



Registration of a Charge

Company name: **CLS HOLDINGS PLC**

Company number: **02714781**

Received for Electronic Filing: **01/05/2019**



X84KXG4Q

Details of Charge

Date of creation: **30/04/2019**

Charge code: **0271 4781 0044**

Persons entitled: **LLOYDS BANK PLC AS SECURITY AGENT**

Brief description:

Contains fixed charge(s).

Contains negative pledge.

Authentication of Form

This form was authorised by: **a person with an interest in the registration of the charge.**

Authentication of Instrument

Certification statement: **WE CERTIFY THAT SAVE FOR MATERIAL REDACTED PURSUANT TO S.859G OF THE COMPANIES ACT 2006 THE ELECTRONIC COPY INSTRUMENT DELIVERED AS PART OF THIS APPLICATION FOR REGISTRATION IS A CORRECT COPY OF THE ORIGINAL INSTRUMENT.**

Certified by: **OSBORNE CLARKE LLP**



CERTIFICATE OF THE REGISTRATION OF A CHARGE

Company number: 2714781

Charge code: 0271 4781 0044

The Registrar of Companies for England and Wales hereby certifies that a charge dated 30th April 2019 and created by CLS HOLDINGS PLC was delivered pursuant to Chapter A1 Part 25 of the Companies Act 2006 on 1st May 2019 .

Given at Companies House, Cardiff on 2nd May 2019

The above information was communicated by electronic means and authenticated
by the Registrar of Companies under section 1115 of the Companies Act 2006



Companies House



**THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES**

Execution version

We certify that, save for material redacted pursuant to s. 859G of the Companies Act 2006, this copy instrument is a correct copy of the original instrument.

Dated this 1 May 2019

Signed

Osborne Clarke LLP

Osborne Clarke LLP

One London Wall

London

EC2Y 5EB

Charge over shares

- (1) CLS Holdings plc
- (2) Lloyds Bank plc as Security Agent

Dated 30 April 2019

Osborne Clarke LLP

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This Deed is made on

30 April

2019

Between:

- (1) **CLS Holdings plc** (company number 02714781) whose registered office is at 16 Tinworth Street, London SE11 5AL (the "**Company**"); and
- (2) **Lloyds Bank plc** as agent and trustee for the Secured Parties (the "**Security Agent**").

This Deed witnesses as follows:

1. **Definitions and interpretation**

1.1 In this Deed, unless the context otherwise requires, the following words shall apply:

"**Borrower**" means New Printing House Square Limited, a company incorporated in England with company number 02720262.

"**Charged Investments**" means:

- (a) all Shares;
- (b) all Derivative Assets; and
- (c) all Related Rights in respect of paragraphs (a) to (b) (inclusive).

"**Debenture**" means the debenture dated on or about the date of this Deed and made between the Borrower and the Security Agent.

"**Derivative Asset**" means all allotments, rights, benefits and advantages (including all voting rights) at any time accruing, offered or arising in respect of or incidental to the Shares and all money or property accruing or offered at any time by way of conversion, redemption, bonus, preference, option, dividend, distribution, interest or otherwise in respect of the Shares.

"**Facility Agreement**" means an agreement dated on or about the date of this Deed and made between, among others, the Borrower and the Security Agent under which the Original Lenders have made available a certain term loan facility to the Borrower as the same may be amended, novated, supplemented, extended or restated from time to time.

"**Finance Documents**" means the Finance Documents and Hedging Agreements, in each case as defined in the Facility Agreement and in each case as amended, novated, supplemented, extended or restated from time to time.

"**Guarantee**" means the deed of guarantee dated on or about the date of this Deed and made between the Company and the Security Agent.

"**LPA**" means the Law of Property Act 1925.

"**Party**" means a party to this Deed.

"**Related Rights**" means, where used in relation to an asset, the following:

- (a) the proceeds of sale and/or other realisation of that asset (or any part thereof or interest therein); and
- (b) all Security, Authorisations, options, agreements, rights, benefits, indemnities, guarantees, warranties or covenants for title in respect of such asset.

"Secured Liabilities" means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Transaction Obligor to any Secured Party under each Finance Document.

"Security Period" means the period from the date of this Deed until the date on which the Security Agent has determined (acting reasonably) that all of the Secured Liabilities have been irrevocably and unconditionally paid and discharged in full and that no commitment under or pursuant to the Finance Documents is outstanding.

"Shares" means:

- (a) 6,305,702 ordinary shares in the Borrower; and
- (b) all other stocks, shares, warrants or other equity securities issued by the Borrower now or in the future owned by the Company from time to time or any in which it has an interest.

1.2 **Construction**

- (a) Unless a contrary intention appears, sub-clause 1.2 (*Construction*) of the Facility Agreement applies to this Deed, and shall be deemed to be incorporated into this Deed, mutatis mutandis, as though set out in full in this Deed, with any reference to this **"Agreement"** being deemed to be a reference to this **"Deed"**, subject to any necessary changes.
- (b) Unless the context otherwise requires or as otherwise defined in this Deed, terms defined in the Facility Agreement mean the same in this Deed as they do in the Facility Agreement.
- (c) Any references to the Security Agent or any Receiver shall include its Delegate.
- (d) Clauses and schedules are references to clauses of and schedules to this Deed and references to sub-clauses and paragraphs are references to sub-clauses and paragraphs of the clause or schedule in which they appear.

1.3 **Implied covenants for title**

The obligations of the Company under this Deed shall be in addition to the covenants for title deemed to be included in this Deed by virtue of Part I of the Law of Property (Miscellaneous Provisions) Act 1994.

1.4 **Effect as a deed**

This Deed is intended to take effect as a deed notwithstanding that the Security Agent may have executed it under hand only.

1.5 **Trusts**

- (a) The Security Agent holds the benefit of this Deed on trust for the Secured Parties in accordance with the terms of clause 26 (*Role of the Agent, the Security Agent and the Arranger and the Reference Banks*) of the Facility Agreement.
- (b) The perpetuity period for any trusts created by this Deed is 125 years.

1.6 **Third party rights**

Unless a contrary intention appears, sub-clause 1.4 (*Third party rights*) of the Facility Agreement applies to this Deed, and shall be deemed to be incorporated into this Deed, mutatis mutandis, as though set out in full in this Deed, with any references to **"this**

"Agreement" being deemed to be a reference to "this Deed", subject to any necessary changes.

1.7 **Finance documents**

This Deed is a Finance Document.

2. **Covenant to pay**

Subject to the provisions of clause 3.2 (*Limited recourse*), the Company as primary obligor covenants with the Security Agent (as trustee of the Secured Parties) that it will on demand pay to the Security Agent the Secured Liabilities when the same fall due for payment in accordance with the terms of the Finance Documents.

3. **Charged Investments**

3.1 **Security**

The Company, as security for the payment of the Secured Liabilities, charges, by way of mortgage, in favour of the Security Agent, with full title guarantee, the Charged Investments.

3.2 **Limited recourse**

Notwithstanding the terms of any other provision of this Deed:

- (a) the liability of the Company to the Secured Parties under clause 2 (*Covenant to pay*) and clause 4.1(b) (*Continuing security*) shall be:
 - (i) limited in aggregate to an amount equal to that recovered by the Secured Parties as a result of the enforcement of this Deed with respect to the Charged Investments; and
 - (ii) satisfied only from the proceeds of sale or other disposal or realisation of the Charged Investments pursuant to this Deed; and
- (b) the Secured Parties shall not have any recourse under clause 2 (*Covenant to pay*) or clause 4.1(b) (*Continuing security*) to any assets of the Company other than the Charged Investments,

provided that nothing in this sub-clause shall limit the recourse of the Secured Parties to the Company in respect of:

- (i) any breach by the Company of any obligation (other than clause 2 (*Covenant to pay*)) or representation given by the Company under this Deed; or
- (ii) its obligations under any other Finance Documents to which it is party.

4. **Nature of Security**

4.1 **Continuing security**

- (a) The Security created by this Deed is to be a continuing security notwithstanding any intermediate payment or settlement of all or any part of the Secured Liabilities or any other matter or thing.
- (b) Subject to the provisions of clause 3.2 (*Limited recourse*), if any purported obligation or liability of any Transaction Obligor to the Secured Parties which if valid would have been the subject of any obligation or charge created by this Deed is or becomes unenforceable, invalid or illegal on any ground whatsoever whether or not known to any Secured Party, the Company shall nevertheless be liable in respect of that

purported obligation or liability as if the same were fully valid and enforceable and the Company was the principal debtor in respect thereof. The Company hereby agrees to keep the Secured Parties fully indemnified against all damages, losses, costs and expenses arising from any failure of a Transaction Obligor to carry out any such purported obligation or liability.

- (c) The obligations and liabilities of the Company under this Deed will not be affected by an act, omission, matter or thing which, but for this paragraph, would reduce, release or prejudice any of its obligations or liabilities under this Deed (without limitation and whether or not known to any Secured Party) including:
- (i) any time, waiver or consent granted to, or composition with, any Transaction Obligor or other person;
 - (ii) the release of any Transaction Obligor or any other person under the terms of any composition or arrangement with any creditor of any person;
 - (iii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over any assets of any Transaction Obligor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
 - (iv) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Transaction Obligor or any other person;
 - (v) any amendment (however fundamental) or replacement of any Finance Document or any other document or Security;
 - (vi) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or Security; or
 - (vii) any insolvency or similar proceedings.
- (d) Until the Security Period has ended and unless the Security Agent otherwise directs, the Company will not exercise any rights which it may have by reason of performance by it of its obligations under this Deed:
- (i) to be indemnified by any other Transaction Obligor (including any rights it may have by way of subrogation);
 - (ii) to claim any contribution from any guarantor of any other Transaction Obligor of the obligations under the Finance Documents;
 - (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any right of the Security Agent or any of the other Secured Parties under any Finance Document or of any other guarantee or Security taken pursuant to, or in connection with, the Finance Documents;
 - (iv) to claim, rank, prove or vote as a creditor of any other Transaction Obligor or its estate in competition with the Security Agent or any of the other Secured Parties; and/or
 - (v) receive, claim or have the benefit of any payment, distribution or security from or on account of any other Transaction Obligor, or exercise any right of set-off against any other Transaction Obligor.

- (e) The Company shall hold on trust for and immediately pay or transfer to the Security Agent any payment or distribution or benefit of Security received by it contrary to this sub-clause.
- (f) The Company waives any right it may have of first requiring the Security Agent to proceed against or enforce any other rights or Security or claim payment from any person before claiming from a Transaction Obligor under a Finance Document. This waiver applies irrespective of any law or any provision of the Finance Document to the contrary.
- (g) Until the Security Period has ended, the Security Agent may refrain from applying or enforcing any other moneys, Security or rights held or received by the Security Agent in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Company shall not be entitled to the benefit of the same.
- (h) Without prejudice to the generality of clause 4.1(c), the Company expressly confirms that it intends that the Security constituted by this Deed shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to the Secured Liabilities as a result of the amendment and/or restatement of the Facility Agreement and/or any of the other Finance Documents and/or any additional facility or amount which is made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

4.2 **Non-merger of Security**

The Security created by this Deed is to be in addition to and shall neither be merged with nor in any way exclude or prejudice or be affected by any other Security or other right which the Security Agent may now or after the date of this Deed hold for any of the Secured Liabilities, and this Deed may be enforced against the Company without first having recourse to any other rights of the Security Agent.

5. **Further assurances and protection of priority**

5.1 **General**

- (a) The Company shall, at its own expense, promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):
 - (i) to perfect or protect the Security created or intended to be created under, or evidenced by, this Deed (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of this Deed) or for the exercise of any rights, powers and remedies of the Secured Parties provided by or pursuant to this Deed or by law; and/or
 - (ii) at any time when an Event of Default is continuing, to facilitate the realisation or enforcement of the assets which are, or are intended to be, the subject of the Security created, or intended to be created, by this Deed.
- (b) The Company shall take all such action (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or

maintenance of any Security conferred or intended to be conferred on the Secured Parties by or pursuant to this Deed.

6. Representations and warranties

The Company makes the representations and warranties listed below in favour of each of the Secured Parties.

6.1 Charged Investments

- (a) It is the legal and beneficial owner of the Charged Investments with the right to transfer with full title guarantee all or any part of the Charged Investments and has good marketable title to the Charged Investments.
- (b) The Shares are fully paid and none are subject to any option to purchase or similar rights.
- (c) It has not appointed any nominee to exercise or enjoy all or any of its rights in relation to the Charged Investments.
- (d) The constitutional documents of the Borrower do not and could not restrict or prohibit any transfer of the Shares on creation or on enforcement of that Security.
- (e) It is not legally or beneficially entitled to any stocks, warrants or other equity securities (other than any shares) issued by the Borrower.

6.2 Ranking of Security

The Security conferred by this Deed constitutes a first priority security interest of the type described in this Deed over the Charged Investments and the Charged Investments are not subject to any prior or *pari passu* Security.

6.3 Repetition

The representations in this clause are deemed to be made by the Company by reference to the facts and circumstances then existing on the date of this Deed, on the date of the Utilisation Request, on the Utilisation Date and the first day of each Interest Period.

7. Undertakings

7.1 Duration of undertakings

The Company undertakes to the Security Agent in the terms of this clause for the duration of the Security Period.

7.2 General undertakings

- (a) *Negative pledge and disposal restrictions*

It will not:

- (i) create or agree to create or permit to subsist or arise any Security over all or any part of the Charged Investments; or
- (ii) dispose of all or any part of the Charged Investments or agree or attempt to do the same,

except as permitted by the Facility Agreement or with the prior written consent of the Security Agent.

(b) *Deposit of documents or title deeds*

It will deposit with the Security Agent:

- (i) to the extent that the relevant documents have not been deposited with a clearance system, settlement system or custodian acceptable to the Security Agent, all deeds, documents of title (or documents evidencing title or the right to title) and agreements relating to a Charged Investment;
- (ii) any stock transfer forms or other instruments of transfer duly completed to the Security Agent's satisfaction (acting reasonably); and
- (iii) any other document which the Security Agent may reasonably require for the purpose of perfecting the Security created by this Deed.

(c) *Calls*

It shall duly and promptly pay all calls, instalments or other payments which may be due and payable in respect of any Charged Investments and, for the avoidance of doubt, no Secured Party shall incur any liability in respect of any amounts due from the Company in respect of any Charged Investments.

(d) *Compliance with laws*

It shall:

- (i) comply in all respects with all laws to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect or could reasonably be expected to result in criminal sanctions being imposed on any party to a Finance Document; and
- (ii) obtain and maintain in full force and effect all Authorisations which may at any time be required with respect to any of the Charged Investments.

(e) *Information*

It shall supply promptly to the Security Agent:

- (i) such information in relation to the Charged Investments as the Security Agent may reasonably request; and
- (ii) all documents dispatched by the Borrower to it in connection with a Charged Investment.

7.3 Charged investments

(a) *Exercise of rights*

- (i) Prior to an Event of Default, it may exercise or refrain from exercising (or direct the same) any of the powers or rights conferred upon or exercisable by the legal or beneficial owner of the Charged Investments unless such exercise or refrain from exercising (or direction to do the same):
 - (A) breaches, or might reasonably be expected to breach, any term of the Facility Agreement; or
 - (B) would, or might reasonably be expected to, have an adverse effect on the value of any of the Charged Investments or otherwise prejudice any Transaction Security; or

- (C) would, or might reasonably be expected to, adversely affect any rights or powers of the Company arising from its legal and/or beneficial ownership of the Charged Investments.
 - (ii) At any time when an Event of Default is continuing, it shall not, without the prior written consent of the Security Agent, exercise or refrain from exercising (or direct the same) any of the powers or rights conferred upon or exercisable by the legal or beneficial owner of the Charged Investments.
- (b) *Registration of transfers*

At any time when an Event of Default is continuing, if required by the Security Agent, it shall procure that the Charged Investments which are in registered form are duly registered in the name of the Security Agent or its nominee once a transfer relating to the Charged Investments is presented for that purpose.
- (c) *Dividends*
 - (i) Prior to an Event of Default, the Company may receive and retain all dividends, interest and other income deriving from and received by it in respect of the Charged Investments.
 - (ii) At any time when an Event of Default is continuing, it shall immediately pay all dividends or other monies received by it in respect of the Charged Investments to the Security Agent, or as the Security Agent may direct.
- (d) *Nominees*

It shall not appoint any nominee to exercise or enjoy all or any of its rights in relation to the Charged Investments.
- (e) *Other equity securities*

It shall not subscribe for, purchase or otherwise have an interest in any stocks, warrants or other equity securities (other than any shares) issued or to be issued by the Borrower.

7.4 Power to remedy

If the Company fails to comply with any covenant set out in sub-clause 7.2 (*General undertakings*) or sub-clause 7.3 (*Charged investments*) (inclusive), it will allow (and irrevocably authorises) the Security Agent or any Receiver to take any action on its behalf which the Security Agent or the Receiver deems necessary or desirable to ensure that those covenants are complied with. The Company shall reimburse to the Security Agent and/or any Receiver, on demand, all amounts expended by the Security Agent or any Receiver in remedying such failure together with interest in accordance with sub-clause 14.4 (*Default interest*) from the date of payment by the Security Agent or Receiver (as the case may be) until the date of reimbursement.

8. Enforcement and powers of the Security Agent

8.1 Enforcement

At any time when an Event of Default is continuing, the Security created pursuant to this Deed shall be immediately enforceable and the Security Agent may in its absolute discretion and without notice to the Company or the prior authorisation of any court:

- (a) enforce all or any part of the Security created by this Deed and take possession of or dispose of all or any of the Charged Investments in each case at such times and upon such terms as it sees fit; and

- (b) whether or not it has appointed a Receiver, exercise all of the powers, authorities and discretions:
 - (i) conferred from time to time on mortgagees by the LPA (as varied or extended by this Deed) or by law; and
 - (ii) granted to a Receiver by this Deed or from time to time by law.

8.2 **Power of sale**

For the purpose of all rights and powers implied or granted by law, the Secured Liabilities are deemed to have fallen due on the date of this Deed. The power of sale and other powers conferred by section 101 of the LPA and all other enforcement powers conferred by this Deed shall be immediately exercisable at any time when an Event of Default is continuing.

8.3 **Statutory restrictions**

The restriction on the consolidation of mortgages and on power of sale imposed by sections 93 and 103 respectively of the LPA shall not apply to the Security constituted by this Deed. However, the Security Agent shall not exercise such power of sale unless an Event of Default is continuing.

8.4 **Appropriation**

- (a) In this deed, "**financial collateral**" has the meaning given to that term in the Financial Collateral Arrangements (No.2) Regulations 2003.
- (b) At any time after an Event of Default which is continuing, the Security Agent may appropriate all or part of the financial collateral in or towards satisfaction of the Secured Liabilities.
- (c) The Parties agree that the value of any such Charged Investments appropriated in accordance with sub-clause 8.4(b) shall be the market price of such Charged Investments at the time the right of appropriation is exercised as determined by the Security Agent by reference to such method or source of valuation as the Security Agent may reasonably select, including by independent valuation. The Parties agree that the methods or sources of valuation provided for in this sub-clause or selected by the Security Agent in accordance with this sub-clause shall constitute a commercially reasonable manner of valuation for the purposes of the Financial Collateral Arrangements (No.2) Regulations 2003.
- (d) The Security Agent shall notify the Company, as soon as reasonably practicable, of the exercise of its right of appropriation as regards such of the Charged Investments as are specified in such notice.

9. **Appointment of a Receiver**

9.1 **Appointment**

- (a) At any time on or after the occurrence of an Event of Default which is continuing, or at the request of the Company or its directors, the Security Agent may, without prior notice to the Company, in writing (under seal, by deed or otherwise under hand) appoint a Receiver in respect of the Charged Investments or any part thereof and may in like manner from time to time (and insofar as it is lawfully able to do) remove any Receiver and appoint another in his place.
- (b) Nothing in sub-clause 9.1(a) shall restrict the exercise by the Security Agent of any one or more of the rights of the Security Agent under Schedule B1 to the Insolvency Act 1986 and the rules thereunder or at common law.

(c) Section 109(1) of the LPA shall not apply to this Deed.

9.2 **Several Receivers**

If at any time there is more than one Receiver, each Receiver may separately exercise all of the powers conferred by this Deed (unless the document appointing such Receiver states otherwise).

9.3 **Remuneration of Receiver**

The Security Agent may from time to time fix the remuneration of any Receiver appointed by it from time to time. For the purpose of this sub-clause, the limitation set out in section 109(6) of the LPA shall not apply.

9.4 **Liability of Security Agent for actions of a Receiver**

Each Receiver shall be the agent of the Company which shall be solely responsible for his acts or defaults, and for his remuneration and expenses, and be liable on any agreements or engagements made or entered into by him. No Finance Party shall be responsible for any misconduct, negligence or default of a Receiver.

10. **Powers of a Receiver**

A Receiver shall have (and be entitled to exercise) in relation to the Charged Investments over which he is appointed the following powers (as the same may be varied or extended by the provisions of this Deed):

- (a) all of the powers of an administrative receiver set out in Schedule 1 to the Insolvency Act 1986 (whether or not the Receiver is an administrative receiver);
- (b) all of the powers conferred from time to time on receivers, mortgagors and mortgagees in possession by the LPA;
- (c) all of the powers conferred on the Security Agent under this Deed;
- (d) all the powers and rights of a legal and beneficial owner and the power to do or omit to do anything which the Company itself could do or omit to do;
- (e) the power to do all things which, in the opinion of the Receiver, are incidental to any of the powers, functions, authorities or discretions conferred or vested in the Receiver pursuant to this Deed or upon receivers by statute or law generally (including the bringing or defending of proceedings in the name of, or on behalf of, the Company; the collection and/or realisation of Charged Investments in such manner and on such terms as the Receiver sees fit; and the execution of documents in the name of the Company (whether under hand, or by way of deed or by utilisation of the company seal of the Company).

11. **Application of monies**

11.1 **Order of application**

All amounts from time to time received or recovered by the Security Agent pursuant to the terms of this Deed or in connection with the realisation or enforcement of all or any part of the Security created by this Deed (for the purposes of this clause, the "**Recoveries**") shall be held by the Security Agent on trust to apply the same at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this clause), in the following order, after the payment of any preferential debts ranking in priority to the Secured Liabilities:

- (a) in discharging any sums owing to the Security Agent or any Receiver;

- (b) in payment of all costs and expenses incurred by any Secured Party in connection with any realisation or enforcement of the Security created by this Deed;
- (c) in payment of any Secured Liabilities; and
- (d) the balance of any Recoveries, after all amounts due under sub-clauses 11.1(a) to (c) have been paid in full, to the Company.

The provisions of this sub-clause will override any appropriation made by a Transaction Obligor.

11.2 ***Prospective liabilities***

When an Event of Default is continuing, the Security Agent may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) for later application under sub-clause 11.1 (*Order of application*) in respect of:

- (a) any sum to a Secured Party; and
- (b) any part of the Secured Liabilities,

that the Security Agent reasonably considers, in each case, might become due or owing at any time in the future.

11.3 ***Investment of proceeds***

Prior to the application of the proceeds of the Recoveries in accordance with sub-clause 11.1 (*Order of application*) the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the application from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of sub-clause 11.1 (*Order of application*).

11.4 ***Currency conversion***

- (a) For the purpose of, or pending the discharge of, any of the Secured Liabilities the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange.
- (b) The obligations of any Transaction Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

11.5 ***Permitted deductions***

The Security Agent shall be entitled, in its discretion:

- (a) to set aside by way of reserve, amounts required to meet, and to make and pay, any deductions and withholdings (on account of taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Deed; and
- (b) to pay all Taxes which may be assessed against it in respect of any of the Charged Investments, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise.

11.6 Good discharge

- (a) Any payment to be made in respect of the Secured Liabilities by the Security Agent may be made to the Agent on behalf of the Finance Parties and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.
- (b) The Security Agent is under no obligation to make the payments to the Agent under sub-clause 11.6(a) in the same currency as that in which the obligations and liabilities owing to the relevant Finance Party are denominated.

12. Protection of third parties

12.1 No obligation to enquire

No purchaser from, or other person dealing with, a Secured Party shall be obliged or concerned to enquire whether:

- (a) the right of the Secured Party to exercise any of the powers conferred by this Deed has arisen or become exercisable or as to the propriety or validity of the exercise or purported exercise of any such power; or
- (b) any of the Secured Liabilities remains outstanding or be concerned with notice to the contrary and the title and position of such a purchaser or other person shall not be impeachable by reference to any of those matters.

12.2 Receipt conclusive

The receipt of the Security Agent or any Receiver shall be an absolute and a conclusive discharge to a purchaser, and shall relieve such purchaser of any obligation to see to the application of any moneys paid to or by the direction of the Security Agent or any Receiver.

13. Protection of the Secured Parties

13.1 No liability

No Secured Party shall be liable in respect of any of the Charged Investments or for any loss or damage which arises out of the exercise or the attempted or purported exercise of, or the failure to exercise any of, their respective powers.

13.2 Possession of Charged Investments

Without prejudice to sub-clause 13.1 (*No liability*), if a Secured Party enters into possession of the Charged Investments, it will not be liable to account as mortgagee in possession and may at any time at its discretion go out of such possession.

13.3 No proceedings

No Party (other than the Security Agent, a Receiver or a Delegate in respect of its own officers, employees or agents) may take any proceedings against any officer, employee or agent of a Finance Party, a Receiver or a Delegate in respect of any claim it might have against a Finance Party, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Charged Investment and any officer, employee or agent of a Finance Party, a Receiver or a Delegate may rely on this clause subject to sub-clause 1.6 (*Third party rights*) and the provisions of the Third Parties Act.

14. Costs and expenses, indemnities and default interest

14.1 Enforcement expenses

The Company shall, within 3 Business Days of demand, pay to each Secured Party the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of, or the preservation or review of any rights under, this Deed and any other documents referred to in this Deed.

14.2 Currency indemnity

(a) If any sum due from the Company under this Deed (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- (i) making or filing a claim or proof against the Company; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Company shall as an independent obligation, within three Business Days of demand, indemnify each Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Company waives any right it may have in any jurisdiction to pay any amount under this Deed in a currency or currency unit other than that in which it is expressed to be payable.

14.3 Other indemnity

The Company shall promptly indemnify each Secured Party against any cost, loss or liability incurred by any of them:

- (a) as a result of:
 - (i) any failure by the Company to comply with its obligations under this Deed;
 - (ii) the taking, holding, protection or enforcement of the Security created by this Deed;
 - (iii) the exercise of any of the rights, powers, discretions and remedies vested in it by this Deed or by law; or
- (b) which otherwise relates to any of the Charged Investments or the performance of the terms of this Deed (otherwise than as a result of its gross negligence or wilful misconduct).

14.4 Default interest

- (a) If the Company fails to pay any amount payable by it under this Deed on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent higher than the rate above the interest cost to the Security Agent (as conclusively determined by the Security Agent) of funding the overdue amount.

- (b) Any interest accruing under this sub-clause shall be immediately payable by the Company on demand by the Security Agent.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each month but will remain immediately due and payable.
- (d) Any interest accruing under this Deed will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

15. Cumulative powers and avoidance of payments

15.1 Cumulative powers

The powers which this Deed confers on the Security Agent and any Receiver appointed under this Deed are cumulative, without prejudice to their respective powers under the general law, and may be exercised as often as the relevant person thinks appropriate. The Security Agent or the Receiver may, in connection with the exercise of their powers, join or concur with any person in any transaction, scheme or arrangement whatsoever. The respective powers of the Security Agent and the Receiver will in no circumstances be suspended, waived or otherwise prejudiced by anything other than an express consent or amendment.

15.2 Amounts avoided

If any amount paid by the Company in respect of the Secured Liabilities is capable of being avoided or set aside on the liquidation or administration of the Company or otherwise, then for the purposes of this Deed that amount shall not be considered to have been paid.

15.3 Discharge conditional

Any settlement or discharge between the Company and the Security Agent shall be conditional upon no security or payment to the Security Agent by the Company or any other person being avoided, set aside, ordered to be refunded or reduced by virtue of any provision or enactment relating to insolvency and accordingly (but without limiting the other rights of the Security Agent under this Deed) the Security Agent shall be entitled to recover from the Company the value which the Security Agent has placed on that security or the amount of any such payment as if that settlement or discharge had not occurred.

16. Ruling-off accounts

If the Security Agent receives notice of any subsequent Security or other interest affecting any of the Charged Investments it may open a new account for the Company in its books. If it does not do so then (unless it gives written notice to the contrary to the Company), as from the time it receives that notice, all payments made by the Company to it (in the absence of any express appropriation to the contrary) shall be treated as having been credited to a new account of the Company and not as having been applied in reduction of the Secured Liabilities.

17. Power of attorney

- 17.1** The Company, by way of security, irrevocably and severally appoints each of the Security Agent and any Receiver as its attorney (with full power of substitution and delegation) in its name and on its behalf and as its act and deed to execute, seal and deliver (using the company seal where appropriate) and otherwise perfect and do any deed, assurance, agreement, instrument, act or thing which it ought to execute and do under the terms of this Deed, or which may be required or deemed proper in the exercise of any rights or powers conferred on the Security Agent or any Receiver under this Deed or otherwise for any of the purposes of this Deed, and the Company covenants with each of the Security Agent and any Receiver to ratify and confirm all such acts or things made, done or executed by that attorney.

17.2 Neither the Security Agent nor any Receiver may exercise the power of attorney granted pursuant to this Deed unless either:

- (a) the Company has failed to execute, perfect or do any such deed, assurance, agreement, instrument, act or thing which it ought to have executed or done under the terms of this Deed; or
- (b) an Event of Default is continuing.

18. Delegation

18.1 A Secured Party may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers and discretions vested in it by or pursuant to this Deed.

18.2 That delegation may be made upon any terms and conditions (including the power to sub delegate) and subject to any restrictions that that Secured Party may, in its discretion, think fit in the interests of the Secured Parties and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub delegate.

19. Redemption of prior charges

The Security Agent may redeem any prior Security on or relating to any of the Charged Investments or procure the transfer of that Security to itself, and may settle and pass the accounts of any person entitled to that prior Security. Any account so settled and passed shall (subject to any manifest error) be conclusive and binding on the Company. The Company will on demand pay to the Security Agent all principal monies and interest and all losses incidental to any such redemption or transfer.

20. Set-off and other rights

20.1 Set-off rights of the Secured Party

A Secured Party may set off any matured obligation due from a Transaction Obligor under the Finance Documents (to the extent beneficially owned by that Secured Party) against any matured obligation owed by that Secured Party to a Transaction Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Secured Party may convert either obligation at a market rate of exchange for the purpose of the set-off.

20.2 Unliquidated claims

If the relevant obligation or liability is unliquidated or unascertained, the Secured Party may set-off the amount which it estimates (in good faith) will be the final amount of that obligation or liability once it becomes liquidated or ascertained.

20.3 No deductions

All payments under this Deed by the Company shall be made without any set-off, counterclaim or equity and (subject to the following sentence) free from, clear of and without deduction for any taxes, duties, levies, imposts or charges whatsoever, present or future. If the Company is compelled by the law of any applicable jurisdiction (or by an order of any regulatory authority in such jurisdiction) to withhold or deduct any sums in respect of taxes, duties, levies, imposts or charges from any amount payable to a Secured Party under this Deed or, if any such withholding or deduction is made in respect of any recovery under this Deed, the Company shall pay such additional amount so as to ensure that the net amount received by that Secured Party shall equal the full amount due to it under the provisions of this Deed (had no such withholding or deduction been made).

21. Notices

Clause 19 (*Notices*) of the Guarantee shall apply to this Deed, and shall be deemed to be incorporated into this Deed, mutatis mutandis, as though set out in full in this Deed.

22. Miscellaneous

22.1 Assignment

The Company may not assign any of its rights or transfer any of its rights or obligations under this Deed. The Security Agent may assign and transfer all or any part of its rights and obligations under this Deed in accordance with the Facility Agreement.

22.2 Certificates conclusive

Any certification or determination by a Secured Party of a rate or amount under this Deed is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

22.3 Invalidity of any provision

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

22.4 Counterparts

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

22.5 Covenant to release

At the end of the Security Period, the Security Agent shall, at the request and cost of the Company, release the Charged Investments from the security constituted by this Deed by executing a release substantially in the form set out in schedule 3 (*Form of deed of release*) to the Debenture with such amendments as the Security Agent may agree and return all deeds and documents of title delivered to the Security Agent under this Deed and which, at such time, remain held by the Security Agent.

22.6 Disclosure

A Secured Party may disclose to any person to whom it discloses Confidential Information in accordance with clause 39 (*Confidentiality*) of the Facility Agreement any information about the Borrower, the Company, the Facility Agreement or this Deed as that Secured Party shall consider appropriate.

23. Governing law

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

24. Jurisdiction

24.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or any non-contractual obligation arising out of or in connection with this Deed) (a "**Dispute**").

24.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

- 24.3 This clause is for the benefit of the Security Agent only. As a result, the Security Agent shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.

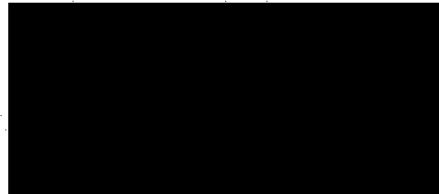
In witness this Deed is executed as a deed on the date appearing at the head of page 1.

[Faint, illegible text, possibly a signature or stamp]

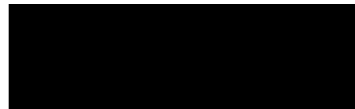
Signatories to this Deed

Company

Executed as a deed by)
CLS HOLDINGS PLC)
acting by)
in the presence of:)



Signature of director *FREDRIK WIDLUND*



Signature of witness

Name of witness

Address of witness

Occupation of witness

GARY WICKHAM
CLSH Management Limited
16 Tinworth Street
London
SE11 5AL
SOLICITOR

Security Agent

Signed by)
authorised signatory)
for and on behalf of)
LLOYDS BANK PLC)

Signatories to this Deed

Company

Executed as a deed by)
CLS HOLDINGS PLC)
acting by)
in the presence of:)

.....
Signature of director

Signature of witness

Name of witness

Address of witness

Occupation of witness

Security Agent

Signed by SIMON Cox)
authorised signatory)
for and on behalf of)
LLOYDS BANK PLC)

