

When this form has been completed and signed by the Customer and the Alternate Lender, send it to the Customer's Relationship Manager together with the completed "Authority to contact" form

DEED OF PRIORITIES

regulating priorities between two Debentures, to be used with factors/invoice discounters

where the factor/discounter is taking an "all assets" debenture.

¹(DATE) Leave blank

THIS DEED made the¹

BETWEEN:

²Leave blank.

1 LLOYDS BANK PLC (registered no 2065) whose address for the purpose of this deed is at²

(the "**Bank**" which expression shall include its successors in title and assigns);

³Enter full name, registered number and registered office of the Alternate Lender.

2³

(the "**Alternate Lender**" which expression shall include its successors in title and assigns); and

⁴Enter full name, registered number and registered office of the Customer.

3⁴

(the "**Customer**" which expression shall include its successors in title and assigns).

WITNESSES as follows:

1 Definitions

In this deed, except where the context otherwise requires, each of the expressions set out below shall bear the meaning shown opposite it:

"Alternate Lender Debenture" means a debenture dated on or around the date of this deed made between the Customer (1) and the Alternate Lender (2) creating fixed and floating charges over all the Customer's assets, property, undertaking and revenues whatsoever and wheresoever both present and future and any security taken pursuant thereto;

"Alternate Lender Debt" means all monies and liabilities which now are or may at any time hereafter be due, owing or incurred by the Customer to the Alternate Lender to the extent that the same are secured by the Alternate Lender Debenture;

⁵Enter the date of the Bank Debenture.

"Bank Debenture" means a debenture dated⁵ _____ made between the Customer (1) and the Bank (2) creating fixed and floating charges over all the Customer's assets, property, undertaking and revenues whatsoever and wheresoever both present and future and any security taken pursuant thereto;

"Bank Debt" means all monies and liabilities which now are or may at any time hereafter be due, owing or incurred by the Customer to the Bank to the extent that the same are secured by the Bank Debenture;

"Book Debts" means all amounts, present and future, owing to the Customer from time to time in respect of the sale of goods and the supply of services in the ordinary course of the Customer's business together with the proceeds thereof and all rights for recovering the same and purchased by the Alternate Lender but which, for any reason, do not vest absolutely in the Alternate Lender;

"Debts" means the Bank Debt and the Alternate Lender Debt and **"Debt"** shall mean either one of them;

"Enforcement Date" means the business day following the date on which a Financier receives written notice from the other Financier that such other Financier has taken any action to demand repayment or payment of the money and liabilities secured by its Security or to enforce its Security or to take possession of any asset subject to its Security;

"Financiers" means the Bank and the Alternate Lender and **"Financier"** shall mean either of them;

"Other Assets" means all assets, undertaking, property and rights of the Customer other than the Book Debts;

"Securities" means the Bank Debenture and the Alternate Lender Debenture and **"Security"** means either of them.

1.2 In this deed, unless the context otherwise requires:

1.2.1 references to a "business day" shall be construed as a reference to a day (other than a Saturday or a Sunday) on which banks are generally open for the transaction of business in pounds sterling in London;

1.2.2 references to clauses are references to clauses of this deed;

1.2.3 references to this deed shall be to this deed as amended, varied, supplemented or novated from time to time;

1.2.4 headings are inserted for ease of reference only and shall be ignored in the construction of this deed; and

1.2.5 references to any statute, law, decree or regulations shall be deemed to be references to such statute, law decree or regulations as re-enacted, amended, extended or replaced from time to time.

If there shall be any conflict or inconsistency between any provision of this deed and any provision contained within a Security, the provisions of this deed shall prevail.

2 Continuing Security

The Securities shall be continuing securities for repayment to the Financiers of the money and liabilities thereby secured and the priority arrangements herein contained shall not be affected by any fluctuations in the amount from time to time due owing or incurred by the Customer to either of the Financiers or by the existence at any time of a credit or nil balance on any account of the Customer with either Financier.

3 Priorities

3.1 The fixed and floating charges and other security interests constituted by the Securities shall as between themselves rank in such order of priority as will result in the maximum aggregate amount being realised or otherwise recovered under all such fixed and floating charges and all such security interests for the benefit of the Financiers together PROVIDED ALWAYS that for the purpose of paragraph 15 of Schedule B1 to the Insolvency Act 1986 and notwithstanding any other provisions of this deed, the Bank Debenture shall rank in priority to the Alternate Lender Debenture.

3.2 All moneys so realised or otherwise recovered shall be shared between the Financiers as provided for by clause 4.

4 Application of moneys received or recovered

The Financiers hereby agree that all moneys either (1) received by a receiver or administrator appointed under the terms of the Securities or (2) otherwise realised or recovered from the Securities shall (after payment of any receiver or administrator's remuneration and after providing for all outgoings, costs, charges, expenses and liabilities and for payments ranking in priority thereto) be applied in or towards discharge of the indebtedness thereby secured in the following order of priority:

as to the proceeds of the collection or realisation of Book Debts:

- a) first in or towards repayment of the Alternate Lender Debt without limit;
- b) subject thereto, in or towards repayment of the Bank Debt

as to the proceeds of realisation of the Other Assets:

- a) first in or towards repayment of the Bank Debt without limit;
- b) subject thereto, in or towards repayment of the Alternate Lender Debt;

5 Enforcement of Security

If either of the Financiers (to the extent that it has the right to do so) shall wish to appoint a receiver or administrator of the Customer or to exercise its power of sale or otherwise enforce its Security it shall if reasonably practicable first consult the other Financier to discuss whether such action is desirable in the circumstances then prevailing and with a view to agreeing the method by which the Securities shall be enforced;

PROVIDED HOWEVER that nothing contained in this clause 5 shall prevent:

- a) either Financier from appointing a receiver or administrator of the Customer under its Security or from the exercise or enforcement of such Security without such consultation if such Financier considers that refraining from so appointing or exercising or enforcing will prejudice its rights of realisation under its Security; or
- b) either Financier from appointing a receiver or administrator under its Security or from the exercise or enforcement of such Security if the Financiers are unable to reach any agreement regarding the issues referred to in the first paragraph of this clause 5 and the relevant Financier deems it necessary or desirable to make such appointment or to exercise or to enforce such Security.

6 Further assurance

If either Financier (the "**Requesting Financier**") seeks to enforce its Security as provided for in clause 5, the other Financier will (at the written request of the Requesting Financier) execute all such documents and do all such things as are available to it and may reasonably be required to facilitate the exercise of the powers of enforcement or realisation of the rights and powers available to it for the purposes of such enforcement provided that the interests of the other Financier is not thereby prejudiced. The Requesting Financier shall pay the other Financier's reasonable costs and expenses incurred in complying with the Requesting Financier's request.

7 Proceeds of insurance

Any amount received under or in respect of any insurance maintained by the Customer shall (unless the Financiers shall agree otherwise, in writing or as otherwise may be required by law or by the relevant policy) be applied as follows:

- a) (subject to paragraph (b) below) if received before the Enforcement Date (and notwithstanding the provisions of section 108(4) Law of Property Act 1925), in reinstating the property destroyed or damaged;
- b) if received on or after the Enforcement Date or if received prior thereto but, at the Enforcement Date, not yet applied as set out in paragraph (a) above (and notwithstanding the provisions of section 108(3) Law of Property Act 1925), in repayment in the order set out in clause 4 as if it were the proceeds of enforcement of a Security.

8 Preferential payments

The Bank shall be entitled to apply any preferential payments received by it pursuant to paragraph 11 of schedule 6 to the Insolvency Act 1986 as applied by section 386 of that Act in or towards discharge of any part of its Debt.

9 Information

While this deed subsists each of the Financiers shall be at liberty (but not obliged) from time to time to disclose to the other Financier information concerning the Customer and its affairs in such manner and to such extent as such Financier shall from time to time desire.

10 No obligation to make advances

Nothing contained in this deed shall bind either Financier to make any advance or grant banking facilities or other accommodation to the Customer.

11 Other Security

Nothing contained in this deed shall prejudice or affect the rights of either Financier under any guarantee, lien, bill, note, charge or other security from any person other than the Customer ("**Other Security**") now or hereafter held by it in respect of any monies, obligations or liabilities thereby secured or guaranteed and so that either Financier may apply any monies recovered under such Other Security in or towards discharge of any obligation or liability thereby secured or may hold such monies on a suspense account for such period as it may in its absolute discretion think fit.

12 Set-off

12.1 Nothing in this deed or in the Security held by the other Financier shall affect any rights or obligations which either Financier may have, whether statutory or arising under its Security or the general law, to set-off, combine and consolidate credit balances on any accounts of the Customer and apply the same in or towards repayment of its Debt.

12.2 Either Financier may, in its absolute discretion, elect to exercise or not to exercise any right of the types described in clause 12.1 at any time prior to or after the application of monies pursuant to clause 4.

13 Bank accounts

13.1 Notwithstanding any fixed charge over book or other debts or any covenant to pay the proceeds thereof into a specified bank account contained in any Security, the Bank may operate the bank accounts of the Customer in the ordinary course of banking business including, without limitation, collecting cheques and other payment orders and accepting monies for the credit of the Customer's bank accounts and allowing the Customer to draw cheques and other payments and generally to withdraw funds from its bank accounts.

13.2 The Alternate Lender shall make no claim against the Bank in connection with any Book Debts the proceeds of which are credited to any account of the Customer with the Bank (other than any account in the name of the Customer designated as in trust for the Alternate Lender) unless:

13.2.1 prior to the Bank's receipt of such monies the Bank has received notice in writing from the Alternate Lender that a specified sum of money belongs or will belong to the Alternate Lender. Such notice shall contain such information as the Bank may reasonably require to enable the Bank to identify such credit in the day to day operation of the relevant account of the Customer in accordance with the Bank's normal practice; or

13.2.2 the Bank has procured the payment to the Bank of a sum which to the actual knowledge of the Bank should have been paid to the Alternate Lender.

14 Right to grant time, etc

Save as expressly otherwise mentioned herein each of the Financiers shall be entitled to grant time or indulgence release or compound or otherwise deal with and receive moneys in respect of any obligations, security or guarantee at any time held by either of them without reference to the other Financier.

15 Application to register

The parties to this deed hereby apply to the Registrar to note in the appropriate manner at The Land Registry the priority arrangements agreed in this deed insofar as the same affect any registered land comprised in the assets charged by the Securities.

16 Deposit of Documents

16.1 The Financiers hereby agree that all deeds and documents which are required to be deposited with either of them by the Customer under the provisions of the Securities shall be held and deposited with the Bank during the subsistence of the Bank Debenture. The Bank hereby undertakes that on discharge of the Debenture all deeds and documents then held by it shall be delivered to Alternate Lender if the Alternate Lender Debenture still subsists on the date of discharge. Each of the Financiers severally acknowledges and declares that it holds all deeds and documents now or hereafter deposited with it by the Customer under the Securities on trust for both the Financiers to the intent that the security thereby constituted shall be available for both the Financiers in accordance with the provisions of this deed.

16.2 The Financiers hereby acknowledge that each of them may perform its duties under clause 16.1 by or through agents or employees and may act or refrain from taking action in reliance upon the advice of any professional adviser or other person (whether or not instructed by him) believed by it in good faith to be competent. Neither of the Financiers shall be held responsible for failing to make an enquiry concerning the performance or observance of any of the terms provisions or conditions contained in the Securities or for ascertaining whether all deeds and documents which should have been deposited with it have been so deposited.

17 Right to production of copy documents

Each of the Financiers acknowledges the right of the other Financier to the production and delivery of copies of the relevant Financier's Security.

18 Consent to each Financier's Security

In so far as consent is required under the terms of either of the Securities the Bank hereby confirms its consent to the Alternate Lender Debenture, and Alternate Lender hereby confirms its consent to the Bank Debenture.

19 Assignment of Securities

Neither Financier shall transfer or otherwise dispose of its Security or the obligation thereby secured without at the same time giving notice to the other Financier of such transfer or disposal.

20 The Customer's acknowledgement

20.1 The Customer joins in the deed for the purpose of acknowledging the priorities herein recorded and for acknowledging and agreeing to the terms hereof.

20.2 The Customer undertakes with each Financier to observe the provisions of this deed at all times and not in any way to prejudice or affect the enforcement of such provisions, or to do or suffer anything which would be a breach of the terms of this deed.

20.3 Nothing contained in this deed shall prejudice or affect the rights or remedies of the Financiers or either of them under the Securities.

21 Entire agreement

This deed forms the entire agreement between the parties relating to the priority of their respective Securities and the application of the proceeds thereof and supersedes all earlier meetings, discussions, correspondence, facsimile transmissions, telexes, letters and communications, understandings and arrangements of any kind so relating.

22 Counterparts

This deed may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party to this deed may enter into it by executing any such counterpart.

23 Waivers

23.1 No forbearance or failure by any party to exercise or assert or claim any right or entitlement hereunder shall be construed (in the absence of a written agreement to waive or a written confirmation of a past waiver) as a waiver of that right or entitlement.

23.2 No waiver of any breach of any term of this deed shall (unless expressly agreed in writing by the waiving party) be construed as a waiver of a future breach of the same term or as authorising a continuation of the particular breach.

24 Variations

Save as otherwise specifically provided herein, any variation of this deed shall be binding only if it is recorded in a document signed by or on behalf of each Financier.

25 Costs

The Customer shall reimburse each of the Financiers, on demand, for all costs, charges and expenses incurred in the preparation, completion, implementation and enforcement of this deed.

26 Severability

The provisions of this deed shall be severable and distinct from each other and if at any time any one or more of such provisions is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of each of the remaining provisions of this deed shall not in any way be affected, prejudiced or impaired thereby.

27 Governing law

This deed shall be governed by and construed according to English law and each party hereto irrevocably submits to the jurisdiction of the English Courts.

28 Notices

Any notice to be served in connection with this deed shall be in writing and shall be delivered to the address of the recipient stated at the beginning of this deed or at such other address as the relevant party may notify to the others and may be delivered by hand or by recorded delivery post and if by recorded delivery post shall be deemed to be delivered on the relevant party at 10.00 am London time on the business day next following the date of posting. In proving such service by recorded delivery post it shall be sufficient to show that the letter containing the notice was properly addressed and posted.

29 Waiver

For the avoidance of doubt it is hereby confirmed that the provisions of this deed are additional to and not in substitution for any waiver given by the Bank in favour of the Alternate Lender in respect of Book Debts purchased by and vesting in the Alternate Lender.

30 Contracts (Rights of Third Parties) Act 1999 (the "Act")

A person who is not a party to this deed has no right under the Act to enforce any term of this deed.

IN WITNESS of which the parties have executed this instrument as a deed and have delivered it upon dating it.

Use one of these execution clauses if the Customer is a limited company.

⁶Enter name of Customer

Use this execution clause if the Customer is a company and is to execute acting by two directors or one director and the company secretary.

Signed as a deed by

⁶

Acting by

Director

Director/Customer Secretary

Use this execution clause if the Customer is a company and is to execute acting by only one director.

Signed as a deed by

⁶

Acting by

Sole Director

in the presence of:

Witness: (name)

.....(signature)

Address:

.....
.....

Occupation:

Use this execution clause if the Customer is a LLP

⁷Enter name of Customer

Use this execution clause if the Customer is a Limited Liability Partnership

Signed as a deed by

⁷

Acting by

Member

Member

Use one of these execution clauses if the Alternate Lender is a limited company.

⁸Enter name of Alternate Lender

Use this execution clause if the Alternate Lender is a company and is to execute acting by two directors or one director and the company secretary.

Signed as a deed by

⁸

Acting by

Director

Director/Company Secretary

Use this execution clause if the Alternate Lender is a company and is to execute acting by only one director.

Signed as a deed by

⁸

Acting by

Sole Director

in the presence of:

Witness: (name)

.....(signature)

Address:

.....
.....

Occupation:

Use this execution clause if the Alternate Lender is a LLP

⁹Enter name of Alternate Lender

Use this execution clause if the Alternate Lender is a Limited Liability Partnership

Signed as a deed by

⁹

Acting by

Member

Member

Signed as a deed by

as attorney for and on behalf of Lloyds Bank plc
in the presence of: