

DATED 24 November

2000

Lease - 61
F/H - 60
1994 Act inclusive

PRUDENTIAL PENSIONS LIMITED

STARBUCKS COFFEE COMPANY (UK) LIMITED

UNDERLEASE

of

Numbers 60 and 61 Hampstead High Street
Hampstead London NW3
(Property Number 10247/4)

Term commences: 6 November 2000
Term expires: 24 December 2015
Initial annual rent: £142,500
L&TCA 1995: New tenancy

2 Res: 25/12/2005 ✓
25/12/2010 X

TABLE OF CONTENTS

Page

CONTENTS

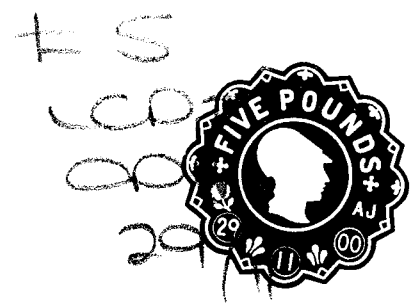
1 Definitions and interpretation.....	1
2 Demise, Term, rent and rent payment dates.....	5
3 Tenant's covenants referring to schedule 3.....	6
4 Landlord's covenants referring to schedule 4.....	6
5 Provisos referring to schedule 5.....	6
6 Incorporation of schedules 6 and 7.....	6
7 Operation of this deed.....	6
8 Certificate.....	6
9 Status of tenancy.....	7
10 Implied rights of enforcement by third parties excluded.....	7
SCHEDULE 1 The Premises.....	8
SCHEDULE 2 The Encumbrances.....	9
SCHEDULE 3 Covenants by the Tenant.....	10
1 Payment of rents.....	10
2 Outgoings.....	10
3 VAT.....	11
4 Decoration.....	11
5 Repairs.....	11
6 Yielding up.....	12
7 To notify Landlord of statutory notices.....	13
8 Compliance with statutory requirements.....	13
9 Fire precautions.....	14
10 Compliance with town and country planning requirements.....	14
11 Entry by Landlord to view and require Tenant to repair.....	16
12 Entry by Landlord to repair and for other purposes.....	16
13 Entry by Landlord for sale or reletting.....	17
14 Costs on breach.....	17
15 As to alterations.....	18
16 Permitted use.....	19
17 Unoccupied Premises, loading and delivery.....	19
18 Prohibited uses.....	19
19 Not to permit encroachments.....	20
20 Alienation.....	20
21 Costs of licences.....	25
22 Registration of dealings.....	25
23 Advertisements and signs.....	25
24 Not to strain floors and ceilings.....	26
25 Not to interfere with Conducting Media.....	26
26 Interest on arrears.....	26
27 Indemnity.....	27
28 Encumbrances.....	27
29 Regulations.....	27
30 To observe Headlease.....	29
SCHEDULE 4 Covenants by the Landlord.....	30

TABLE OF CONTENTS

	Page
1 Quiet enjoyment	30
2 Insurance.....	30
3 To observe Headlease.....	30
SCHEDULE 5 Provisos, agreements and declarations	31
1 Forfeiture	31
2 Tenant's goods.....	31
3 Landlord's right to develop	32
4 Notices	32
5 VAT	32
6 Exclusion of statutory compensation.....	33
7 Expert determination proceedings.....	33
8 Superior Landlord.....	34
9 Perpetuity period.....	35
10 Data Protection Act 1984	35
11 Address for delivery of rent demands	35
SCHEDULE 6 Rent reviews	36
SCHEDULE 7 Insurance provisions	41
SCHEDULE 8 Covenants by the Guarantor	46
SCHEDULE 9 Authorised Guarantee Agreement	48

DATED

24th November 2000



PARTIES

- 1 Landlord **PRUDENTIAL PENSIONS LIMITED** (company no 992726) whose registered office is at 142 Holborn Bars London EC1N 2NH
- 2 Tenant **STARBUCKS COFFEE COMPANY (UK) LIMITED** (company no 2959325) whose registered office is at 11 Heathmans Road London SW6 4TJ

OPERATIVE PROVISIONS

1 **Definitions and interpretation**

1.1 Unless the contrary intention appears, the following definitions apply:

Authorised Guarantee Agreement an agreement within section 16 of the Landlord and Tenant (Covenants) Act 1995 containing the provisions set out in schedule 9;

Base Rate Interest interest at an annual rate equal to the base rate of HSBC Bank plc (or such other rate or rates by reference to which London clearing banks determine their own rates of interest) from time to time;

Building the building known as 60/61 Hampstead High Street, London NW5 of which the premises forms part;

CDM Regulations the Construction (Design and Management) Regulations 1994 as amended, supplemented or replaced from time to time;

Conducting Media pipes, wires, cables, sewers, drains, watercourses, trunking, ducts, flues, gutters, gullies, channels, conduits, and other media;

<i>Encumbrances</i>	the restrictions, stipulations, covenants, rights, reservations, provisions and other matters contained, imposed by or referred to in the documents brief particulars of which are set out in schedule 2;
<i>Group Company</i>	any company which is for the time being a member of the same group of companies as the Landlord or the Tenant (as the case may be) within the meaning of section 42(1) of the Landlord and Tenant Act 1954;
<i>Headlease</i>	the superior lease under which the Landlord holds that part the Premises being number 61 Hampstead High Street dated 29 September 1988 and made between (1) The London Residuary Body and (2) Napoleon Properties and Earlspath Properties Limited;
<i>Higher Rate Interest</i>	interest at an annual rate equal to <u>one and a quarter</u> times the base rate of <u>HSBC Bank plc</u> (or such other rate or rates by reference to which London clearing banks determine their own rates of interest) from time to time;
<i>Insured Risks</i>	(subject to such <u>exclusions and limitations</u> as may be imposed from time to time by the insurer) fire, lightning, explosion, aircraft and articles dropped from them, riot, civil commotion, malicious damage, storm, tempest, flood, earthquake, bursting or overflowing of water tanks, apparatus and pipes, impact by any vehicle, <u>acts of terrorism</u> and such other risks as the Landlord may <u>consider necessary to insure</u> ;
<i>Interest</i>	interest from time to time calculated on a day-to-day basis (as well before as after judgment) compounded at quarterly rests on the usual quarter days;
<i>Landlord</i>	includes the reversioner for the time being immediately expectant on the Term;

Landlord's Surveyor

a surveyor or member of a firm of surveyors instructed by the Landlord for any of the purposes of this lease who shall be a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers or suitably experienced and such surveyor may be a person employed by the Landlord or a company which is a Group Company of the Landlord;

Main Structure

the exterior and main structure of the Building including the foundations, roofs, load-bearing walls, load-bearing columns, ceilings and floors (but excluding any glass, raised floors, suspended ceilings, all internal cladding, plasterwork and decoration (save where internal to any common parts within the Building) and all floor screeding and finishes);

Net Internal Area

the net internal floor area measured in accordance with Definition 3 of the *Code of Measuring Practice* issued by the Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers (Fourth Edition; November 1993);

Outgoings

all monetary obligations of any kind (whether parliamentary, parochial or otherwise) which are now or may at any time be assessed, charged or imposed on property or on the owner or occupier of property;

Permitted Part

either the whole of number 60 Hampstead High Street or the whole of number 61 Hampstead High Street;

Planning Acts

"the consolidating Acts" as defined in the Planning (Consequential Provisions) Act 1990 and any other legislation relating to town and country planning in force from time to time;

Premises the premises described in schedule 1 part 1 and each and every part of them;

Superior Landlord the Landlord's immediate reversioner for the time being and any superior landlord however remote in respect of number 61 Hampstead High Street;

Term a term of years commencing on and including ~~the~~ 6th November 2000 and ~~expiring on~~ the 24th December 2015 ~~Completion Date (as defined in an agreement for lease dated _____ and made between the~~ Landlord (1) and the Tenant (2) until the day immediately prior to the quarter day next following the date of this lease and thereafter for 15 years together with any continuation by statute or implication of law;

Mac

Tenant includes the successors in title and assigns of the Tenant;

UK the United Kingdom of Great Britain and Northern Ireland; and

VAT value added tax and any other tax of a similar nature.

- 1.2 Where two or more persons are included in the expression "Tenant" the liability under any covenant or other obligation on the part of such persons shall be joint and several.
- 1.3 Any words or expressions importing the singular number include the plural number and vice versa and words importing gender include any other gender.
- 1.4 The index and clause headings in this lease are for ease of reference only and have no other significance.
- 1.5 Unless otherwise specified any reference to an act of parliament includes a reference to that act as amended or replaced whether before or after the date of this lease and to subordinate legislation or bylaws made under it and any general reference to statute or legislation includes subordinate legislation and bylaws.

- 1.6 Any reference in this lease to the end of the Term shall mean the expiration or earlier termination of this lease for whatever reason.
- 1.7 Any reference in this lease to the rent or rents reserved by this lease or payable under this lease shall include any interim rent under the Landlord and Tenant Act 1954.
- 1.8 References to numbered clauses and schedules are references to the relevant clause or schedule to this lease unless the context otherwise requires.
- 1.9 References in any schedule to numbered paragraphs are references to the relevant paragraph in that schedule unless the context otherwise requires.
- 1.10 In any case where the Tenant is placed under a restriction by this lease the restriction shall be deemed to include the obligation on the Tenant not to permit or allow the infringement of the restriction by any person under the control of the Tenant.
- 1.11 Any consent or approval required under this lease shall be obtained before the act or event to which it applies is carried out or done and shall be effective only if it is in such form and upon such terms as the party giving it properly requires.
- 1.12 Any right to enter the Premises conferred upon the Landlord by this lease shall be exercisable also by the Landlord's employees, agents and workpeople and any others properly authorised by it.

2 Demise, Term, rent and rent payment dates

In consideration of the rents and other obligations on the part of the Tenant contained in this lease the Landlord demises to the Tenant the Premises:

- 2.1 for the Term;
- 2.2 together with the rights as mentioned in schedule 1 part 2;
- 2.3 subject to the Encumbrances;
- the Tenant paying during the Term:

2.4 the yearly rent of £142,500 (subject to the provisions for revision in schedule 6) by equal quarterly payments in advance on the usual quarter days in every year, the first of such payments to be calculated from 6 February²⁰⁰¹ to 24 March²⁰⁰¹ (both dates inclusive) and be made on 6 February 2001;

RAC

RAC
insurance

2.5 on demand as additional rent the sums specified in schedule 7, the first payment to be made in respect of the period commencing on and including 6 November 2000

2.6 as additional rent any VAT which may be or become chargeable in respect of any rent payable under this lease; and

2.7 as additional rent any other sums payable pursuant to this lease.

3 **Tenant's covenants referring to schedule 3**

The Tenant hereby covenants with the Landlord to observe and perform the covenants and stipulations set out in schedule 3.

4 **Landlord's covenants referring to schedule 4**

The Landlord hereby covenants with the Tenant to observe and perform the covenants and stipulations set out in schedule 4.

5 **Provisos referring to schedule 5**

It is hereby agreed and declared as mentioned in schedule 5.

6 **Incorporation of schedules 6 and 7**

The provisions for rent review set out in schedule 6 and the insurance provisions set out in schedule 7 are incorporated.

7 **Operation of this deed**

This document shall be treated as having been executed and delivered as a deed only upon being dated.

8 **Certificate**

It is hereby certified that this lease is granted pursuant to an agreement for lease dated 25 August 2000 made between the Landlord (1) and the Tenant (2).

9 **Status of tenancy**

This lease is a new tenancy within the meaning of section 1 of the Landlord and Tenant (Covenants) Act 1995.

10 **Implied rights of enforcement by third parties excluded**

10.1 Unless the right of enforcement is expressly granted, it is not intended that a third party should have the right to enforce a provision of this lease under the Contracts (Rights of Third Parties) Act 1999;

10.2 The parties may rescind or vary this lease without the consent of a third party to whom an express right to enforce any of its terms has been provided.

Delivered as a deed on the date of this document.

SCHEDULE 1

Part 1

The Premises

External

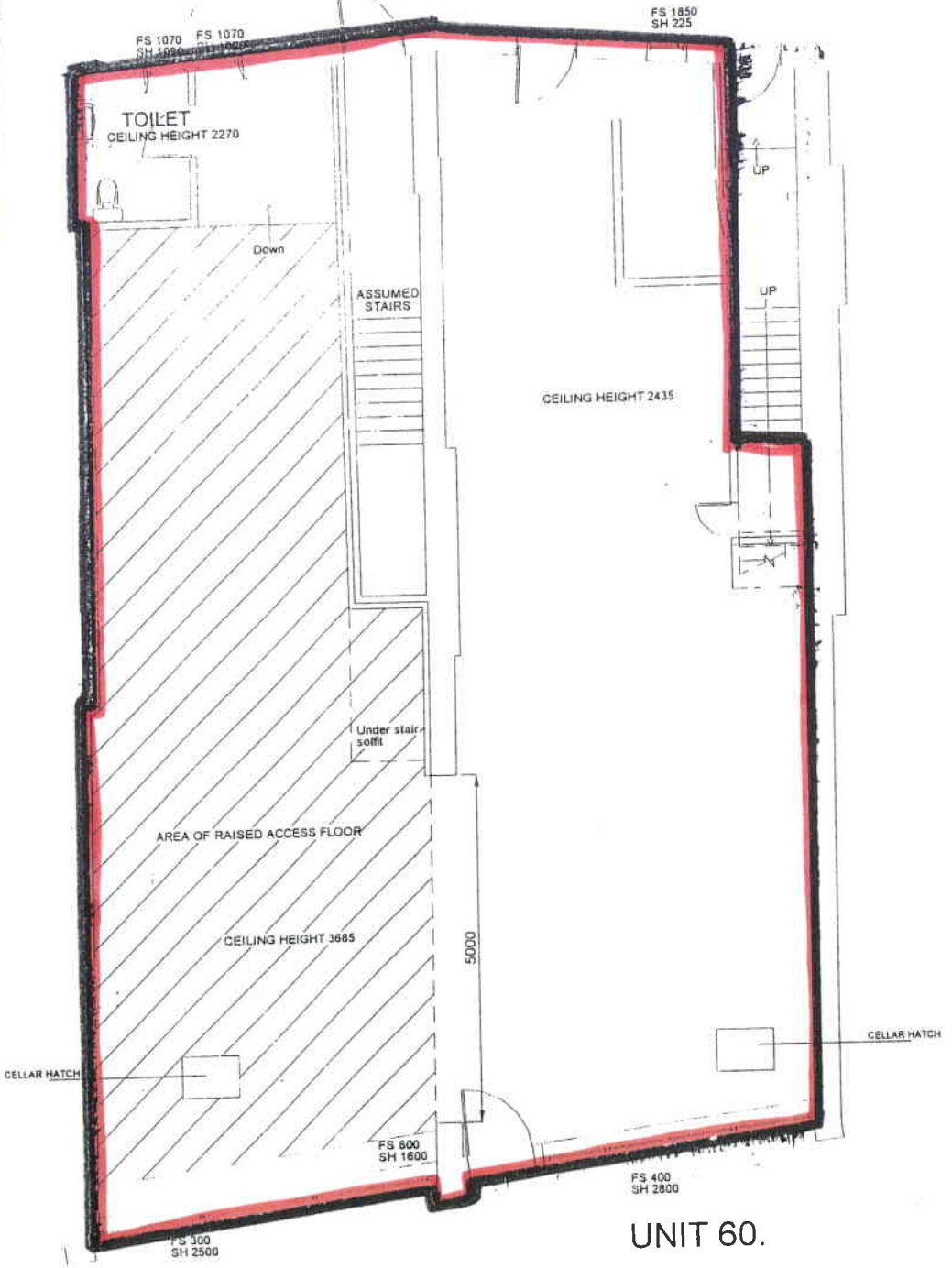
All those Premises known as ground floor and basement of numbers 60 and 61 Hampstead High Street Hampstead London NW3 ("the Building") and for the purpose of identification only edged red on the plan annexed to this lease including:

- 1 all Conducting Media within and exclusively serving the Premises;
- 2 all landlord's fixtures and fittings including:
 - 2.1 gas, water and electricity as capped off services; and
 - 2.2 the shop front, fascia board and any showcases.
- 3 all improvements and additions made to the Premises.

Part 2

Rights granted

- 1 Full rights of support and protection for the Premises from the remaining parts of the Building.
- 2 The right to retain air conditioning condensers ("Condensors") and associated pipework and cables in any suitable part or parts of the Premises or the flat roof at the rear of the Building ("the Roof") and to route ducting and cabling through the Roof for the purpose of serving the Condensors together with a right of access to the Roof from the rear of the Building (insofar as the Landlord can grant the same) for the purpose of inspecting, repairing and replacing the Condensors the Tenant causing as little disturbance as reasonably possible and making good all damage caused provided that the Tenant has first obtained the Landlord's prior consent (such consent not to be unreasonably withheld or delayed) to the installation of such air conditioning condensers and associated pipework and cables.
- 3 The right to use all Conducting Media serving the Premises.
- 4 The right to use the refuse store in the Building from time to time.

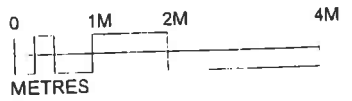


UNIT 61.

UNIT 60.

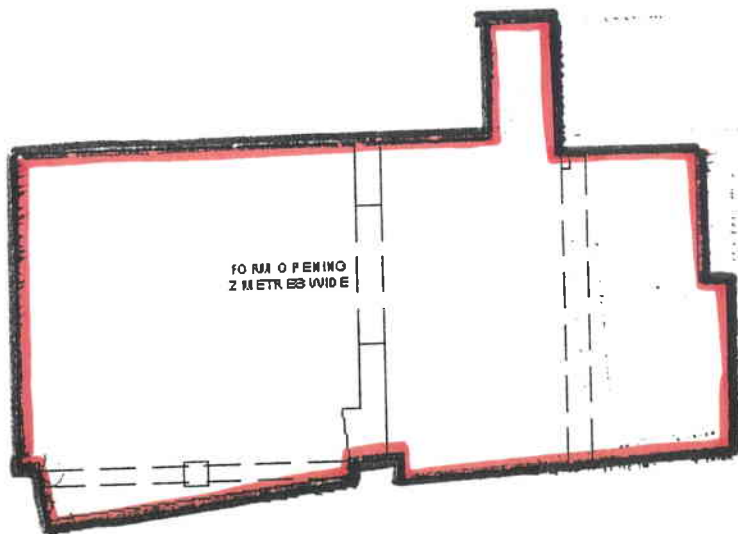
GROUND FLOOR PLAN

59 - 61 HAMPSTEAD HIGH STREET
LONDON, NW3



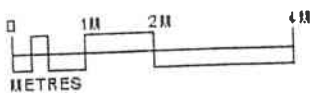
International Property Advisers

020 700 9000 20900
100 Marshfield Street London W1X 6SR



BASEMENT PLAN

59 - 61 HAMPSTEAD HIGH STREET
LONDON, NW3



Grimley

International Property Advisers

0870 900 8880
19 Rindon Street, London W1U 6ER

SCHEDULE 2
The Encumbrances

All those matters referred to in the Property Proprietorship and Charges Register of title numbers NGL 623961 and NGL 750194.

SCHEDULE 3
Covenants by the Tenant

1 Payment of rents

To pay the rents reserved by this lease as and when stipulated without any deduction or set-off and by banker's standing order unless otherwise required by the Landlord.

2 Outgoings

2.1 Subject to paragraph 2.2 to pay and discharge all Outgoings in respect of the Premises and a fair proportion of all Outgoings which may be payable in respect of the Premises in common with other property.

2.2 There is excepted from paragraph 2.1 income and corporation tax (or other tax of a like nature) assessed on the Landlord in respect of its rental and other income arising from or under this lease or tax payable as a result of any dealing with any reversion immediately or mediately expectant on the Term.

2.3 To indemnify the Landlord against any loss to the Landlord of any void rating relief which would have been applicable to the Premises by reason of the Premises being vacant after the end of the Term but which is not available to the Landlord on the ground that relief has already been allowed to the Tenant or any person claiming title to the Premises through the Tenant.

2.4 To pay on demand a fair and reasonable proportion as determined by the Landlord or the Landlord's surveyor (in either case acting reasonably) of the costs and expenses properly incurred by the Landlord of cleaning, lighting, repairing, renewing, decorating, maintaining and rebuilding as appropriate the Main Structure, any fences, party walls, party structures, entrance ways, stairs and passages and service areas and Conducting Media and any other items which are or may be used or enjoyed in common with adjacent or neighbouring properties (whether the relevant costs and expenses are incurred by the Landlord or it is required to make a contribution to those incurred by the owners and occupiers of adjacent or neighbouring properties or by a competent authority) and such contribution shall in default of payment on demand be recoverable as rent in arrear

with Higher Rate Interest thereon from the date due to the date of payment by the Tenant.

3 **VAT**

3.1 To pay on demand such VAT as may be chargeable on goods and services supplied by or on behalf of the Landlord.

3.2 To indemnify and keep indemnified the Landlord against any VAT paid or payable by the Landlord in respect of any costs, fees, disbursements, expenses or other sums which the Landlord is entitled to recover under the terms of this lease which do not constitute consideration for taxable supplies of goods and services made by the Landlord.

4 **Decoration**

4.1 In every fifth year of the Term and also in the last six months before the end of the Term in a proper and workmanlike manner to prepare and paint with two coats of good quality paint all inside parts of the Premises usually or requiring to be painted and to treat other inside parts of the Premises with suitable and appropriate materials.

4.2 In every third year of the Term and also in the last six months before the end of the Term in a proper and workmanlike manner to prepare and paint with three coats of good quality paint the shop front, fascia, showcases, doors and all exterior parts of the Premises normally or requiring to be painted and to treat other exterior parts of the Premises with suitable and appropriate materials.

4.3 Decoration of the inside of the Premises in the last six months of the Term and decoration of the exterior of the Premises at any time shall be carried out in such colours, patterns and materials as the Landlord may approve (such approval not to be unreasonably withheld).

5 **Repairs**

5.1 Subject to paragraph 5.2 throughout the Term well and substantially to repair, cleanse and keep in good and substantial repair, decorative order and condition the Premises.

5.2 There is excepted from paragraph 5.1:

5.2.1 the Main Structure or any part thereof; and

5.2.2 damage by any of the Insured Risks unless and to the extent that the insurance monies are wholly or partially irrecoverable by reason solely or in part of any act or default of the Tenant or any person deriving title under the Tenant or any of their respective agents, employees or licensees.

5.3 To clean all the glass in the Premises (both inside and outside) as often as may reasonably be required and in any event at least once a month.

5.4 In connection with section 4 of the Defective Premises Act 1972 to notify the Landlord immediately the Tenant becomes aware of any defect in the Premises which may cause personal injury or damage to property.

6 **Yielding up**

6.1 At the end of the Term:

6.1.1 quietly to yield up the Premises duly kept in accordance with the Tenant's obligations together with all additions and improvements made in the meantime;

6.1.2 unless otherwise required by the Landlord to remove from the Premises all notices, notice boards and signs bearing the name or otherwise relating to the Tenant (including in this context any persons deriving title to the Premises under the Tenant) and tenant's fixtures and fittings and other property belonging to the Tenant or to any third party;

6.1.3 if reasonably required by the Landlord at the Tenant's expense to remove any alterations or additions made to the Premises by the Tenant or the predecessors in title to the Premises of the Tenant or anyone claiming title to the Premises through or under the Tenant or any of them either before the commencement of or during the subsistence of this lease; and

6.1.4 to make good to the reasonable satisfaction of the Landlord any damage caused to the Premises by such removal.

6.2 In case of default the Landlord may execute such works or do any other thing which may be necessary to comply with the requirements specified in paragraph 6.1.

6.3 To pay to the Landlord on demand all expenses so incurred with Higher Rate Interest on such expenses from the date of expenditure until the date they are paid by the Tenant to the Landlord.

7 **To notify Landlord of statutory notices**

7.1 Within 14 days of receipt of any permission, notice, direction, order, certificate, assessment or proposal relevant to the Premises or to the use or condition of the Premises or otherwise concerning the Landlord's interest in the Premises given or issued under or by virtue of any act of parliament to produce a copy to the Landlord.

7.2 At the request and cost of the Landlord to make or join with the Landlord in making such objections or representations against or in respect of any such permission, notice, order, certificate, assessment or proposal as the Landlord shall reasonably deem expedient.

8 **Compliance with statutory requirements**

8.1 At the Tenant's own expense to execute all works and provide and maintain all arrangements upon or in respect of the Premises or the use to which the Premises are being put that are required in order to comply with the requirements of any statute (already or in the future to be passed) or any government department, local authority, other public or competent authority or court of competent jurisdiction regardless of whether such requirements are imposed on the owner or occupier.

8.2 Not to do in or near the Premises any act or thing by reason of which the Landlord may under any statute incur, have imposed upon it or become liable to pay any penalty, damages, compensation, costs, charges or expenses.

8.3 Without prejudice to the generality of paragraphs 8.1 and 8.2 to comply in all respects with the provisions of any statutes and any other obligations imposed by law or by any bylaws applicable to the Premises or in regard to carrying on the trade or business for the time being carried on in the Premises.

8.4 In relation to health and safety to comply with the proper practice recommended by all appropriate authorities.

8.5 To maintain the highest standards of cleanliness and hygiene and freedom from infection, contamination or infestation by any form of pest which is a health hazard in all parts of the Premises used for the storage, preparation, display, serving and consumption of food.

ent 8.6 In case of default it shall be lawful for the Landlord to enter the Premises and execute such works or do any other thing which may be necessary to comply with the requirements specified in this paragraph.

8.7 To pay to the Landlord on demand all expenses so incurred with Higher Rate Interest on such expenses from the date of expenditure until the date they are paid by the Tenant to the Landlord.

9 **Fire precautions**

9.1 To comply with all requirements and recommendations made from time to time by the fire authority and the insurers of the Premises and any reasonable requirement of the Landlord.

9.2 Without prejudice to the generality of paragraph 9.1 to comply with all such requirements and recommendations in relation to fire precautions affecting the Premises and in particular to carry out periodic testing of any independently operated fire alarms within the Premises and keep all requisite log-books and other documents and records up to date and available for inspection.

9.3 To keep the Premises sufficiently supplied and equipped with such fire fighting and extinguishing appliances as shall from time to time be required by any statute or by the fire or other competent authority or the insurers of the Premises or as shall be reasonably required by the Landlord and such appliances shall be open to inspection and shall be maintained to the reasonable satisfaction of the Landlord.

10 **Compliance with town and country planning requirements**

10.1 To comply with the provisions and requirements of the Planning Acts and of all consents, permissions and conditions (if any) granted or imposed or having effect

under the Planning Acts so far as the same respectively relate to or affect the Premises or any part of the Premises or any operations, works, acts or things already or in the future to be done or omitted on the Premises or the use of the Premises for any purpose.

10.2 Not to make any application for planning permission without the consent of the Landlord (such consent not to be unreasonably withheld) provided always that the Landlord shall not object to any planning application made or any appeal lodged or any planning permission or consent obtained by or on behalf of Starbucks Coffee Company (UK) Limited or any Group Company to enable the continued use of the Premises for the use permitted by this lease within Class A3 of the schedule to the Town and Country Planning (Use Classes) Order 1987 in the event that the local planning authority shall deem such use to be within Class A3.

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call it

10.3 Notwithstanding any consent which may be granted by the Landlord under this lease not to carry out or make any alteration or addition to the Premises or any change of use (being an alteration or addition or change of use which is prohibited by or for which the Landlord's consent is required to be obtained under this lease and for which a planning permission needs to be obtained) before a planning permission for such work or change of use has been produced to the Landlord and acknowledged by it in writing as satisfactory to it, but so that the Landlord may refuse so to express its satisfaction with any such planning permission on the ground that the period of it or any condition contained with or anything omitted from it in the reasonable opinion of the Landlord's Surveyor would be or be likely to be prejudicial to the Landlord's interest in the Premises or the Building whether during or after the Term provided that the provision of this paragraph 10.3 shall not apply in relation to any planning permission granted to Starbucks Coffee Company (UK) Limited or any of its Group Company for the continued use of the use permitted under this lease as a use within Class A3 of the Town and Country Planning (Use Classes) Order 1987.

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10.4 Unless the Landlord shall otherwise direct to carry out and complete before the end of the Term any works stipulated to be carried out to the Premises by a date subsequent to the end of the Term as a condition of any planning permission granted for any development begun before the end of the Term.

10.5 If and when called upon so to do to produce to the Landlord or the Landlord's Surveyor all such plans, documents and other evidence as the Landlord may reasonably require in order to satisfy itself that the provisions of this paragraph have been complied with in all respects.

11 **Entry by Landlord to view and require Tenant to repair**

ewg
11.1 To permit the Landlord at all reasonable times after notice (except in an emergency) to enter the Premises to view their state and condition and to give notice to the Tenant of any defects in the state of repair and condition of the Premises which are the Tenant's responsibility.

11.2 The Tenant will within three months after any such notice (or sooner if necessary) repair and make good such defects to the reasonable satisfaction of the Landlord's Surveyor.

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11.3 In case of default it shall be lawful for the Landlord to enter the Premises and execute such works.

11.4 To pay to the Landlord on demand all expenses so incurred with Higher Rate Interest on such expenses from the date of expenditure until the date they are paid by the Tenant to the Landlord.

12 **Entry by Landlord to repair and for other purposes**

To permit the Landlord and also the tenants and occupiers of any adjoining premises or their workpeople at reasonable times after a reasonable period of notice (except in an emergency) to enter upon the Premises for the purpose of:

12.1 inspecting or executing repairs or alterations to or upon such adjoining premises but only where such inspection or repairs cannot reasonable be carried out without entry upon the Premises;

12.2 doing anything which the Landlord considers necessary or desirable for the performance by the Landlord of the covenants on its part contained in this lease or the Headlease or to third parties;

12.3 inspecting or surveying the Premises for valuation purposes; and

12.4 doing anything reasonably incidental to the performance of the Landlord's legal duties and compliance with proper practice in relation to health and safety or otherwise;

and the Landlord shall not be liable to pay compensation for any nuisance, annoyance, inconvenience or damage caused to the Tenant subject to the Landlord (or other person so entering) exercising such right in a reasonable manner causing as little inconvenience as is practicable to the Tenant and making good any damage caused to the Premises without unreasonable delay.

13 **Entry by Landlord for sale or reletting**

13.1 To permit the Landlord at reasonable times after notice to enter upon the Premises to survey the same and to affix upon any suitable part of the exterior of the Premises (but not so that it restricts or interferes unreasonably with the light enjoyed by the Premises or the Tenant's signage) notice boards or bills for selling the interest of the Landlord and/or the Superior Landlord or for reletting the Premises.

13.2 Not to remove or obscure any such notice boards or bills.

13.3 To permit all persons with authority from the Landlord at all reasonable times in the daytime and on reasonable notice to enter and view the Premises.

14 **Costs on breach**

To pay on demand to the Landlord all costs, charges and expenses (including, but without limitation, legal costs, bailiff's fees and fees payable to a surveyor and/or architect) which may be properly incurred by the Landlord:

14.1 in or in contemplation of any proceedings under section 146 and/or section 147 of the Law of Property Act 1925 notwithstanding forfeiture is avoided otherwise than by relief granted by the court; and/or

14.2 in the recovery or attempted recovery of arrears of rent and/or additional rent due from the Tenant under this lease; and/or

14.3 in the preparation and/or service of any notice or schedule relating to the condition of the Premises whether during or after the end of the Term.

15 **As to alterations**

- 15.1 Not make any alterations or additions or other works whatsoever to the internal or external structure of the Premises or affecting the appearance of the Premises as seen from the exterior without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) provided that the Tenant shall be permitted to carry out internal non-structural alterations without the consent of the Landlord.
- 15.2 Without prejudice to the preceding provisions of this paragraph in the event that any alteration or addition shall be carried out to the Premises to notify the Landlord in writing, immediately following completion, of the cost of the works for insurance purposes.
- 15.3 Not to install or erect any exterior lighting, shade, canopy or awning or other structure in front of or elsewhere outside the Premises without the consent of the local planning authority and of the Landlord (such consent in relation to the Landlord not to be unreasonably withheld.)
- 15.4 Without prejudice to its other obligations under this lease if the Tenant carries out or engages others to carry out any work at the Premises to which the CDM Regulations apply the Tenant shall:
- 15.4.1 comply with the requirements of the CDM Regulations;
- 15.4.2 either be the only client for the purposes of the CDM Regulations, in which case the Tenant shall warrant to the Landlord that it has the competence and resources to comply with the requirements of the CDM Regulation, or forthwith appoint an agent pursuant to regulation 4(1) of the CDM Regulations;
- 15.4.3 forthwith either make a declaration to the Executive (as defined in the CDM Regulations) that the Tenant is the client or procure that its agent appointed pursuant to paragraph 15.4.2 makes a declaration to the Executive, in either case in accordance with regulation 4(4) of the CDM Regulations;
- 15.4.4 supply to the Landlord a copy of the applicable declaration referred to in paragraph 15.4.3 and of the Executive's notice in response as soon as it is, respectively, made and received;

15.4.5 deliver to the Landlord as soon as it is prepared, but in any event no later than completion of the Tenant's works, the health and safety file complying with the requirements of the CDM Regulations and of the Landlord; and

15.4.6 keep a copy of the health and safety files referred to in paragraph 15.4.5 available at the Premises for inspection by the Landlord and third parties.

16 **Permitted use**

16.1 Not to use the Premises or permit any part to be used otherwise as a coffee shop including the sale of hot and cold drinks, food products and merchandise within Class A1 of the schedule to the Town and Country Planning (Use Classes) Order 1987 ("the Order") (provided that for as long as the Premises shall be vested in Starbucks Coffee Company (UK) Limited or any of its Group Company the Premises or any part of the Premises may be used for the purpose stated above within Class A3 of the Order if the local planning authority deems such use to be within Class A3 of the Order) or for any use within Class A1 of the Order as the Landlord may from time to time approve (such approval not to be unreasonably withheld or delayed).

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16.2 Nothing in this lease shall imply or be treated as a warranty by the Landlord that the use permitted by this lease complies with the Planning Acts.

17 **Unoccupied Premises, loading and delivery**

17.1 Not to leave the Premises continuously unoccupied for more than 21 days without notifying the Landlord and providing such caretaking or security arrangements as the Landlord and/or its insurers may require in order to protect the Premises from vandalism, theft, damage or unlawful occupation.

17.2 At all times to keep the interior of the Premises, where it is visible from the exterior of the Premises, attractively laid out and furnished and with goods well displayed and to keep and display windows or showcases of the Premises clean and adequately and attractively dressed to the reasonable satisfaction of the Landlord.

18 **Prohibited uses**

Not to:

- 18.1 permit any sale by auction or public meeting to be held upon the Premises; or
- 18.2 permit in or upon the Premises any act or thing which is illegal or immoral or which shall or may be or become a nuisance, damage, annoyance or inconvenience to the Landlord or its or the Superior Landlord or their respective tenants or the occupiers of any adjoining or neighbouring premises.

19 **Not to permit encroachments**

19.1 Not to:

- 19.1.1 stop up, darken or obstruct any windows or light belonging to the Premises; or
- 19.1.2 permit any new window, light, opening, doorway, path, passage, drain or other encroachment or easement to be made or acquired in, against, out of or upon the Premises which may be or grow to the damage, annoyance or inconvenience of the Landlord and/or the Superior Landlord or any of their respective tenants.

19.2 In case any such window, light, opening, doorway, path, passage, drain or other encroachment or easement shall be made or acquired or attempted to be made or acquired the Tenant will give immediate notice to the Landlord and will at the request and cost of the Landlord adopt such means as may be reasonably required or deemed proper for preventing any such encroachment or the acquisition of any such easement.

20 **Alienation**

20.1 **Restrictions on alienation**

Not to:

20.1.1 part with or share possession or occupation of the whole or any part or parts of the Premises or charge or mortgage the whole or any part or parts of the Premises; or

20.1.2 grant to any third parties any rights over the Premises;

except by way of an assignment, underlease or charge of the whole of the Premises or an underletting of a Permitted Part in accordance with the provisions of this paragraph 20.

20.2 **Consent of the Landlord**

20.2.1 Without prejudice to the Tenant's obligations in the following provisions of this paragraph 20, neither the Tenant nor any person deriving title under the Tenant shall assign, underlet or charge the Premises without the Landlord's consent (such consent not to be unreasonably withheld or delayed).

20.2.2 Any consent granted under this paragraph shall only be valid for a period of three months from its date unless acted upon within such period.

20.3 **Assignments**

20.3.1 Not to assign any part of the Premises (as distinct from the whole).

20.3.2 Not to assign the whole of the Premises without the prior written consent of the Landlord (such consent not to be unreasonably withheld or delayed) provided that the Landlord shall be entitled (for the purposes of section 19(1A) of the Landlord and Tenant Act 1927):

20.3.2.1 to withhold its consent in any of the circumstances set out in paragraph 20.3.4; and/or

20.3.2.2 to impose all or any of the matters set out in paragraph 20.3.5 as a condition of its consent.

20.3.3 The provisos to paragraph 20.3.2 shall operate without prejudice to the rights of the Landlord to withhold such consent on any other ground or grounds where such withholding of consent would be reasonable or to impose any further condition or conditions upon the grant of consent where the imposition of such condition or conditions would be reasonable.

20.3.4 The circumstances referred to in paragraph 20.3.2.1 are as follows:

20.3.4.1 where in the reasonable opinion of the Landlord the proposed assignee is not of sufficient financial standing to enable it to comply with the tenant's covenants in the lease; or

20.3.4.2 where the proposed assignee is not resident in the UK or in the European Community or in a jurisdiction where reciprocal enforcement of judgments exists.

20.3.5 The conditions referred to in paragraph 20.3.2.2 are as follows:

20.3.5.1 the execution by the Tenant and delivery to the Landlord prior to the assignment in question of an Authorised Guarantee Agreement;

20.3.5.2 the payment to the Landlord of all rents and other sums which have fallen due under the lease prior to the date of the assignment;

20.3.5.3 if it is reasonable to do so in all the circumstances the Landlord shall be entitled to require any intended assignee to procure a guarantor or guarantors for such assignee acceptable to the Landlord and such guarantor or guarantors (if more than one jointly and severally) shall covenant with the Landlord in the terms set out in schedule 8; and

20.3.5.4 if it is reasonable to do so in all the circumstances the Landlord shall be entitled to require the execution by any intended assignee and delivery to the Landlord by the time of the assignment in question of a rent deposit deed (in such form as the Landlord shall reasonably require to provide for the deposit of a sum equal to six months' rent with any applicable VAT) together with the payment by way of cleared funds of such sum.

20.4 Underletting

20.4.1 Not to underlet any part of the Premises (as distinct from the whole) other than a Permitted Part and not to underlet a Permitted Part unless the dividing wall between numbers 60 and 61 Hampstead High Street has to be re-erected by the Tenant and at the Tenant's cost and each Permitted Part is a self-contained unit containing all necessary facilities.

20.4.2 Not to underlet the whole or a Permitted Part of the Premises except where the following conditions are fulfilled:

20.4.2.1 any underlease whether mediate or immediate to be granted out of this lease shall:

- (a) initially and at each rent review (if any) be at not less than an open market rent at the time of grant without fine or premium;
- (b) contain provision for rent review in an upward direction only at least at such times as to coincide with the rent reviews provided for in this lease;
- (c) contain an absolute covenant on the part of the undertenant not to assign, part with possession of or share possession or occupation of the whole or any part or parts of the sub-demised premises or mortgage or charge the whole or any part or parts of the sub-demised premises except by way of an assignment or charge of the whole of the sub-demised premises;
- (d) contain a covenant on the part of the undertenant not to assign, or charge the whole of the sub-demised premises without the consent of the Landlord under this lease and in the case of an underlease of a Permitted Part not to underlet the whole or any part of the sub-demised premises;
- (e) otherwise be on similar terms (mutatis mutandis) to the terms of this lease; and
- (f) be in a form approved by the Landlord prior to its grant (such approval not to be unreasonably withheld);

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20.4.2.2 any underlease shall contain an agreement to exclude the provisions of sections 24 to 28 of the Landlord and Tenant Act 1954 in relation to such underlease and that agreement shall have been duly authorised beforehand by the court; and

20.4.2.3 prior to the grant of any underlease the Tenant shall procure that the undertenant enters into a deed of covenant with the Landlord to pay the rents and other sums reserved by and observe and perform the covenants on the undertenant's part and the conditions contained in the proposed underlease and not to do or omit any act or thing in respect of the sub-demised premises which would or might cause the Tenant to be in breach of the covenants on the part of the Tenant contained in this lease.

20.4.3 The Tenant shall:

20.4.3.1 not consent to or participate in any variation or addition whatsoever to any such underlease granted in accordance with the preceding provisions of this paragraph without the consent of the Landlord;

20.4.3.2 enforce all the covenants and obligations of the undertenant under any such underlease;

20.4.3.3 operate and effect all reviews of rent pursuant to the terms of any such underlease but shall not agree or have determined any reviewed rent until the corresponding rent review under this lease is agreed or determined;

20.4.3.4 notify the Landlord of the reviewed rent immediately it has been agreed or determined; and

20.4.3.5 inform the Landlord immediately of a surrender of any underlease.

20.5 **Sharing with Group Companies**

Notwithstanding the preceding provisions of this paragraph 20, if and so long as the Tenant for the time being shall be a company whose registered office is in the UK nothing in this paragraph 20 shall prevent the Tenant from sharing occupation of the whole or any part or parts of the Premises with any Group Company of the Tenant on condition that:

20.5.1 the interest in the Premises so created shall be no more than a tenancy at will; and

20.5.2 the right of any company to occupy the Premises or any part or parts of the Premises shall immediately determine upon such company ceasing to be a Group Company.

20.6 **To supply information**

From time to time on demand during the Term to furnish the Landlord with particulars of any derivative interest in the Premises, including particulars of the rents payable and such other information and copy documents as the Landlord may require, and the cost of so doing shall be borne by the Tenant if this paragraph is not invoked more frequently than once a year but otherwise on each second or subsequent occasion in any year the Landlord shall bear the Tenant's reasonable costs of compliance.

21 **Costs of licences**

To pay all the Landlord's proper costs, fees and/or expenses properly incurred in connection with any request for a licence or consent pursuant to the terms of this lease including where the request is withdrawn or the licence or consent is lawfully withheld.

22 **Registration of dealings**

Within one month after any assignment or underletting or the assignment of an underlease or after any devolution by will or otherwise or mortgage or charge affecting the Premises (except a floating charge affecting an underlease) to produce to the solicitor for the time being of the Landlord the deed or instrument effecting the same and pay his fee for registration and in addition to reimburse the Landlord for the fee of the Superior Landlord or its solicitor.

23 **Advertisements and signs**

Not to place or display on the exterior of the Premises, or on the windows or inside of the Premises so as to be visible from the exterior of the Premises, any name, writing, notice, sign, illuminated sign, display of lights, placard, poster, sticker or advertisement other than:

23.1 a suitable sign of size and kind first approved by the Landlord or the Landlord's Surveyor (such approval not to be unreasonably withheld or delayed) showing the Tenant's name and trade;

23.2 such other notices as the Landlord may in its discretion approve; and

23.3 normal window displays, sale notices, trade advertisements or other signs which do not obscure more than 20% of the window glass of the Premises and price tickets attached and relating to goods in the Premises; and

if any name, writing, notice, sign, placard, poster, sticker or advertisement is placed or displayed in breach of these provisions the Landlord shall notify the Tenant in writing of such breach and where the Tenant fails to remedy such breach within seven days of the date of the notice to permit the Landlord to enter the Premises and remove the offending writing, notice, sign, placard, poster, sticker or advertisement and to pay to the Landlord on demand the expense of so doing.

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24 **Not to strain floors and ceilings**

24.1 Not to impose any strain on the floors and ceilings of the Premises beyond that which they were designed to bear.

25 **Not to interfere with Conducting Media**

Not to overload, damage or interfere with:

25.1 the Conducting Media; or

25.2 any sprinkler or fire alarm system serving the Premises.

26 **Interest on arrears**

26.1 If any sum payable by the Tenant to the Landlord under this lease shall not be paid within seven days of the same becoming due to pay to the Landlord Higher Rate Interest from the date of the same becoming due down to the date of payment.

26.2 Paragraph 26.1 shall apply to shortfall on review or interest on such shortfall payable under the provisions of schedule 6 paragraph 8 with effect from the date of

demand where such shortfall and interest are not paid within seven days as referred to in that paragraph.

26.3 If collection of rent has been suspended by the Landlord for breach of covenant the Tenant shall, when the breach has been made good to the satisfaction of the Landlord or when this lease shall be forfeited (as the case may be), pay to the Landlord in addition to the arrears of rent then due Higher Rate Interest from the date that rent became due down to the date of actual payment.

27 **Indemnity**

To indemnify the Landlord against all claims, demands, proceedings, damages, costs and expenses:

27.1 in respect of or incurred in connection with any damage or injury occasioned to:

27.1.1 the Premises; or

27.1.2 any adjacent or neighbouring premises; or

27.1.3 any person or any property movable or immovable;

by any act, default or negligence of the Tenant or any person deriving title under the Tenant or their respective agents, employees or licensees; or

27.2 for which the Landlord may be rendered liable or be exposed by reason of the breach, non-observance or non-performance by the Tenant of its covenants and the conditions in this lease.

28 **Encumbrances**

To perform and observe the Encumbrances so far as they relate to the Premises.

29 **Regulations**

29.1 Not to store any materials or goods outside the building comprised in the Premises.

29.2 Not to burn rubbish or waste materials, paper, wood and other combustible matter on the Premises except within boilers or incinerators provided for the purpose and approved by the Landlord or the Landlord's Surveyor.

- 29.3 Not to emit any smoke, fumes or smells from the Premises and to install and maintain in good working order at all times ventilating and other such equipment in the Premises to provide for the proper treatment of food and other waste and evacuation of fumes and cooking and other smells.
- 29.4 Not to cause any land, roads or pavements abutting the Premises to be untidy or in a dirty condition and in particular (but without prejudice to the generality of the above) not to deposit on them refuse or other materials.
- 29.5 To avoid damage to the Premises by vibration or otherwise.
- 29.6 Not to permit to be discharged into any Conducting Media forming part of or serving the Premises:
- 29.6.1 any oil or grease or any deleterious, objectionable, dangerous, poisonous or explosive matter or substance and to take all measures to ensure that any effluent discharged into the Conducting Media will not be corrosive or otherwise harmful to the Conducting Media or cause obstruction or deposit in them; or
- 29.6.2 any fluid of a poisonous or noxious nature or of a kind likely to contaminate or pollute the water of any stream or river.
- 29.7 Not to store in the Premises any petrol or other specially inflammable, explosive or combustible substance.
- 29.8 Not to permit any vocal or instrumental music in the Premises so that it can be heard outside the Premises.
- 29.9 Not to permit livestock of any kind to be kept on the Premises.
- 29.10 Not to use the Premises for the sale of wines, spirits, beers or any intoxicating liquor for consumption either on or off the Premises.
- 29.11 Not at any time to place in any area used in common with others any goods, mats, trade empties, rubbish or other obstruction.
- 29.12 Not to accumulate trade empties on the Premises.

29.13 Not to display for sale or otherwise any articles, merchandise, goods or other things in front of or elsewhere outside the Premises and not to use any forecourt or other area outside the Premises for trading purposes or the consumption of food or drink unless full planning permission for such use has first been obtained and provided further that the Landlord has given its prior written consent (not to be unreasonably withheld or delayed).

30 **To observe Headlease**

To perform and observe the covenants on the part of the tenant contained in the Headlease so far as they relate to number 61 Hampstead High Street (other than the payment of rent).

SCHEDULE 4
Covenants by the Landlord

1 **Quiet enjoyment**

That subject to the Tenant paying the rents reserved by and observing and performing the covenants on the part of the Tenant contained in this lease the Tenant may peaceably and quietly enjoy the Premises during the Term without any lawful interruption or disturbance from or by the Landlord or any person or persons lawfully or equitably claiming under or in trust for it.

2 **Insurance**

To observe and perform the Landlord's obligations as to insurance set out in schedule 7.

3 **To observe Headlease**

To pay the rent reserved by the Headlease and to observe and perform the covenants on the part of the tenant contained in the Headlease (in so far as the Tenant is not liable for such observance and performance under the covenants on its part contained in this lease).

4 **Repair**

To repair and keep and maintain in good repair and condition the Main Structure.

SCHEDULE 5

Provisos, agreements and declarations

1 Forfeiture

Without prejudice to any other provisions contained in this lease the Landlord may at any time re-enter the Premises and immediately on so doing this lease shall terminate absolutely but without prejudice to any rights of the Landlord in respect of any breach of any of the obligations on the Tenant's part in this lease:

1.1 if the reserved rents are unpaid for 21 days after becoming payable (whether formally demanded or not); or

1.2 if the Tenant is in breach of any of the Tenant's obligations in this lease; or

1.3 if the Tenant or any guarantor of the Tenant's obligations:

1.3.1 (being a company or if in partnership) enters into liquidation whether compulsory or voluntary (other than for the purpose of reconstruction or amalgamation not involving a realisation of assets) or has a winding-up order made against it by the court or has a receiver appointed over all or any part of its assets or an administration order is made pursuant to the Insolvency Act 1986 or the Insolvent Partnerships Order 1994; or

1.3.2 (being one or more individuals whether or not in partnership together) any one of them petitions the court for his own bankruptcy or has a bankruptcy order made against him; or

1.3.3 becomes insolvent or enters into any composition with its or his creditors or enters into a voluntary arrangement (within the meaning of section 1 or section 253 of the Insolvency Act 1986 or the Insolvent Partnerships Order 1994) or distress, sequestration or execution is levied on its or his goods.

2 Tenant's goods

2.1 The Landlord shall be deemed to have been irrevocably appointed the Tenant's agent to store and/or dispose of all tenant's fixtures and fittings and other property belonging to the Tenant or to any third party not removed from the Premises by the

Tenant in accordance with its covenants contained in schedule 3 paragraph 6 and/or schedule 7 paragraph 1.2.6.

2.2 The Tenant shall indemnify the Landlord against all costs and expenses as the Landlord may incur in so storing and/or disposing of any such property and against any claim made against the Landlord in relation to any such property by any third party.

2.3 To pay to the Landlord on demand Higher Rate Interest on such costs and expenses from the date of expenditure until the date they are paid by the Tenant to the Landlord.

3 **Landlord's right to develop**

✓ Nothing contained in this lease shall by implication of law or otherwise operate to confer on the Tenant any easement, right or privilege whatsoever over or against any adjoining or other property belonging to the Landlord or the Superior Landlord which might restrict or prejudicially affect the future rebuilding, alteration or development of such adjoining or other property nor shall the Tenant be entitled to compensation for any damage or disturbance caused by or suffered through any such rebuilding, alteration or development.

4 **Notices**

4.1 Any notice or notification served or given under or in connection with this lease shall be in writing.

4.2 Section 196(4) of the Law of Property Act 1925 (as amended by the Recorded Delivery Service Act 1962) shall apply to all notices and certificates required to be given or served under this lease.

5 **VAT**

All sums payable by the Tenant under this lease which are from time to time subject to VAT shall be considered to be tax exclusive sums.

6 **Exclusion of statutory compensation**

The Tenant shall not be entitled on quitting the Premises to any compensation under section 37 of the Landlord and Tenant Act 1954 (as amended).

7 **Expert determination proceedings**

7.1 The provisions of this paragraph shall apply to determination of issues by an independent expert if it is invoked elsewhere in this lease or the parties otherwise agree to invoke it.

7.2 The expert shall be appointed by the parties jointly or if there is no agreement on the appointment he shall be appointed by the president (or other acting senior officer for the time being) of the relevant professional body on the request of either party.

7.3 For the purposes of paragraph 7.2 the relevant professional body shall in relation to any dispute or difference over matters of:

7.3.1 valuation or the condition of the Premises be the Royal Institution of Chartered Surveyors;

7.3.2 accountancy or the incidence of taxation be the Institute of Chartered Accountants in England and Wales; and

7.3.3 law be the Law Society;

but where there are matters that materially involve issues falling under more than one such grouping more than one expert to act jointly with one another shall be appointed (unless the parties otherwise agree) and references in this paragraph 7 to an expert shall then be treated as referring to experts acting jointly.

7.4 The person so appointed shall act as an expert and not as an arbitrator.

7.5 The expert shall be required to:

7.5.1 give notice to the Landlord and the Tenant allowing each of them to submit to him within such reasonable time as he may stipulate representations on the relevant issue accompanied (if either of them so wish) by a statement of reasons and

professional valuations or reports (as the case may be) of which copies are supplied to the other party; and

7.5.2 permit each of the Landlord and the Tenant to make a submission in respect of the other's reasons, valuation and reports provided under paragraph 7.5.1; but

7.5.3 neither the Landlord nor the Tenant may without the consent of the other disclose to the expert correspondence or other evidence to which the privilege of non-production ("without prejudice") properly attaches;

but the expert shall not be bound by any such submission, and he may make his determination as he thinks fit.

7.6 The determination of the expert shall be final and binding on the parties except in the case of manifest error.

7.7 The fees and expenses of the expert including the cost of his nomination shall be borne either as to the whole or in the proportions as the expert shall determine (but in the absence of such a determination they shall be borne equally) and each of the parties shall bear its own costs with respect to the determination of the issue by the expert, but the Landlord may pay the costs required to be borne by the Tenant if they remain unpaid more than 21 days after they become due and then recover these and any incidental expenses incurred from the Tenant on demand.

7.8 If the expert refuses to act, becomes incapable of acting or dies the Landlord or the Tenant may require the appointment of a replacement expert as provided in paragraph 7.2.

8 **Superior Landlord**

8.1 Any of the Landlord's rights of entry contained in paragraphs 11 and 12 of schedule 3 of this lease shall be exercisable by any Superior Landlord, its employees, agents and workpeople to the extent required by the Headlease.

8.2 Where under the terms of this lease the consent or approval of the Landlord is required for any act or matter the consent or approval of the Superior Landlord shall also be required wherever necessary.

8.3 Nothing in this lease shall be construed as implying that any obligation is imposed upon the Superior Landlord not unreasonably to withhold any such consent or approval.

8.4 If the Tenant does or proposes to do any matter or thing for which the consent of the Superior Landlord is required the Tenant shall bear and indemnify the Landlord against the cost of obtaining such consent and all incidental, professional or other fees and disbursements.

9 **Perpetuity period**

In so far as the perpetuity rule applies to any provision of this lease the perpetuity period shall be a period equal to the term including for the avoidance of doubt any continuation by statute or implication of law.

10 **Data Protection Act 1984**

For the purposes of the Data Protection Act 1984 or otherwise the Tenant and the Guarantor (if any) agree to any information relating to this tenancy held by the Landlord being disclosed to third parties so far only as is necessary in connection with the management or disposal of the Premises.

11 **Address for delivery of rent demands**

The first rent demand shall be delivered to the Tenant at 11 Heathmans Road, Parsons Green, London SW6 4TJ.

SCHEDULE 6

Rent reviews

1 **The review dates**

1.1 The yearly rent payable under this lease shall be reviewed on the following dates:

25 December 2005

25 December 2010

(referred to in this schedule as the "review dates" and the "relevant review date" shall be construed accordingly).

1.2 With effect on and from each review date the reviewed rent as agreed or determined in accordance with the following provisions of this schedule shall become payable as the yearly rent reserved by this lease.

2 **Upward-only rent reviews**

The reviewed rent shall be the higher of:

2.1 the yearly rent payable under this lease immediately preceding the relevant review date; and

2.2 the market rent of the Premises at the relevant review date.

3 **The market rent**

For the purposes of this lease the expression the "market rent" means the yearly rent at which the Premises might reasonably be expected to be let in the open market by a willing landlord to a willing tenant:

3.1 with vacant possession;

3.2 for a term of 10 years from the relevant review date having a rent review, in the same terms as this lease, at the expiry of the 5th year of that term;

3.3 without the payment of a premium by the willing tenant; and

3.4 subject to the provisions of this lease (other than the length of the term and the amount of rent but including these provisions for rent review);

but upon the assumption, if not the fact, that at the relevant review date:

3.5 the Premises may be used for the use permitted by this lease at the relevant review date or any authorised change of use at such date;

3.6 the Premises have been fitted out at the expense of the Tenant and are therefore ready for immediate commencement of the normal operation of the business of the willing tenant consistent with paragraph 3.5 above so that the willing tenant would not require a rent-free period or other allowance for fitting out the Premises;

3.7 in case the Premises have been destroyed or damaged they have been fully reinstated;

3.8 the covenants and conditions in this lease have been fully observed and performed; and

3.9 there is not in operation any statute, order or instrument, regulation or direction which has the effect of regulating or restricting the amount of rent of the Premises which might otherwise be payable.

4 Matters to be disregarded

4.1 In this paragraph 4 references to the "Tenant" include the predecessors in title to the Premises of the Tenant and any person claiming title to the Premises through or under the Tenant or any of them.

4.2 In agreeing or determining the market rent the effect upon it of the following matters shall be disregarded:

4.2.1 the occupation of the Premises by the Tenant;

4.2.2 any goodwill attached to the Premises by reason of the carrying on at the Premises of the business of the Tenant;

- 4.2.3 any improvements to the Premises made by the Tenant during the Term or under an agreement for the grant of this lease with the written consent of the Landlord other than those:
- 4.2.3.1 made by way of replacement of any of the items comprised in the list of landlord's fixtures and fittings as listed in schedule 1 paragraph 2; or
- 4.2.3.2 made in pursuance of an obligation to the Landlord or in the case of an undertenant to his immediate reversioner; or
- 4.2.3.3 completed by the Tenant more than 21 years before the relevant review date; or
- 4.2.3.4 in respect of which the Landlord has made or is under an obligation to make a financial contribution to the whole or part of the cost; and
- 4.2.4 any work carried out to the Premises by the Tenant either before or after the grant of this lease which would diminish the market rent.

5 Procedure for determination of market rent

- 5.1 The Landlord and the Tenant may agree the market rent at any time but if they do not agree the market rent:
- 5.1.1 the amount of the market rent may be determined by reference to arbitration;
- 5.2 The arbitrator shall be nominated by the Landlord and the Tenant jointly or in the absence of an agreed nomination he shall be nominated by the president for the time being of the Royal Institution of Chartered Surveyors on the application either of the Landlord or of the Tenant.
- 5.3 The arbitrator shall be a valuer and chartered surveyor having not less than ten years' experience of rental valuation of property being put to the same or similar use as the Premises and of property in the same region in which the Premises are situated.

5.4 The reference to and award of the arbitrator shall be governed by the Arbitration Act 1996 and the decision of the arbitrator shall be final and binding on the parties save in the case of manifest error.

5.5 If the arbitrator refuses to act, becomes incapable of acting or dies the Landlord or the Tenant may require the appointment of a replacement arbitrator in the same manner as applied to the original appointment.

5.6 The Landlord may pay such costs of the rent review required to be paid by the Tenant as have been awarded by the arbitrator if they remain unpaid for more than 21 days after they have become due and then recover these and any incidental expenses incurred from the Tenant on demand.

6 **Reviewed rent reserved in phases**

The Landlord and the Tenant may at any time before the market rent is determined by an arbitrator settle the amount of the reviewed rent and agree to reserve it in phases.

7 **Time limits**

Time shall not be of the essence in agreeing or determining the reviewed rent or of appointing an arbitrator.

8 **Rental adjustments**

8.1 If the market rent has not been agreed or determined in accordance with the provisions of this schedule before the relevant review date then until the market rent has been so agreed or determined the Tenant shall continue to pay on account rent at the rate of yearly rent payable immediately before the relevant review date.

8.2 The Tenant shall pay to the Landlord within seven days of a demand by the Landlord following the agreement or determination of the market rent:

8.2.1 all arrears of the reviewed rent which have accrued in the meantime; and

8.2.2 Base Rate Interest on each of the instalments of the arrears from the time that it would have become due for payment if the market rent had then been agreed or

determined until the demand is made by the Landlord for payment by the Tenant in accordance with this paragraph.

9 **Memorandum of rent review**

The Landlord and the Tenant shall cause:

- 9.1 in the case of agreement of the reviewed rent a memorandum of the reviewed rent duly signed by each of them; or
- 9.2 in the case of an award or determination of the reviewed rent a copy of the award or determination;

without delay to be securely annexed to this lease and the counterpart of this lease and each shall bear its own costs of doing so.

SCHEDULE 7

Insurance provisions

1 Tenant's Covenants

1.1 Insurance rent

1.1.1 The Tenant covenants with the Landlord to pay a fair proportion of such sums as the Landlord may from time to time expend in insuring:

the Building against the Insured Risks (including:

1.1.1.1 the preparation and settlement of any insurance claim;

1.1.1.2 the cost of complying with any requirements from time to time of the insurer;

1.1.1.3 valuation of the whole or any part of the Building (carried out not more frequently than once in every three years); and

1.1.1.4 insurance of the Landlord against employers' liability and public liability risks in respect of the Building; and

1.1.2 the Tenant covenants with the Landlord to pay a sum equal to the whole of such sums as the Landlord may from time to time expend in insuring against three years' loss of the rent first reserved by this lease arising from damage to the Premises or any part of it by any of the Insured Risks.

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The insurance cover may include VAT and take due account of the effects of inflation and escalation of costs and the Landlord's estimate of the market rent in the context of ensuing rent reviews and/or the end of the Term and the Landlord shall be entitled to retain any commissions paid to it.

1.2 Tenant's insurance obligations

The Tenant covenants with the Landlord:

1.2.1 not to do or omit in or upon the Premises anything whatsoever which may:

- 1.2.1.1 render the Landlord liable to pay in respect of the Premises or any part of them more than the rate of premium which the Landlord might expect to pay in the open market to insure premises of a similar nature let on a similar basis against the Insured Risks; or
- 1.2.1.2 restrict or make void or voidable any policy for such insurance;
- 1.2.2 to repay to the Landlord any increase in the rate of premium and all expenses incurred by it in or about any renewal of such policy rendered necessary by a breach of paragraph 1.2.1;
- 1.2.3 in the event of:
- 1.2.3.1 the Premises or any part of them being destroyed or damaged by any of the Insured Risks; and
- 1.2.3.2 the insurance monies being wholly or partially irrecoverable by reason solely or in part of any act or default of the Tenant or any person deriving title under the Tenant or any of their respective agents, employees or licensees;
- the Tenant shall pay to the Landlord on demand a sum equal to the whole or a fair proportion (as the case may require) of the irrecoverable insurance monies;
- 1.2.4 not to insure any part of the Premises against any of the Insured Risks;
- 1.2.5 to notify the Landlord immediately in writing in the event of damage to any part of the Premises by any of the Insured Risks;
- 1.2.6 in the event of damage to any part of the Premises by any of the Insured Risks so as to render the same unfit for occupation or use (if so reasonably required by the Landlord) to remove from the Premises all tenant's fixtures and fittings and other property belonging to the Tenant or to any third party within one month of such damage and/or to indemnify the Landlord against the cost of so doing;
- 1.2.7 in the event of damage to the Premises or any part or parts of them by any of the Insured Risks to pay to the Landlord on demand a sum equal to any uninsured excess to which the insurance policy may be subject;

1.2.8 to maintain in force throughout the Term in the joint names of the Landlord and the Tenant engineering insurance for all electrical or mechanical equipment and apparatus forming part of the Premises and to produce to the Landlord on demand the policy relating to such insurance and evidence of payment of the current premium; and

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1.2.9 not to leave the Premises continuously unoccupied for more than 21 days without notifying the Landlord and providing such caretaking or security arrangements as the Landlord and/or its insurers may require in order to protect the Premises from vandalism, theft, damage or unlawful occupation.

2 Landlord's Covenants

2.1 **To insure**

The Landlord covenants with the Tenant to insure and keep insured the Building against loss or damage by the Insured Risks with an insurer of repute subject to such exclusions, conditions and uninsured excesses as the insurer may reasonably apply in a sum equal to:

2.1.1 the Landlord's reasonable opinion of the full cost of reinstatement (taking into account receipt by the Landlord of any appropriate notification from the Tenant pursuant to schedule 3 paragraph 15) including architects', surveyors' and consultants' fees and the cost of removing all debris (excluding contents and stock debris) from the site of the Premises and the remainder of the Building and other incidental expenses; and

2.1.2 three years' loss of the rent first reserved by this lease and all other leases of the remainder of the Building.

2.2 **To reinstate**

2.2.1 Subject to paragraph 2.2.2 the Landlord covenants with the Tenant to cause all monies received by virtue of such insurance (other than sums received for loss of rent) to be laid out in clearing the site and reinstating the Building or any part thereof so damaged and to make good any shortfall out of its own monies save to the extent that any such shortfall shall arise due to the failure of the Tenant to comply with its covenants contained in 1.2 of this schedule.

2.2.2 The Landlord's obligation under this covenant shall cease if:

2.2.2.1 the insurance shall be rendered void by reason of any act or default of the Tenant or any person deriving title under the Tenant or their respective agents, servants or licensees; and/or

2.2.2.2 this lease shall be determined in accordance with paragraph 5 of this schedule.

Landlord an insurance company

3.1 If at any time and so long as the Landlord or a Group Company of the Landlord is an insurance company the Landlord may carry the risk referred to in paragraph 2.1 itself in which case:

3.1.1 the Landlord shall be deemed to have effected an insurance policy on terms (and subject to such exclusions, conditions and uninsured excesses) equivalent to those quoted by it or the Group Company from time to time when underwriting similar business;

3.1.2 the Landlord shall be deemed to have expended from time to time such premiums as it would have charged for insuring and keeping insured the Premises and rent in accordance with this lease as if such insurance had been effected by a single tenant of the whole of the Premises (let as a whole) with the Landlord (as insurer); and

3.1.3 all the provisions of this lease which relate to insurance (including, but without limitation, the provisions for reinstatement and making up of any shortfall in the insurance monies) shall apply mutatis mutandis where the Landlord carries the risk as if the Landlord had effected a policy with an independent insurer.

4 Suspension of Rent

4.1 The provisions of paragraph 4.2 shall apply if the Premises or any part of them or the means of access thereto shall at any time during the Term be so damaged by any of the Insured Risks as to render the Premises unfit for occupation or use (but shall not apply if no insurance monies shall be payable owing to the act or default of the Tenant or any person deriving title under the Tenant or their respective agents, employees or licensees).

4.2 If paragraph 4.1 applies the rent first reserved by this lease or a fair proportion of it according to the nature and extent of the damage sustained shall be suspended and cease to be payable until the Premises shall have been reinstated and made fit for occupation and use (excluding fitting out and replacement of contents) or if earlier until the expiry of three years from the date of such damage.

4.3 In the event of dispute as to the amount or duration of the rent to be abated such dispute shall be settled by a single arbitrator to be appointed by the president for the time being of the Royal Institution of Chartered Surveyors.

5 **Options to determine**

5.1 If the Premises or a substantial part of them are destroyed or damaged by any of the Insured Risks then this lease may at the option of the Landlord be determined by the Landlord giving to the Tenant not less than six months' notice (such notice to be given within 12 months after such destruction or damage).

5.2 If for any reason outside the reasonable control of the Landlord it shall prove impossible to commence rebuilding work on site within two years of the date of such damage or destruction by any of the Insured Risks then the Landlord may by notice to the Tenant determine this lease and upon receipt by the Tenant of such notice the Term shall cease and determine.

5.3 If either the Landlord has not commenced rebuilding work on site within two years of the date of such damage or destruction by any of the Insured Risks or the Landlord has not completed reinstatement of the Premises within two years and six months of such date then in either event this lease may at the option of the Tenant be determined by the Tenant giving to the Landlord not less than six months' notice and upon the expiration of such notice the Term shall cease and determine but if by the expiration of such notice the Premises have been reinstated the notice shall become void and this lease shall continue in full force and effect.

5.4 If this lease is determined pursuant to paragraph 5.1, 5.2 or 5.3 the Landlord shall be entitled to retain the whole of the insurance monies for its absolute use and benefit.

SCHEDULE 8

Covenants by the Guarantor

- 1 The Guarantor (if any) in consideration of the grant of this lease (or the agreement to the assignment of this lease as appropriate) covenants and guarantees with and to the Landlord that:
 - 1.1 the Tenant shall punctually pay the rents and perform and observe the covenants and other terms of this lease;
 - 1.2 if the Tenant shall make any default in payment of the rents or in performing or observing any of the covenants or other terms of this lease, the Guarantor will pay the rents and perform or observe the covenants or terms in respect of which the Tenant shall be in default and make good to the Landlord on demand and indemnify the Landlord against all losses, damages, costs and expenses arising or incurred by the Landlord as a result of such non-payment, non-performance or non-observance notwithstanding:
 - 1.2.1 any time or indulgence granted by the Landlord to the Tenant or any neglect or forbearance of the Landlord in enforcing the payment of the rents or the observance or performance of the covenants or other terms of this lease;
 - 1.2.2 that the terms of this lease may have been varied by agreement between the parties;
 - 1.2.3 that the Tenant shall have surrendered part of the Premises in which event the liability of the Guarantor under this lease shall continue in respect of the part of the Premises not so surrendered after making any necessary apportionments under section 140 of the Law of Property Act 1925; or
 - 1.2.4 any other act or thing by which but for this provision the Guarantor would have been released; and
 - 1.3 this guarantee is to take effect immediately on the grant (or the assignment as appropriate) of this lease to the Tenant and is to remain in force so long as and to the extent that the Tenant is not released by law from liability for any of the covenants and other terms of this lease.

2 The Guarantor further covenants with the Landlord that if this lease is disclaimed or forfeited prior to any lawful assignment by the Tenant of this lease the Landlord may within six months after the disclaimer or forfeiture by notice in writing require the Guarantor to accept a new lease of the Premises for a term equivalent to the residue which if there had been no disclaimer or forfeiture would have remained of the Term at the same rent and subject to the like covenants and conditions as are payable under and applicable to the tenancy immediately before the date of such disclaimer or forfeiture, the said new lease and the rights and liabilities thereunder to take effect as from the date of such disclaimer or forfeiture, and in such case the Guarantor shall pay the Landlord's costs incurred by the Landlord in connection with such new lease and the Guarantor shall accept such new lease accordingly and will execute and deliver to the Landlord a counterpart thereof.

3 If this lease is disclaimed or forfeited and for any reason the Landlord does not require the Guarantor to accept a new lease of the Premises in accordance with paragraph 2 of this schedule, the Guarantor shall pay to the Landlord on demand an amount equal to the difference between any money received by the Landlord for the use or occupation of the Premises less any expenditure incurred by the Landlord in connection with the Premises and the rents which would have been payable under the lease but for such disclaimer or forfeiture, in both cases for the period commencing with the date of such disclaimer or forfeiture and ending on whichever is the earlier of the following dates:

3.1 the date six months after such disclaimer or forfeiture; and

3.2 the date (if any) upon which the Premises are relet.

4 For the purposes of these guarantee provisions references to the Tenant are to the Tenant in relation to whom the Guarantor's guarantee is given but not any lawful assignee of such Tenant.

SCHEDULE 9

Authorised Guarantee Agreement

- 1 The Tenant in consideration of the agreement to the assignment of the lease covenants and guarantees with and to the Landlord that:
- 1.1 the Assignee shall punctually pay the rents and perform and observe the covenants and other terms of the lease;
- 1.2 if the assignee shall make any default in payment of the rents or in performing or observing any of the covenants or other terms of the lease, the Tenant will pay the rents and perform and observe the covenants or terms in respect of which the assignee shall be in default and make good to the Landlord on demand and indemnify the Landlord against all losses, damages, costs and expenses arising or incurred by the Landlord as a result of such non-payment, non-performance or non-observance notwithstanding:
- 1.2.1 any time or indulgence granted by the Landlord to the assignee or any neglect or forbearance of the Landlord in enforcing the payment of the rents or the observance or performance of the covenants or other terms of the lease;
- 1.2.2 that the terms of the lease may have been varied by agreement between the parties (but subject always to section 18 of the Landlord and Tenant (Covenants) Act 1995);
- 1.2.3 that the assignee shall have surrendered part of the Premises in which event the liability of the Tenant under this guarantee shall continue in respect of the part of the Premises not so surrendered after making any necessary apportionments under section 140 of the Law of Property Act 1925; or
- 1.2.4 any other act or thing by which but for this provision the Tenant would have been released.
- 2 The Tenant further covenants with the Landlord that if the lease is disclaimed prior to any lawful assignment by the assignee of the lease the Landlord may within six months after the disclaimer require the Tenant to accept a new lease of the Premises for a term equivalent to the residue which if there had been no disclaimer
- not for/ed of*

would have remained of the Term at the same rent and subject to the like covenants and conditions as are payable under and applicable to the tenancy immediately before the date of such disclaimer, the said new lease and the rights and liabilities thereunder to take effect as from the date of such disclaimer, and in such case the Tenant shall pay the Landlord's costs incurred by the Landlord in connection with such new lease and the Tenant shall accept such new lease accordingly and will execute and deliver to the Landlord a counterpart thereof.

3 If the lease is disclaimed and for any reason the Landlord does not require the Tenant to accept a new lease of the Premises in accordance with paragraph 2 of this schedule, the Tenant shall pay to the Landlord on demand an amount equal to the difference between any money received by the Landlord for the use or occupation of the Premises less any expenditure incurred by the Landlord in connection with the Premises and the rents which would have been payable under the lease but for such disclaimer, in both cases for the period commencing with the date of such disclaimer and ending on whichever is the earlier of the following dates:

3.1 the date six months after such disclaimer; and

3.2 the end or sooner determination of the Term.

4 Notwithstanding any of the foregoing provisions the Tenant:

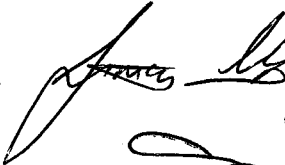
4.1 shall not be required to guarantee in any way the liability for the covenants and other terms of the lease of any person other than the assignee; and

4.2 shall not be subject to any liability, restriction or other requirement (of whatever nature) in relation to any time after the assignee is by law released from the covenants and other terms of the lease.

5 Words and expressions used herein shall have the same meaning as in the lease.

(Executed under the common seal of
(STARBUCKS COFFEE COMPANY
((UK) LIMITED in the presence of:

Director



Director/Secretary

