

DORNOCH DISTILLERY CASK OWNER TERMS 2018

OCTAVE TERMS

DORNOCH DISTILLERY CO, DORNOCH, SUTHERLAND

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DISTILLERY REFERENCE NUMBER -

1. The completed, signed Dornoch Distillery Terms and Conditions comprise the contract of sale for a Cask ("Cask") between Dornoch Distillery Company Limited (also referred to as "we, our or us") and our Customer (also referred to as "you or your").
2. Cask Availability - Dornoch Distillery Company is a truly independent micro-distillery with extremely limited capacity for third party fillings. Future offerings will be very limited.
3. Cask Sizes - Approximately 50L @ 60% ABV
4. Cask Content - The Cask to be filled with New Make Spirit produced at Dornoch Distillery from 100% floor malted organic heritage barley, fermented with brewers yeast and twice distilled. Filling strength will be no less than 60%ABV
5. The Cask - Dornoch Distillery Company will retain ownership of the wooden cask after bottling.
6. Cask selection; 50L American Oak ex-Bourbon octaves - Previous contents are Organic Bourbon.

DISTILLERY REFERENCE NUMBER -

7. Payment - will be due immediately because of the limited availability, you may risk this offer being passed on as it is on a first come first served basis. Payment will include your spirit, warehousing, insurance, use of wooden cask and all other detailed services for up to a 5 year period. It further includes the costs of repair to any Cask which is leaking and the replacement of any Spirit lost as a result of that leakage, but does not include spirit loss due to natural evaporation.

8. Storage - Storage and insurance for the first 5 years are included in the initial purchase price. Further storage and insurance can be purchased in two year blocks at a cost of £100. All casks will be stored under bond at Dornoch Distillery, Sutherland, with regular inspections of the Cask for signs of leakage.

9. Angels' Share - During maturation alcohol evaporates from the cask at an average annual rate of 2%, apart from the first year where the normal evaporation rate could be up to 5%. Losses in excess of these rates may occur.

10. Cask Visits - Dornoch Distillery is a small, working distillery and visits can be accepted by appointment only.

11. Cask Samples - 1 x 50 ml cask sample will be taken close to your cask's third birthday. We'll retain these at Dornoch Distillery. They'll be Duty Paid and available for you when you visit. We are happy to post them out to you, this may be an additional cost and we may be restricted with shipments to certain countries. Please note that sampling from the cask is not permitted under any circumstances. Additional 50ml samples are available at £25.00 each, including Duty and UK postage. Dornoch Distillery retains the right to extract samples for analytical purposes.

12. Cask Owner Benefits - With each cask purchase we will provide each of the following:-

Dornoch Distillery Cask Owner certificate card

Invitation to Dornoch Distillery Octave Owners day

Invitation to our 3rd Birthday celebrations

DISTILLERY REFERENCE NUMBER -

13. Ownership - Ownership is not transferable without prior permission from Dornoch Distillery unless the cask is inherited. Should your cask become available for sale, Dornoch Distillery has first right of refusal to purchase at a fair market value.

Thereafter, ownership can be transferred to another single, named individual, with our approval.

14. Final Payments - These will be due when you decide your cask, or part of, should be bottled. The majority of these payments will consist of Excise Duty plus bottling and labelling costs. The prevailing costs at the time of bottling will be charged.

15. Excise Duty - This is the tax on the % of pure alcohol, payable to Her Majesty's Customs and Excise. This tax must be paid if the whisky is removed from bond. The Duty rate is subject to change and various different rates of Duty apply throughout the EU and the rest of the world. UK Duty is not payable if the cask is sold back to the distillery 'under bond'. Current UK Duty rate as at July 2018 is £28.74 per RLA.

16. Bottling - Bottling will take place at natural cask strength. Bottling will not be chill filtered. All casks will be bottled at natural colour. The cask will be hand bottled at current distillery cost price. We require a minimum of 2 months' notice before bottling, to allow for locality labelling and tax stamp requirements. Cask owners will not be allowed to bottle and release their cask until Dornoch Distillery Company has bottled and released their first Single Malt Whisky - This is non-negotiable. One bottle will be retained by the Dornoch Distillery Company for company archives. Cask owners are to make 3 bottles from their cask available for the distillery to purchase at reasonable market value at the time of bottling.

17. Bottle Type - The cask will be bottled in a Dornoch Distillery Company official bottle, with a personalised Dornoch Distillery label. The quoted bottling rate will include bottles, corks, closures, outer cases, and labelling. All labelling must comply with Scotch Whisky legislation and any other relevant legislation pertaining at the time. The label and packaging will record that the product has been distilled, matured and bottled at the distillery and will include the name of the cask owner(s)

DISTILLERY REFERENCE NUMBER -

18. Delivery - On completion of any bottling, collection should be arranged by the owner. Bonded goods can be transferred to any location in the world, however, local Duty rates will apply once it is removed from any final Bond. If Dornoch Distillery has an importer in your market, they will be the preferred importer of the product.

19. Valued Added Tax - This is not included in the quoted purchase price per cask. You will also be charged VAT on the bottling cost and Excise Duty when it leaves Bonded status. If the cask is sold back to the distillery 'under bond', no VAT will be due.

20. Duty/VAT Suspension - If your spirit is exported outside of the EU (or to a registered importer within the EU) Duty and VAT can be suspended (but not avoided) subject to the exporter being registered for both Duty and VAT. Both would be payable in the country of final destination. It is up to the cask owner to find an importer and arrange this. Cask owners must work through Dornoch Distillery export partners in countries which Dornoch Distillery currently exports into.

21. Change of Address - You must notify us immediately of any change to your address or contact details. In the event that we are unable to contact you within 12 months of the expiry of 5 years from the date when the Cask is filled, we reserve the right to sell the Cask and the Spirit and to hold the proceeds on your behalf after deduction of sale costs and any other costs which we may have incurred from warehousing the Cask for a period longer than 5 years.

22. Your Rights - Under this contract of sale, your rights may not be transferred or assigned to a third party without our consent in writing. This contract of sale is governed by Scottish Law and you and we agree to and accept the exclusive jurisdiction of the Scottish Courts in respect of any matters arising from it. Cask ownership may be automatically assigned to another individual without our consent if it is as part of an inheritance.

DISTILLERY REFERENCE NUMBER -

23. To comply with the UK Warehouse Owners and Warehouse Goods Regulations (“WOWGR”) you are required to confirm that you are a private individual purchasing the filled Cask for private consumption or gifting and that the ultimate bottled Scotch Whisky produced from the Cask purchased will not be sold or traded for profit. Your signing of the 2018 Cask terms & conditions will be deemed by us to be your confirmation of WOWGR compliance. If you are a registered HMRC revenue trader, please contact us directly.

24. Your Cask will be filled on a 1 to 1 ratio with Distillery casks - this will be based on RLA. i.e 30 RLA filled for Dornoch Distillery co will then be followed by 30 RLA filled for a private cask owner.

25. Fillings will be carried out strictly in the order in which cask orders were received.

26. Fillings will take place from the **new Dornoch Distillery site (2019)** once the equipment has been tested and commissioned.

27. Dornoch Distillery Co may use images of your cask for promotional purposes. If you do not wish for this to happen please contact us directly.

Signature

Date

Print name

Name to be stencilled on the cask