

**Pubs Code – Market Rent Only
Frequently Asked Questions**

When you send a MRO Notice

Q. What happens once I have sent my MRO notice?

A. On receipt of your MRO notice, Marston's will acknowledge this as soon as reasonably practicable. Your MRO notice will be assessed to ensure it is valid, if not then we will notify you that the notice is invalid. If the notice is valid then we will issue a full response in accordance with Regulation 29(5) of the Pubs code Legislation within the period of 28 days, beginning with the day on which the MRO notice was received.

Q. How can I find an Independent Professional Advisor?

A. We would recommend that you take independent professional advice from a suitably qualified professional who has professional indemnity insurance. The BII should be able to assist you in finding an advisor.

Approach to MRO Proposal and Negotiations

Q. Will my MRO have to be via a new lease, or can it be a deed of variation?

A. All Market Rent Only Offers issued by Marston's will be made following the assessment of the individual situation of the tied pub tenant and the current tied agreement attached to their pub. A MRO offer will then be made following this assessment and could be via a new lease or a deed of variation.

You will receive a full MRO response detailing the proposed terms. We would advise you to take independent professional advice.

Q. How long will my MRO tenancy be?

A. This will depend on how long your existing tenancy is. Under Regulation 30 (2) of the legislation we must grant you a term at least as long as the unexpired term of your existing agreement. We will however grant you a minimum term of 5 years, if the unexpired term is less than 5 years.

Q. Will the terms in the MRO proposal be the same as those in my tied tenancy?

A. No. The terms in the MRO proposal will be terms which are common in Free of Tie Agreements. But will not include any terms listed as unreasonable in Regulation 31 of the Pubs Code.

Q. How will MRO negotiations be carried out?

A. Our Estate Manager will contact you and commence negotiations in respect of the Tied Rent Review and MRO proposal once you have received our offer.

Q. Who will manage my MRO negotiations? Will it be my BDM?

A. Your MRO negotiations and your tied rent review negotiations will be undertaken by your Estate Manager, who is a qualified Chartered Surveyor.

Q. Will I be required to have a business plan?

A. You are not required to have a business plan for your proposed MRO agreement.

Q. Will I be required to change my rent and deposit payment dates? Will my deposit level change?

A. Your rent deposit and payments dates will depend upon the terms agreed. Free of Tie Agreement terms are different to those of traditional tied agreements. Rental deposits are normally 3 month's rent. Rent is paid quarterly in advance on the usual quarter days.

Q. Will my insurance level change?

A. Buildings insurance policies for MRO sites are assessed on an individual basis and do not benefit from being included in a block policy and may potentially be higher.

Q. Will my repairing liabilities and benefits change under an MRO agreement?

A. You will be required to comply with repairing liabilities in accordance with terms that are agreed between the parties, these may differ from your existing repairing liabilities.

Q. Will my business relationship with Marston's change?

A. You will no longer benefit from the support and services Marston's provide to their tied tenants. You will no longer have the benefit of a dedicated BDM.

Q. Will there be any upfront costs if I go MRO?

A. You will be charge our legal costs in relation to this transaction. You may be liable for SDLT, you should take independent professional advice on this matter. You may have to pay additional deposit depending on the level of deposit currently held and the deposit agreed under the terms of the MRO agreement. Your rent will be payable in advance in accordance with the rent payment dates included in the new agreement.

Q. Will I have to pay for any dilapidations if I request MRO?

A. Dilapidations only occur where there is a failure to comply fully with repairing obligations of an agreement. A Schedule of Dilapidations will be prepared and you will be required to undertake any outstanding statutory compliance works within a prescribe timescale.

Q. Will there be a stocking requirement in the MRO option? If so, how will this be considered?

A. At present, there is no stocking requirement in Marston's MRO agreements.

Q. If I choose an MRO agreement, does any part of the tie remain?

A. If you choose a MRO agreement the only tie will relate to the buildings insurance. We will insure the premises and recharge the cost of insurance to you.

Q. I have a long lease at present what term do you have to offer me on renewal or at rent review if I opt for MRO?

A. The new term will be agreed by negotiation, if the parties are unable to agree on the term the courts are able to award a new tenancy up to a maximum of 15 years.

Q. Will I still be tied for Gaming Machines?

A. There is no tie in respect of gaming machines in our MRO agreements.

Q. I have received my MRO proposal, but I am concerned about the terms on which it is being offered what can I do?

A. Marston's recommend that you take independent professional advice. You should contact your Estates Manager to discuss the MRO proposal as soon as possible.

Rent

Q. Will my rent change if I go MRO?

A. Yes it is likely that your rent will change. The MRO rent will be included in the MRO proposal sent to you.

Q. How will the MRO rent be assessed?

A. The MRO rent is assessed by a member of the Royal Institution of Chartered Surveyors in accordance with their guidance and professional standards, using the profits method of valuation.

Q. What can I do if I do not agree with the MRO rent provided?

A. If you disagree with the MRO rent provided you are encouraged to contact your Estate Manager as soon as possible to enter into negotiations in respect of the rent. You have 56 days, from the date the offer was sent, to negotiate your MRO offer. You have the right to refer your MRO rent to an independent assessor after 28 days of negotiations or within 7 days of the negotiation period ending.

Q. I have an outstanding rent review. What will happen with that?

A. Marston's will continue to negotiate with you on your tied rent review and will not make any changes to the rent payable until you have made a choice between continuing under your current tied agreement or entering into a new MRO agreement. Your tied rent review will conclude only when you agree the new rent in writing, in accordance with Regulation 39 (g). Once you do so the MRO process will terminate.

Steps following negotiation

Q. What do I do if I do not agree with the rent being offered? What will happen if I ask for the MRO rent to be sent to an Independent Assessor?

A. You are encouraged to take independent professional advice. Either you or your professional advisor should contact your Estates Manager and enter into negotiations. If the parties are unable to agree the rent then you have the option to have the rent determined by an Independent Assessor. Marston's will endeavour to agree and jointly appoint an Independent Assessor with you within 28 days, beginning with the day on which Marston's receives your notice of intention for the MRO rent to be determined by a third party. If the parties are unable to agree and jointly appoint an Independent Assessor then the matter can be referred to the PCA who will appoint an Independent Assessor within 14 days of both parties communicating their request for the appointment to the PCA. On appointment of an Independent Assessor, you must provide a copy of the proposed MRO agreement and both parties must provide the information specified in Schedule 3 of the Code, to the Independent Assessor, within 28 days of their appointment. The rent will then be determined by the Independent Assessor within 21 days. You will then have a further 21 days to accept/reject the rent or make a referral to the PCA under Regulation 38(4).

Q. Do I have to take a MRO option if I request it?

A. No. A valid request for a MRO, will give you the option to go MRO. It is up to you to make a choice between staying on your existing tied agreement or alternatively entering into a new MRO agreement.

Q. What happens if I want to accept the MRO option?

A. If you want to accept the MRO option, you must communicate your acceptance of this to Marston's before the end of the 56 day negotiation period. The negotiation period begins on the day you receive a full response under regulation 29(3) of the Code.

Q. What happens if I do not want to accept the MRO option?

A. If you do not want to accept the MRO option, you should confirm this in writing to Marston's. The parties will need to either conclude and document the tied rent review or in the case of a protected renewal complete the new tied agreement.

CCOs and BDM roles

Q. How can the CCO help? When and how to contact the CCO?

A. If you have a query regarding the Regulations, Marston's Code Compliance Officer, Claire Coley, will make herself reasonably available to you or your representatives, to discuss matters relating to the Pubs Code and to signpost you to the PCA, the Regulations and our internal protocols. Queries should be sent to PCR@marstons.co.uk

Q. When I request an MRO agreement will my relationship with my BDM change?

A. No it will not. If you choose to request a MRO agreement your relationship with your BDM will continue, as normal. If you chose to go Free of Tie you will cease to have the support of your BDM when you enter into your new Free of Tie Agreement.