

# Stonegate Group

PUB PARTNERS

## MRO Proposal Policy

This policy sets out our considerations to ensure that the MRO proposal complies with the Pubs Code in terms of reasonableness and commonality.

How this policy has been applied in relation to the individual circumstances is set out in the MRO Compliance Record and Declaration.

### MRO Agreement

All MRO proposals will be based on a new tenancy. Consideration will be given to any leasehold site restrictions as to whether a Deed of Variation (DOV) should be offered instead of a new tenancy. The option of a DOV will be offered in every instance where the term being offered is based on the remainder of the existing tied tenancy. The publican will have the option to request this up until the end of the negotiation period, the Deed of Variation would be issued as a 'subsequent proposed tenancy' under regulation 35 which would allow 14 days from when it was issued for referral to the PCA.

### Length of Term

The length of term offered will depend on when the MRO option has been exercised. If MRO has been exercised mid-term then the proposal will be based on the remainder of the existing tied tenancy. If exercised at renewal or within the last 12 months of the term (and we aren't opposing renewal on this occasion) then the proposal will be based on what we would be prepared to offer for a tied renewal. This is usually 5 years, based on a possible intention to take back for our own occupation under our growing managed estate. These decisions are made by our Asset Optimisation Panel, who carry out a full asset review to determine what the most appropriate operating model for the pub is. Where the tied tenancy contains a contractual right to renewal this will also be taken into account.

### Retail Price Index (RPI) & Cyclical Rent Reviews

Both RPI and cyclical rent reviews are common in the FOT market, however they are not common in combination. Our MRO proposal will always include RPI and the option of a cap and collar will be considered. If RPI is contested by a publican and upheld in arbitration, we will require cyclical rent reviews to be inserted if the MRO term is over 5 years in duration to ensure that there is the opportunity for the rent to be reviewed.

### User Clause

The user clause will be as a public house and/or restaurant together with ancillary bed and breakfast. If other use is required, this must be approved in writing by us and satisfy any necessary statutory consent.

### Decorating Obligations

Dependent on the MRO term offered the decorating cycle will be adjusted to either synchronise with the decorating cycle in the tied tenancy or only be applicable at the end of the term if less than 5 years in duration.

## Repairing Obligations

The current condition of the pub will be reviewed and considered. Upon completion of a dilapidations survey if Stonegate are responsible for some repairs we will either carry out the work and the MRO tenancy will be fully repairing, or the MRO tenancy will be amended so that the publican does not become liable for that work. Completion of dilapidations is not a pre-condition for the publican to enter the MRO tenancy.

## Payment Terms & Security

To establish what terms should be offered a full review of the account will be carried out and a score given of low, medium, or high based on current account balances and trading/ payment history with Stonegate over the last 6-12 months. The annual accounts will be taken into account if made available by the publican. The proposed level of deposit and requirement for personal guarantors will then be based on the score given. The offer of monthly terms will be considered so that debt/ payment levels can be managed.

## Ingoing Funds

A provisional completion statement will be prepared to calculate the estimated funds that would be due on completion taking into account funds already held in a deposit or repairs and maintenance fund account. Any increase in rent will be payable on completion and any outstanding debt would need to be cleared. If an increase in deposit is required, then a build-up payment plan will be considered.

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