

WITHOUT PREJUDICE
SUBJECT TO FORMAL AGREEMENT

TENANCY AGREEMENT HEADS OF TERMS

Term.

In order to minimise the impact and costs of the changes to land Tax and Stamp Duty legislation, the length of the agreement will be six years.

Tie

There is a tie for all beers, ciders and fabs, which must be bought from McMullen & Sons Limited or its nominated supplier, on the terms set out in the relevant price list. There is no minimum purchase obligation and although the Company would like you to buy the following from us, you are free to purchase all wines, spirits and soft drinks and other goods for resale, from any supplier.

Assignment or sub letting.

This is not permitted.

Rent review.

The rent is agreed for the first year of the term and unless the beer, cider, fabs tie is changed, it will be annually increased in line with the Retail Prices Index (RPI). (In exceptional circumstances where the trading opportunity at the pub is agreed to be significantly in excess of the current level of trade, an additional percentage increase may be agreed at the beginning of the tenancy).

Rent payments

Rent plus VAT is payable monthly in advance by direct debit.

Trading account payments

All trade accounts will be payable fortnightly in arrears by direct debit, giving a minimum of 14 days credit facility.

Landlord and tenant Act 1954

This agreement does not qualify for the Landlord and Tenant Act 1954 provisions.

Repairs

The Company is responsible for specific major areas of repairs: the foundations, structural timbers, roofs, walls, cellar decoration, drains and car park; also included in the Company's responsibility for health and safety reasons, are routine maintenance, servicing, cleaning of boilers, extractor fans and chimneys. You are required to keep the remainder of the premises in a good state of repair.

Health and Safety.

You must ensure that the premises, the Tenant's inventory and the operation of the business comply with Health and Safety Regulations at all times.

Alterations

Any alterations to the property are expressly forbidden. If you have a proposal that may improve the business then please discuss it with the Company's Tenanted Operations Manager.

Insurance

The Company will insure the buildings, Landlord's fixtures and fittings, loss of Premises License, two years loss of rent and will recharge the premium to you on a monthly basis. You however, must insure for Third Party and Public Liability risk, loose goods, inventory and stock through the Company's nominated Insurer.

Decoration and Signage

To ensure that all McMullen Pubs reflect the high standards of presentation and corporate identity, for which McMullen are highly regarded, all external signage will be supplied, fixed and maintained by the Company. The Company will decorate all internal and external trade areas including trade cellars and kitchens and letting accommodation once every six years or as deemed necessary by the Company.

Machines

In order to maximise the Company's and the Tenants revenues from all forms of machines, the Company will install, manage and maximise all non-electronic and electronic forms of entertainment. The proceeds of these machines will be divided equally between the Tenant and the Company after VAT, rental and Duty are paid.

Permitted Use

The premises must only be used as a Public House for the sale of drinks and the provision of food, other refreshment (and ancillary thereto), other normal Public House entertainment facilities and, where applicable, accommodation for paying guests (whereby no security of tenure is conferred upon such guests).

Termination

The tenant can terminate this tenancy agreement by giving not less than 52 weeks notice at any time during the term. In the first two years of the tenancy, the Company may terminate the agreement by giving not less than 26 weeks notice. After two years from grant of the agreement, the notice period due to the tenant from the Company is not less than 52 weeks.

Ingoing costs

You will be asked to provide proof of funds and the ability to provide funds to cover the purchase at fair valuation of the Tenants fixtures and fittings, stock and small wares at valuation, a refundable security deposit dependant on the trading potential of the tenancy and the costs of an Introductory Training course.

Discount scheme

As part of McMullen's intention to provide tools for our tenants to compete effectively in the Industry marketplace, a competitive discount incentive is to be included with the tenancy agreement. This will be included as a side agreement to the main tenancy document.

Each tenancy will have a Fair Maintainable Trade target (F.M.T.), which will be the level of trade agreed to be achievable at the house if run by a competent operator. This will be agreed before the start of the tenancy.

If the tenant reaches 90% of the F.M.T. level yearly then every barrel of tied product (36 gallon converted) above 90% of the F.M.T. level purchased from the Brewery will attract a discount of £80 per barrel (36 gallon converted). This will be totalled at the end of each financial year, (1 October to 30 September) and be credited against your rent and/or trade account in November of each year.

In the first year of tenancy, the F.M.T. target will be calculated pro-rata for the completed months of occupation to the end of the financial year.

In the final year of occupation or in the year that the tenancy agreement ceases for any reason other than termination by McMullen & Sons Limited, it will be calculated pro-rata as above. If the tenancy agreement is terminated by McMullen & Sons Limited, no discount will be payable.

Foreign Cask ales

As part of the maximisation of customer choice, McMullen & Sons Limited may from time to time make available cask ales from sources other than McMullen brewed products. To qualify for stocking these foreign cask products, two McMullen cask ales must be stocked with minimum sales of 1 x 9g casks per week of each product.

Foreign cask ales, due to commercial reasons may command a premium wholesale price.

Note

This document is intended as a guide only. In the event of any inconsistency between this and legal documentation, then the latter will prevail.