be the immediate landlord of Premier Inn.
- 14 SL anticipate letting the remaining retail and gym units prior to completion of the development.

Notes prepared by Saabon 20th March 19 following legal review with Irwin Mitchell

Documents available:

LLP to Saabon/End Purchaser: Agreement to Lease and Under HeadLease including option to acquire the Head Lease

Saabon to Premier Inn: Agreement to Lease and Lease

Drawings: Floor layouts, elevations