

Premiums: an information sheet for new members.

Thirty Six Lime Street Limited (the company)

36 Lime Street is a company limited by guarantee. It is run on the basis of co-operative principles and practices but it is not a co-operative in the sense of its legal structure. All of 36 Lime Street's tenants are also members of 36 Lime Street. When there is an assignment (sale/transfer) of a lease from an outgoing to an incoming tenant, that new tenant is given membership of 36 Lime Street the company. Therefore all tenants should be members and all members are tenants. Each member holds one vote, for voting in the general meetings of 36 Lime Street.

Background to the Premiums

Historically the Premiums arose as a way of compensating outgoing members for works done to studios. In the early years of 36 Lime Street, members were involved in the construction of the fabric of their studios (walls, doors, wiring etc.) and in some studios members subsequently made further improvements and upgrades to the basic structure. The payment of Premiums grew up on an informal ad hoc basis and over time discrepancies of valuation crept in between different studios.

In 2011, the membership therefore decided to regulate and control the practice of charging Premiums and the value of those Premiums to ensure transparency and fairness between studios and between outgoing and incoming members. The long term aim is to phase out the Premium system (over 25 years). The transitional structure and process has been designed to help outgoing members to recoup at least part of what they incurred on entering, so spreading the initial cost of building the spaces amongst the past, present and future members of 36 Lime Street.

What is the Premium?

The Premium is the charge that the incoming member is being asked to pay to the outgoing member for the assignment (sale/transfer) of his/her lease on the studio (including all rights and liabilities relating thereto). The payment of the Premium is to the outgoing member and is not a payment or investment into 36 Lime Street the company.

You will not own any part of 36 Lime Street the company or 36 Lime Street the building by paying this Premium. You will not own the studio you will rent it from 36 Lime Street.

How has the value of the Premium been reached?

There are certain limitations on the value of a Premium that can be charged, as agreed between the members of 36 Lime Street, with a view to limiting and controlling the payment of Premiums. These limitations are:

- (a) a member is not permitted to charge more than that member paid for his or her Premium previously;
- (b) a limitation in the types of works to studios that were originally counted towards the Premium (for example decorative additions, works relating to general upkeep, and works carried out without permission of the company 36 Lime Street were generally excluded);
- (c) a limitation in overall value (a cap on the base value for each studio); and
- (d) a limitation in time (based on the amount of time that a member has been in occupation of a studio and receiving the benefit of the previous works, the value of the Premium is depreciated by 1/25th of its agreed 2011 base value each year for 25 years). The outgoing member is entitled to seek a Premium only in line with the agreed depreciating value for that studio.

Notwithstanding the limitations above, which were agreed by the members, the incoming tenant is responsible for satisfying himself/herself that the amount to be paid as a Premium is acceptable, given the size and condition of the studio, and that the Premium is affordable, in the knowledge and understanding of the risks set out below.

General Information

36 Lime Street does not guarantee the repayment of Premiums in any way or guarantee that it will find a new member willing to pay a Premium for an outgoing member. However, 36 Lime Street

has never had any trouble finding new members and, other than those first tenants who built their spaces, incoming tenants have always paid a Premium as a matter of course.

Your continued occupation of the studio is conditional upon the continuing payment of rent and associated management charges to 36 Lime Street in line with the terms of the lease and compliance with 36 Lime Street's internal rules and policies. If you are in serious default of your lease or the Company's policies, you may forfeit your lease and lose the right to charge a Premium.

The term of lease that you are buying is less than 6 years. The lease is subject to a right of renewal by the Company except in certain prescribed circumstances, which include:

- (a) fault by the tenant i.e. : (i) state of repair of the studio resulting from the tenant's failure to comply with repair and maintenance obligations; (ii) persistent delay in paying rent due; or (iii) substantial breaches of obligations under the current lease, or for any other reason connected with the tenant's use or management of the studio;
- (b) 36 Lime Street has offered and is willing to provide or secure the provision of suitable alternative accommodation;
- (c) 36 Lime Street intends to demolish or reconstruct the studio or carry out substantial work of construction on the studio or intends to occupy the studio for the purposes of its own business.

Paragraphs (b) and (c) are considered unlikely to be relevant to 36 Lime Street. Therefore, as long as there are not any outstanding breaches by the tenant the right to renew cannot be unreasonable withheld. Also as 36 Lime Street is a membership organisation and each tenant is a member, the members can all vote together to renew their own leases periodically.

36 Lime Street the company does not own 36 Lime Street the building, but holds a long term (99 year) head lease on the building. 36 Lime Street's continued occupation of the building is conditional upon its continuing payment of rent and upholding the terms of its own head-lease. If 36 Lime Street is in default of its head-lease the head-landlord may terminate that head-lease and therefore any rights to Premiums would be lost.

Any improvements you make to your studio during your tenancy must be with the permission in writing of 36 Lime Street, but no further value will be added to the Premiums.

Additional Charges & Deposits

The outgoing member may wish to sell some additional items of furniture (for example workbenches /cupboards /shelves /storage), accessories or equipment in the studio. You are under no obligation to buy any or all of those additional items. If you do not wish to buy any such additional items, the outgoing member can either leave them free of charge or remove them (making good any damage caused to the studio if they were attached).

You will also be asked to pay a deposit to 36 Lime Street in addition to the Premium being made to the outgoing member, the amount of which depends on the current value of the rent for that studio and the size of the studio according to a standard scale.