



Registration of a Charge

Company name: **SALTROCK SURFWEAR LIMITED**

Company number: **07189003**



X318MQFD

Received for Electronic Filing: **10/10/2014**

Details of Charge

Date of creation: **19/09/2014**

Charge code: **0718 9003 0013**

Persons entitled: **THE HOLDERS FOR THE TIME BEING OF THE 5% SECURED CONVERTIBLE LOAN STOCK DATED 19 SEPTEMBER 2014**

Brief description: **THE FOLLOWING ARE SUBJECT TO CHARGE BY WAY OF FIXED CHARGE: ALL ESTATE OR INTEREST IN ANY FREEHOLD OR LEASEHOLD PROEPRITIES AND ANY PROCEEDS OF SALE NOW AND IN THE FUTURE VESTED IN THE COMPANY; ALL ITS RIGHT, TITLE AND INTEREST AND BENEFIT IN AND TO THE PLANT, MACHINERY AND FIXTURES AND FITTINGS PRESENT AND FUTURE AT THE LEASEHOLD PROPERTIES; ALL ITS RIGHT, TITLE INTEREST AND BENEFIT IN AND TO THE FURNITURE, FURNISHINGS, EQUIPMENT TOOLS AND OTHER CHATTELS PRESENT AND FUTURE NOT REGULARLY DISPOSED OF BY THE COMPANY IN THE ORDINARY COURSE OF ITS BUSINESS; ALL ITS RIGHT, TITLE INTEREST AND BENEFIT IN AND TO THE GOODWILL AND UNCALLED CAPITAL, PRESENT AND FUTURE OF THE COMPANY; ALL ITS RIGHT, TITLE INTEREST AND BENEFIT IN AND TO THE INTELLECTUAL PROPERTY NOW AND IN THE FUTURE OWNED, POSSESSED OR CONTROLLED BY THE COMPANY; ALL ITS RIGHT, TITLE INTEREST AND BENEFIT IN AND TO ANY AGREEMENTS, REPORTS AND OTHER DOCUMENTS FROM TIME TO TIME RELATING TO ALL OR ANY PART OF THE CHARGED ASSETS AND ANY CLAIMS TO WHICH THE COMPANY IS NOW OR IN THE FUTURE BECOMES ENTITLED IN RELATION TO THE CHARGED ASSETS.**

Contains floating 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: **I 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: **REBECCA GOSS**



CERTIFICATE OF THE REGISTRATION OF A CHARGE

Company number: 7189003

Charge code: 0718 9003 0013

The Registrar of Companies for England and Wales hereby certifies that a charge dated 19th September 2014 and created by SALTROCK SURFWEAR LIMITED was delivered pursuant to Chapter A1 Part 25 of the Companies Act 2006 on 10th October 2014 .

Given at Companies House, Cardiff on 13th October 2014

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

19th September 2014

5% CONVERTIBLE SECURED LOAN STOCK

Issued by Saltrock Surfwear Limited

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DATE: 19th September 2014

This instrument is made by Saltrock Surfwear Limited (registered in England with number 7189003) whose registered office is at Saltrock House, Velator, Braunton, Devon, EX33 2DX (Company) under the authority of its memorandum and articles of association and pursuant to resolutions of the board of directors passed at a meeting on 19th September 2014 to constitute £750,000 (seven hundred and fifty thousand pounds) nominal convertible loan stock, to refinance loan stock issued by the Company in similar amount.

1. Interpretation

The definitions and interpretative provisions in Schedule 1 apply to this instrument.

2. Description of the Stock

The principal amount of the Stock is £750,000 (seven hundred and fifty thousand pounds). The whole of the Stock will, subject to the terms of this Instrument, rank equally and rateably without discrimination or preference as a secured obligation of the Company.

3. Repayment

- 3.1 The Company will repay the Stock to the Stockholders on the Repayment Date unless such Stock has been previously converted or repaid under any of the provisions of this Instrument.
- 3.2 The Company will pay interest on the principal amount of the Stock which has not been repaid or converted at the rate of five per cent per annum. Interest will accrue daily on the basis of a 365 day year and will be payable on 30 June and 31 December in each year. If the interest is not so paid it will be compounded with the principal amount of the Stock on the due date for payment and attract interest in accordance with this clause 3.2 until paid.
- 3.3 All amounts payable under this Instrument will be paid in sterling by electronic transfer to the accounts designated in writing by the Stockholder from time to time. Any bank transfer charges will be borne by the Company.
- 3.4 Any repayment of the Stock will be made in proportion to each Stockholder's holding of Stock.
- 3.5 All payments due in relation to the Stock will be paid without set-off, counterclaim and free and clear of and, as far as is possible, without deduction for any present or future Taxes. If the Company is obliged by law to deduct or withhold any Taxes it will ensure that this does not exceed the minimum liability for the Taxes.

4. Conversion

- 4.1 The Stockholders may, by written notice to the Company signed by a Majority Stockholder, at any time exercise their conversion rights in respect of all or any part of the outstanding Stock on the basis of £1 (one pound) principal amount of Stock for £1 (one pound) nominal amount of fully paid Ordinary Shares.
- 4.2 Notice of Exercise of Conversion Rights pursuant to clause 4.1 must be in the form of the conversion notice set out in Schedule 2 (Conversion Notice). Such notice will be deemed to have been received in respect of all outstanding Stock on the same terms as set out in clause 4.1, if any of the following events occur (Conversion Events):
- 4.2.1 immediately prior to a disposal of all or substantially all of the share capital or assets of the Company;
 - 4.2.2 a Listing; or
 - 4.2.3 immediately prior to the date on which any person or group of persons acting in concert obtains control of the Company but ignoring for the purpose of a change of control and this clause 4.2.3 any transfer of shares by a shareholder of the Company to a Permitted Assignee. For this purpose control means the ability to direct the affairs of the Company by virtue of its ownership of shares, contract or otherwise.
- 4.3 Upon Conversion of any Stock, the Company will within five Business Days allot and issue to the Stockholders the Ordinary Shares arising and issue and send by first class post to each Stockholder's address, as specified in the register of stockholders, a certificate registered in the name of the Stockholder, for the number of Ordinary Shares to which the Stockholders are entitled. If only part of the Stock is converted the Company will, within the same period, also issue and send to the Stockholders by first class post a new certificate for the balance of the Stock held by it.
- 4.4 The Stockholders will be deemed to have become the registered holders of the Ordinary Shares, ranking equally in all respects with the existing Ordinary Shares in the capital of the Company, with effect from the Conversion Date.

5. Obligations of the Company

While any Stock remains capable of Conversion, the Company undertakes to the Stockholders, so far as it is lawfully able, that it will:

- 5.1 not, in any way, modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of Ordinary Share capital carrying any rights which are more favourable than such rights except:
- 5.1.1 in connection with consolidation or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; and
 - 5.1.2 any modification of such rights which is not, in the opinion of an Investment Bank, acting as an expert, materially prejudicial to the interests of the Stockholder;

- 5.2 procure that no resolution may be passed by which the rights attaching to the Ordinary Shares may be modified, varied or aggregated.
 - 5.3 not capitalise any profits or reserves, except by way of a capitalisation issue of fully paid Ordinary Shares, made only to holders of Ordinary Shares;
 - 5.4 not issue any securities or rights to subscribe for securities in the Company other than pursuant to the provisions contemplated by the Management Incentive Letter, or another instrument or class of share in the Company which replaces the provisions contemplated by the Management Incentive Letter and has the same effect on the Stockholders' overall interest in the Company;
 - 5.5 not reduce its share capital or any uncalled or unpaid liability in respect of its share capital or any share premium account or capital redemption reserve, or purchase its own shares;
 - 5.6 procure that no compromise or arrangement within the meaning of section 895 CA 2006 affecting the Ordinary Shares will become effective unless the Stockholders are a party to the compromise or arrangement and unless the compromise or arrangement is approved by the Majority Stockholders in the manner prescribed by that section; and
 - 5.7 comply with, and the Stock will be held subject to and with the benefit of, the provisions of this Instrument.
6. Security
- 6.1 By way of continuing security in favour of the Stockholder for the payment and discharge of the Stock, the Company with full title guarantee and free from all Security Interests charges in favour of the Stockholders by way of:
 - 6.1.1 fixed charge, all estate or interest in any freehold and Leasehold Properties and any proceeds of sale now and in the future vested in the Company;
 - 6.1.2 fixed charge, all its right, title, interest and benefit in and to the plant, machinery and fixtures and fittings, present and future, at the Leasehold Properties;
 - 6.1.3 fixed charge, all its right, title, interest and benefit in and to the furniture, furnishings, equipment, tools and other chattels, present and future, not regularly disposed of by the Company in the ordinary course of its business;
 - 6.1.4 fixed charge, all its right, title, interest and benefit in and to the goodwill and uncalled capital, present and future, of the Company;
 - 6.1.5 fixed charge, all its right, title, interest and benefit in and to the book debts and other debts and all associated rights and benefits of the Company, present and future, and any proceeds of payment or realisation of each of them;

- 6.1.6 fixed charge, all its right, title, interest and benefit in and to the Intellectual Property now and in the future owned, possessed or controlled by the Company;
 - 6.1.7 fixed charge, all its rights, title, interest and benefit in and to any agreements, reports and other documents from time to time relating to all or any part of the Charged Assets and any claims to which the Company is now, or in the future becomes, entitled in relation to the Charged Assets; and
 - 6.1.8 floating charge, all the undertaking and all property, assets and rights of the Company, present and future, not subject to a fixed charge under this instrument.
- 6.2 There is excluded from the charge set out in clause 6.1 a fixed charge over all the right, title, interest and benefit in and to the book debts and other debts and all associated rights and benefits of the Company, present and future, and any proceeds of payment or realisation of each of them.
7. Conversion of floating charge
- 7.1 The Majority Stockholder may at any time following the occurrence of an Event of Default, by notice in writing to the Company, convert the floating charge created by clause 6.1.8 into a fixed charge as regards all or any of the Charged Assets specified in the notice.
 - 7.2 The floating charge created by clause 6.1.8 will, unless otherwise agreed in writing by the Majority Stockholder, automatically and without notice be converted into a fixed charge in respect of any Charged Assets subject to it if:
 - 7.2.1 any Group Company creates or attempts to create any Security Interest over those Charged Assets;
 - 7.2.2 any person levies or attempts to levy any distress, attachment, execution or other legal process against any of those Charged Assets in respect of an amount exceeding £10,000 (ten thousand pounds) which is not discharged or paid out within seven days unless it is demonstrated to the satisfaction of the Stockholder that such process is frivolous or vexatious;
 - 7.2.3 any Group Company ceases to carry on business as a going concern; or
 - 7.2.4 an administration order is made against the Company or an analogous order is made against any other Group Company.
8. Notices and charged agreements
- 8.1 The Company will remain entitled to exercise all its rights, powers and discretions under any of the contracts, documents or other agreements which are subject to a fixed charge under clauses 6.1.1 and 6.1.7 of this instrument, until such time as the security constituted by this instrument is declared by the Majority Stockholder to be enforceable pursuant to clause 11.

- 8.2 In the case of the Leasehold Properties, the Company will promptly serve notice of charge on the reversioner or the freeholder as the case may be and in any case in accordance with the terms of the relevant lease.
- 8.3 The Company is not obliged to deliver to any person any notices of charge or otherwise of the security created under this instrument other than in accordance with clauses 8.1 and 8.2, and notice to the registrar of companies and to the Land Registry, unless the security constituted by the Stock is declared by the Majority Stockholder to be enforceable pursuant to clause 11.

9. General undertakings

The Company covenants with the Stockholders that, except with the prior written consent of the Stockholders, from and after the date of this instrument until all the Company's obligations under this instrument have been discharged, it will:

- 9.1 not, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of all or any substantial part of its assets other than in the Ordinary Course of Business;
- 9.2 not create or permit to subsist any Security Interest on its present or future undertaking, property or assets or any part of them other than liens and rights of set-off arising by operation of law in the Ordinary Course of Business and retention of title clauses in contracts entered into in the Ordinary Course of Business;
- 9.3 not enter into any material transaction or arrangement with any person other than on terms no less favourable than arm's length terms and for full market value;
- 9.4 not permit or agree to make any variation of any rights attaching to the whole or any part of the Charged Assets;
- 9.5 not sell or otherwise dispose of the assets charged under the floating charge pursuant to clause 6.1.8 other than in the Ordinary Course of Business;
- 9.6 notify the Stockholders of any Event of Default immediately upon becoming aware of it;
- 9.7 effect and maintain such insurances as are prudently required to protect the assets and the business of the Group, including loss of profits;
- 9.8 carry on the Company Business in a proper and efficient manner and not make any substantial alteration to the nature or mode of conduct of the Company Business and keep or cause to be kept proper books of account relating to it; and
- 9.9 ensure that the Stock at all times constitutes the direct, unconditional and general obligation of the Company and, by virtue of this instrument, that it ranks in priority to all present and future indebtedness issued, created, assumed or guaranteed by the Company, except for any indebtedness mandatorily preferred by law or on a winding up.

10. Events of Default

Each of the following is an Event of Default:

- 10.1 failure by the Company to comply duly and punctually with any of the obligations, covenants or undertakings contained in this Instrument and, in the case only of those obligations, covenants or undertakings which are capable of being remedied, such failure is not so remedied within five Business Days after the Company has become aware of the breach;
- 10.2 any Group Company suspends or threatens to suspend all or a substantial part of its operations, or all or a substantial part of a Group Company's assets are expropriated by any governmental or other competent authority;
- 10.3 a meeting is convened or a petition is presented (unless it is demonstrated to the reasonable satisfaction of the Stockholders that the petition is frivolous or vexatious and such petition is set aside within 14 days of presentation), or an order is made or an effective resolution is passed for the winding-up of a Group Company, except for the purposes of a reconstruction or amalgamation whilst solvent on terms previously approved in writing by the Majority Stockholder acting reasonably;
- 10.4 an order is made or a petition is presented for the appointment of an administrator to a Group Company;
- 10.5 an encumbrancer takes possession or a Receiver or administrative Receiver is appointed of the whole or any part of the assets or undertaking of a Group Company;
- 10.6 a Group Company:
 - 10.6.1 ceases or suspends generally payment of its debts, or announces an intention to do so, or is unable to pay its debts, or is deemed unable to pay its debts within the meaning of section 123 (1) (e) or (2) Insolvency Act 1986;
 - 10.6.2 proposes, or its directors make a proposal for, a voluntary arrangement under part I of the Insolvency Act 1986;
 - 10.6.3 enters into any composition or other arrangement for the benefit of its creditors generally or any class of creditors; or
 - 10.6.4 a moratorium is declared in respect of its indebtedness;
- 10.7 the occurrence of a Material Adverse Change;
- 10.8 litigation is commenced against a Group Company which is likely to succeed and which, if successful, would result in a Material Adverse Change;
- 10.9 any borrowing by a Group Company is declared due and payable prior to its stated maturity or is placed on demand by reason of an Event of Default;
- 10.10 any money repayable on demand by a Group Company is not paid upon demand being made;

- 10.11 any event occurs which, under the applicable law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events described in clauses 10.3 to 10.6.

11. Enforcement

On the occurrence of an Event of Default and at any time after its occurrence while that Event of Default is Continuing, the Majority Stockholder may, without prejudice to the Conversion Rights and any other rights and remedies available to them, by written notice to the Company, demand the immediate repayment of all Stock which has not been converted, together with all accrued interest and other monies payable under this Instrument and the Company will pay all such sums.

12. Powers of the Stockholders

- 12.1 The Majority Stockholder may at any time do any acts on the Company's behalf and at the Company's expense to remedy any breach by a Group Company of any of its obligations under this Instrument.
- 12.2 At any time after the security constituted by this instrument has become enforceable under clause 11, the Majority Stockholder may without restriction grant or accept surrenders of leases and grant options of the Company's freehold and leasehold property or any part of it.
- 12.3 Section 103 LPA 1925 does not apply to this instrument and the Majority Stockholder may exercise its power of sale and other powers under that or any other Act or this instrument at any time after the security constituted by this instrument has become enforceable under clause 11.
- 12.4 Section 109(1) LPA 1925 does not apply to this instrument.
- 12.5 At any time after the security constituted by this instrument has become enforceable under clause 11, the Majority Stockholder may, under the hand of any official or manager, or by deed appoint or remove a Receiver or Receivers of the Charged Assets or any of them and may fix and pay the fees of a Receiver. Any Receiver will be deemed to be the agent of the Company and the Company will be solely responsible for the Receiver's acts, defaults and remuneration.
- 12.6 All or any of the powers conferred on a Receiver by clause 13 may be exercised by the Majority Stockholder without first appointing a Receiver or notwithstanding any appointment.
- 12.7 The Majority Stockholder will not be liable to account to the Company as mortgagee in possession for any money not actually received by the Majority Stockholder.
- 12.8 Section 93 LPA 1925 does not apply to this instrument.

13. Receivers

- 13.1 Any Receiver will, in addition to all powers conferred on him by law, have the following powers which, in the case of joint Receivers, may be exercised jointly or severally:
- 13.1.1 to take immediate possession of and generally manage the Charged Assets and any business of a Group Company;
 - 13.1.2 to carry out on any freehold or leasehold property of a Group Company any new works or complete any unfinished works of building, reconstruction, maintenance, furnishing or equipment;
 - 13.1.3 to purchase or acquire any land or other property and purchase, acquire, grant or release any interest in or right over land or the benefit of any covenants, positive or restrictive, affecting land;
 - 13.1.4 to sell, lease, surrender or accept surrenders of leases, charge or otherwise deal with or dispose of the Charged Assets without restriction including, without limitation, power to dispose of any fixtures separately from the land and for such consideration as he thinks fit, including shares, securities or other investments payable at such times as he may think fit;
 - 13.1.5 to carry into effect and complete any transaction by executing deeds or documents in the name of or on behalf of a Group Company;
 - 13.1.6 to take, continue or defend any proceedings and enter into any arrangement or compromise;
 - 13.1.7 to insure the Charged Assets and any works and effect indemnity insurance or other similar insurance and obtain bonds and give indemnities and security to any bondsmen;
 - 13.1.8 to call up any uncalled capital of a Group Company with all the powers conferred by the articles of association or constitutional documents of a Group Company in relation to calls;
 - 13.1.9 to employ advisers, consultants, managers, agents, workmen and others;
 - 13.1.10 to purchase or acquire materials, tools, equipment, goods or supplies;
 - 13.1.11 to borrow any money and secure the payment of money in priority to the Stock for the purpose of the exercise of any of his powers;
 - 13.1.12 to do any other acts which he may consider to be incidental or conducive to any of his powers or to the realisation of the Charged Assets; and
 - 13.1.13 to do all acts in relation to the Charged Assets which he would be able to do if he were the absolute beneficial owner of the Charged Assets.

- 13.2 The Receiver will apply all money received, firstly in repayment of all money borrowed by him and his expenses and liabilities and in payment of his fees and, secondly, in payment to the Stockholders for application in accordance with clause 19.

14. Entry into possession and liability

- 14.1 If the Majority Stockholder or any Receiver enters into possession of any of the Charged Assets, that person may at any time go out of possession at their discretion.
- 14.2 Neither the Majority Stockholder nor any Receiver will be liable to account as mortgagee in possession in respect of the Charged Assets.
- 14.3 Neither the Majority Stockholder nor any Receiver will be liable for any loss or damage resulting from any act or default in relation to the Charged Assets, except to the extent caused by its or its respective officers', employees' or agents' gross negligence or wilful misconduct.
- 14.4 Section 6(2) of the Law of Property (Miscellaneous Provisions) Act 1994 does not apply to the Stock.

15. Power of attorney

The Company, by way of security, irrevocably appoints the Majority Stockholder and any Receiver severally to be its attorney, with full power of substitution and delegation, in its name and on its behalf and as its act and deed, after the occurrence of an Event of Default which is Continuing, to sign or execute all deeds, instruments and documents or take, continue or defend any proceedings which may be required by the Majority Stockholder or any Receiver pursuant to this instrument or the exercise of any of their powers.

16. Cumulative and continuing security and further assurance

- 16.1 This instrument is a continuing security to the Stockholders regardless of any intermediate payment or discharge of the whole or any part of the Stock.
- 16.2 This instrument is in addition to any other security, present or future, held by the Stockholders for the Stock and will not merge with or prejudice or be prejudiced or affected by such other security or any contractual or legal rights of the Majority Stockholder.
- 16.3 The Company will at its own cost at the Majority Stockholder's request execute any document and take any action required by the Majority Stockholder to perfect this security or further to secure the Stock on the Charged Assets.

17. Release of security

Upon the Majority Stockholder being satisfied that the Stock and all interest accrued has been repaid or converted in full, and following a written request from the Company, the Majority Stockholder will release the security provided for in this instrument.

18. Protection of third parties

- 18.1 No person dealing with the Majority Stockholder or any Receiver will be concerned to enquire whether any power exercised or purported to be exercised by the Majority Stockholder or any Receiver has become exercisable, or as to the propriety or regularity of any sale by the Majority Stockholder or any Receiver.
- 18.2 All the protections to purchasers contained in sections 104 and 107 LPA 1925 and section 42(3) insolvency Act 1986 apply to any person dealing with the Majority Stockholder or any Receiver.

19. Appropriation and new account

- 19.1 Any sum received by the Company from any person which, pursuant to this instrument, should have been paid to the Stockholders, must immediately be paid to the Stockholders.
- 19.2 The provisions of clause 19 take effect as and by way of variation to the provisions of section 109(8) LPA 1925, which, as so varied and extended, are deemed incorporated in this instrument as if they related to a Receiver of the Charged Assets and not merely a Receiver of their income.
- 19.3 If the Majority Stockholder receives notice of any subsequent Security Interest affecting the Charged Assets, other than a Security Interest permitted under clause 9.2, the Majority Stockholder may open a new account for the Company.
- 19.4 If the Majority Stockholder does not open such a new account, it will be deemed to have done so at the time when it receives notice of that subsequent Security Interest and as from that time all payments made by the Company to the Majority Stockholder will be treated as having been credited to the new account and will not operate to reduce the amount secured by this instrument as at the time when the notice was received.

20. Indemnity

- 20.1 The Company will indemnify and keep indemnified the Stockholders, any Receiver and each agent or attorney appointed pursuant to this instrument from and against any and all proper expenses, claims, liabilities, losses, taxes, costs, duties, fees and charges suffered, incurred or made by any of them:
 - 20.1.1 in the valid and proper exercise, preservation or enforcement of any rights, powers or discretions vested in them pursuant to this instrument; or
 - 20.1.2 on the release of any part of the Charged Assets from the security created by this instrument.
- 20.2 The Majority Stockholder, any Receiver or any agent or attorney may retain and pay all matters mentioned in clause 20.1 out of money received under the powers conferred by this instrument.

21. Stockholder, trustees and certificates

- 21.1 The entire, but not part only, of the outstanding Stock held by a Stockholder may only be transferred to the relevant Stockholder's Permitted Assignees, such transfer to be by instrument in writing in the usual common form or such other form as the Company may approve.
- 21.2 If a recipient of Stock pursuant to clause 21.1 ceases to be a Permitted Assignee, the relevant Stock must be immediately returned to the original Stockholder. The original Stockholder undertakes to the Company and the other Stockholder(s) that it will procure that such Permitted Assignee grants an irrevocable power of attorney to the Company to effect such transfer.
- 21.3 The transferor is deemed to remain the owner of the Stock to be transferred until the name of the transferee is entered in the Company's register of stockholders. Every instrument of transfer must be signed by the transferor, stamped (if required) and delivered for registration at the place where such register is kept accompanied by the Stock Certificate and such other evidence as the directors, or other officers of the Company authorised to deal with transfers, may require to prove the title of the transferor or its right to transfer the Stock. If the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so must also be so delivered.
- 21.4 The Company reserves the right to refuse to register the transfer of Stock if:
 - 21.4.1 the transferee is not a Permitted Assignee;
 - 21.4.2 the director's of the Company reasonably believe that the transferee could in any way damage the reputation of the Company; or
 - 21.4.3 the requirements of delivery set out in clause 21.3 have not been complied with, as determined by the directors of the Company acting reasonably.
- 21.5 The Company shall refuse to register the transfer of Stock if the transferee does not expressly agree in writing to be bound by the terms of the Deed of Priority.
- 21.6 All instruments of transfer which are registered may be retained by the Company.
- 21.7 The Company recognises the registered holder of any Stock as the absolute owner of it and is not bound to take notice or see to the execution of any trust, whether express, implied or constructive, to which any Stock may be subject.
- 21.8 The receipt of the registered holder of any Stock or, in the case of joint registered holders, the receipt of any of them, for all payments made pursuant to this Instrument is a good discharge to the Company, notwithstanding any notice it may have, whether express or otherwise, of the right, title, interest or claim of any other person to or in such Stock or payment.
- 21.9 No notice of any trust, express, implied or constructive, will be entered on the register in respect of any Stock.

- 21.10 Every registered Stockholder will be recognised by the Company as entitled to its Stock free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Stock.
 - 21.11 The form of Stock Certificates is set out in Schedule 2.
 - 21.12 The Company will, without charge to the Stockholder, send a Stock Certificate and/or a replacement Stock Certificate to each Stockholder in respect of its entitlement to Stock, upon the issue of the Stock and upon its part Conversion or part repayment or transfer.
 - 21.13 Upon delivery to it of any Stock Certificate which is worn out or defaced, the Company may cancel and issue a new Stock Certificate in its place.
 - 21.14 If any Stock Certificate is lost or destroyed, the Company will, upon proof of its loss or destruction to its satisfaction, or in default of such proof, upon delivery to it of such indemnity as it deems adequate, issue a new certificate to the person entitled to such lost or destroyed Stock Certificate. An entry about the issue of the new Stock Certificate and indemnity, if any, will be made in the Company's register of Stockholders.
22. Register of Stockholders
- 22.1 The Company will at all times keep at its registered office an accurate register of Stockholders showing the amount of the Stock for the time being remaining in issue and the names and addresses of the Stockholders. If the Company is notified of the transfer of any Stock as provided in clause 21 or of any change of name or address of a Stockholder, the register will be altered accordingly and without charge.
 - 22.2 Any Stockholder or any person authorised by a Stockholder is entitled to inspect the register of Stockholders during normal business hours, upon at least 48 hours' prior written notice of the intention to inspect the register.
 - 22.3 The executors or administrators of a deceased registered holder of Stock (not being one of several joint registered holders) and in the case of the death of one or more of several joint registered holders the survivor or survivors of such joint registered holders shall be the only person or persons recognised by the Company as having any title to or interest in such Stock.
 - 22.4 Any person becoming entitled to Stock in consequence of the death or bankruptcy of a holder of such Stock or of any other event giving rise to the transmission of such Stock by operation of law may, upon producing such evidence of his entitlement as the Company shall think sufficient, be registered himself as the holder of such Stock and, subject to the provisions as to transfer, may transfer such Stock. The Company shall be at liberty to retain any payments accrued due upon any such Stock which any person under this provision is entitled to transfer until such person shall be registered or shall duly transfer the Stock.
23. Remedies

The remedies provided in this Instrument are cumulative and in addition to all other remedies available at law or in equity, including specific performance and/or other injunctive relief.

24. No waiver

No failure or delay by a Stockholder in the exercise of any power, right or privilege in this instrument operates as a waiver of that power, right or privilege, nor will any single or partial exercise of that power, right or privilege preclude other or further exercise or the exercise of any other right, power or privilege.

25. Amendments

This instrument may only be amended by an instrument in writing signed by the Company and all of the Stockholders at the time.

26. Cancellation

Stock which has been converted or repaid will automatically be cancelled and will not be reissued.

27. Assignments

27.1 The Company may not assign or transfer all or any part of its rights and/or obligations under this Instrument.

27.2 This Instrument and all or any of the rights and obligations under it may only be assigned or transferred by a Stockholder in accordance with this Instrument and no such assignment or transfer shall be made unless the transferee agrees to be bound by the terms of the Deed of Priority.

28. Costs

The Company will pay the costs, including any legal fees, incurred by the Stockholder in relation to the enforcement of this Instrument or any insolvency, reorganisation, receivership or other proceedings in relation to the Company affecting creditors' rights, or any other proceedings in connection with this Instrument.

29. General

29.1 Any provision in this Instrument which is held by any competent court or tribunal to be illegal or unenforceable will to the extent necessary be regarded as omitted from this Instrument and the enforceability of the remainder will not be affected.

29.2 The provisions of this Instrument are in all respects subject to the Deed of Priority.

30. Notices

30.1 Except as indicated in this Instrument, any notices or other communication given under this Instrument must be in writing and served:

30.1.1 by hand delivery to the recipient; or

30.1.2 by courier to the relevant party's address as specified in this instrument or such other address as a party may have last notified to the other; or

- 30.1.3 by fax to the fax number of a Stockholder set out in the register of Stockholders or such other fax number as a Stockholder may have last notified together with a confirmatory copy sent by first class post.
- 30.2 Any notice given pursuant to clause 30.1 is deemed to have been served:
 - 30.2.1 if delivered by hand, at the time of delivery;
 - 30.2.2 if sent by courier, within 48 hours of despatch, exclusive of Sundays: and
 - 30.2.3 if sent by fax, at the completion of transmission during business hours at its destination or, if not within business hours, at the opening of business hours at its destination on the next Business Day but subject to:
 - 30.2.3.1 proof by the sender that it holds a printed fax transmission report confirming despatch of the transmitted notice; and
 - 30.2.3.2 the sender not receiving any telephone calls from the recipient, to be confirmed in writing, that the fax has not been received in a legible form.
- 30.3 For the purpose of clause 30.2 business hours means between 9.00 a.m. and 5.30 p.m.
- 31. Governing law and jurisdiction
 - 31.1 The construction, validity and performance of this Instrument are governed by and construed in accordance with the law of England.
 - 31.2 The company agrees, for the benefit of the Stockholders, that the English courts have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of, or in connection with, this Instrument and for such purposes irrevocably submits to the exclusive jurisdiction of such courts.
- 32. Execution as a deed

This Instrument has been executed as a deed but is not delivered until it has been dated.

Schedule 1 Definitions and interpretation

(Clause 1)

1. The provisions of this Schedule 1 apply to the interpretation of this instrument.

2. The following words and expressions have the following meanings:

AIM	Alternative Investment Market, operated by London Stock Exchange plc.
Business Day	any day on which clearing banks in the City of London are open for business.
Business Plan	the business plan of the Company as prepared by the Board of directors of the Company from time to time and referred to for the purposes of this agreement as the Saltrock Business Plan.
CA 2006	Companies Act 2006, as amended.
Charged Assets	all the property and assets which are charged under clause 6.
Company Business	the business of operating a fashion and design label and the designing and selling of fashion clothing, including in particular surf clothing and surf equipment.
Conversion	conversion of Stock into Ordinary Shares pursuant to clause 4 and Convert is defined accordingly.
Conversion Date	either: <ol style="list-style-type: none"> 1. the date on which a Conversion Event (as defined in clause 4.2) occurs; or 2. the date on which a Conversion Notice (as defined in clause 4.2) is deemed to have been received by the Company.
Conversion Rate	the number of Ordinary Shares calculated pursuant to clause 4.1.
Conversion Rights	the rights of the Stockholder to convert Stock into Ordinary Shares pursuant to clause 4.

Event of Default	as defined in clause 10 and, including any event or the existence of any circumstances which, with the giving of notice, the lapse of time, the making of any determination of materiality, the satisfaction of any applicable condition or any combination of them would be likely to constitute an Event of Default as contemplated by clause 10.
Group	the Company and the Subsidiaries from time to time.
Group Company	a company within the Group.
Holding Company	as defined in section 1159 CA 2006.
Instrument	this document, together with its schedules.
Intellectual Property	all patents, patent applications, knowhow, trademarks, service marks, trade and service mark applications, trade names, registered designs, design rights, database rights, copyrights or other similar industrial, intellectual or commercial right subsisting anywhere in the world
Investment Bank	any independent investment bank in the City of London of international repute selected by the Company.
Leasehold Properties	the leasehold properties referred to in clause 6.1.1.
Listing	the admission of the Ordinary Shares to listing or quotation or the giving of effect to trading arrangements in relation to such shares on AIM or any Recognised Investment Exchange.
Majority Stockholder	A Stockholder or Stockholder(s), acting either by themselves or together, holding more than 75 per cent. of the entire issued Stock.
Management Incentive Letter	the letter issued on 31 March 2010 to the proposed management of the Company relating to a management incentive scheme.
Material Adverse Change	an event or circumstance that constitutes an adverse change in the assets, financial or trading position of any Group Company such that it would be likely to prevent the Company from being able fully and punctually to perform its obligations under this Instrument.
Ordinary Course of Business	any transaction or arrangement carried out or conducted by the Company that is contemplated

	by or referred to or contained within the Business Plan.
Ordinary Shares	the ordinary shares of E1 (one pound) each in the capital of the Company and any other shares or stock resulting from any subdivision, consolidation or reclassification of such shares.
Permitted Assignee	any person who is the beneficial owner of a Stockholder or any person related to such beneficial owner.
Receiver	a receiver or receiver and manager or administrative receiver whether appointed by the Majority Stockholder under this instrument, pursuant to any statute, by a court or otherwise.
Recognised Investment Exchange	as defined in the Financial Services and Markets Act 2000.
Repayment Date	31 March 2020.
Security Interests	any option, mortgage, charge, whether fixed or floating, pledge, lien, hypothecation, assignment, security, interest, retention of title or other encumbrance of any kind securing, or any right conferring, a priority of payment in respect of any obligation of any person or a contractual right relating to shares or to any asset or liability.
Stock	the convertible secured loan stock constituted by this Instrument.
Stock Certificate	a certificate in the form set out in Schedule 2 issued to Stockholders for the time being.
Stockholder	the holders of Stock for the time being.
Subsidiary	as defined in section 1159 CA 2006.
Taxes	any taxes, duties, levies, imposts, fees, or other charges or withholdings of any nature now or in the future imposed by any governmental, fiscal or other authority.
3.	Words and expressions used in this Instrument which are defined in the CA 2006 have the meanings attributed to them in the CA 2006.
4.	Any reference to the Insolvency Act 1986 includes any statutory amendment.

5. In this Instrument:

5.1 Continuing in the context of an Event of Default is to be construed as follows:

5.1.1 so that, where the underlying circumstances which caused that Event of Default are incapable of remedy, the Event of Default is Continuing, unless and until it has been expressly waived and any conditions of such waiver have all been fulfilled to the satisfaction of the Stockholder ;
Or

5.1.2 so that, in any other case, that Event of Default is Continuing unless and until either it has been expressly waived and any conditions of such waiver have all been fulfilled to the satisfaction of the Stockholder, or the underlying circumstances which caused that Event of Default have been remedied to the reasonable satisfaction of the Stockholder;

5.1.3 so that, in the case of the late delivery of a document which is subsequently satisfactorily delivered, or the withdrawal or settlement of a claim the existence or pursuance of which constituted an Event of Default, that Event of Default is not Continuing once the underlying circumstances no longer apply;

5.2 writing includes telex, cable and facsimile transmission legibly received, except in relation to any certificate, forecast, report, notice, resolution or other document which is expressly required by this instrument to be signed, and written has a corresponding meaning; and

5.3 a time of day is a reference to London time.

6. Unless otherwise stated, a reference to a clause, party or schedule is a reference to respectively a clause in or a party or schedule to this Instrument.

7. The clause headings are inserted for ease of reference only and do not affect the construction of this Instrument.

Schedule 2
Form of certificate

Saltrock Surfwear Limited (Company)

Date of certificate: 2010

No. of certificate:

Amount of stock:

Convertible secured loan stock issued pursuant to the memorandum and articles of association of the Company

This is to certify that the person whose name and address is set out at the end of this certificate is the registered holder of the amount shown above of convertible secured loan stock, which is constituted by an instrument made by the Company and dated 19th September 2014 (Instrument). The stock is issued with the benefit of and subject to the provisions contained in the Instrument and to the conditions endorsed on this certificate.

Capitalised terms in this certificate have the same meaning as those in the Instrument.

Signed as a deed by
Saltrock Surfwear Limited
acting by
a director, in the presence of:

Director

Witness'

signature:

Witness' name:

Address:

Occupation:

Conditions

1. The Stock is transferable but only in accordance with clause 21 of the Instrument.
2. Except as mentioned in the Instrument, upon conversion of the whole or any part of the Stock or adjustment in its amount, this certificate must be surrendered to the secretary of the Company and a replacement certificate obtained in accordance with the Instrument.
3. The Stock is convertible in accordance with clause 4 of the Instrument.
4. The Stock is repayable in accordance with the terms of the Instrument.
5. The Company may not acquire any Stock.
6. All Stock converted or repaid by the Company will be cancelled.
7. Particulars of Stockholder:

Stockholder

Address

Schedule 3
Notice of exercise of Conversion Rights

Dated

To: Saltrock Surfwear Limited (Company)

I/We being the registered holder(s) of the Stock represented by the attached certificate give notice of my/our desire to exercise my/our conversion rights in respect of the whole/£ * nominal only of such Stock in accordance with the Instrument constituting the Stock.

I/We desire the ordinary shares of the Company to be allotted on such exercise of my/our conversion rights to be allotted to me/us and registered in my/our name(s) and authorise the entry of my/our name(s) in the register of members and the despatch of a certificate therefor by ordinary post at my/our risk to my/our registered address.

I/We agree to accept all the fully paid ordinary shares in the Company to be allotted to me/us pursuant hereto subject to the articles and association of the Company.

Signature(s) of Stockholders

Signed as a deed by
Saltrock Surfwear Limited
acting by
a director, in the presence of:

Director

Witness'

signature:

Witness' name:

Address:

Occupation:

(In the case of joint holdings all Stockholders must sign. In the case of a corporation this notice must be either given under its common seal (or otherwise executed as a deed) or signed on its behalf by an attorney or duly authorised official of the corporation).

* Delete or complete as appropriate. If this space is left blank the notice will be deemed to relate to the whole of the Stock represented by the attached certificate.

Signed as a deed by
Saltrock Surfwear Limited
acting by
a director, in the presence of:

Witness' signature:

Witness name:

Address:

Occupation:

