

**DATED 8 April**

**2016**

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**LOAN NOTE INSTRUMENT**

constituting 4,172,562 £1.00 secured convertible loan notes and  
1,577,438 £1.00 secured loan notes  
in aggregate amounting to £5,750,000 of secured loan notes

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Issued by

**CLOUDBUY PLC**

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**THIS DEED** is dated 8 April 2016

**PARTY:**

**CLOUDBUY PLC**, incorporated and registered in England and Wales with company number 03732253 whose registered office is at Unit 5 Jupiter House, Calleva Park, Aldermaston, Reading RG7 8NN (the “**Company**”).

**BACKGROUND:**

- (A) The Company is a public company incorporated in England and Wales. The ordinary shares of the Company are admitted to trading on AIM (as defined below). The Company is subject to the rules of the City Code on Takeovers and Mergers.
- (B) This Instrument is conditional on obtaining the approval of the shareholders of the Company in a general meeting.
- (C) By exercise of the powers conferred on them by the Articles, and subject to Shareholder approval, the Directors of the Company have, by a resolution passed on 22 March 2016, created (i) 4,172,562 £1 secured convertible loan notes and (ii) 1,577,438 £1 secured loan notes and have agreed to constitute them in the manner set out in this Instrument.
- (D) The Noteholder (as defined below) has agreed to subscribe for in aggregate £5,750,000 of loan notes pursuant to the terms of this Instrument.

**AGREED TERMS:**

**1. INTERPRETATION**

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

**“Adjustment Event”**: any or all of the following, at any time, or by reference to any record date, while the Notes remain in issue:

- (a) any allotment or issue of Equity Securities by the Company by way of capitalisation of profits or reserves;
- (b) any cancellation, purchase or redemption of Equity Securities, or any reduction or repayment of Equity Securities, by the Company;
- (c) any sub-division or consolidation of Equity Securities by the Company; and
- (d) any issue of securities or other instruments convertible into shares in, or Equity Securities of, the Company or any grant of options, warrants or other rights to subscribe for, or call for the allotment or issue of, shares in, or Equity Securities of, the Company,

but excluding any issue of Equity Securities of the Company pursuant to the exercise of any existing options or warrants granted to employees, directors or associates including family members and friends of the directors of the Company or which are permitted under the Articles.

**“AIM”**: the AIM Market operated by the London Stock Exchange.

**“Articles”**: the articles of association of the Company, as amended or superseded.

**“Business Day”**: a day other than a Saturday, Sunday or public holiday in England when banks are open for business.

**“Certificate”**: a certificate for Notes in the form (or substantially in the form) set out in Schedule 1.

**“Conditions”**: the Conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

**“Confidential Information”**: all information relating to the Company of which the Noteholder becomes aware in its capacity as Noteholder, which is received by the Noteholder from the Company (or any of the Company's advisers) in whatever form, but excluding any information:

- (a) that is or becomes public information other than as a direct or indirect result of any breach by the Noteholder of Clause 16;
- (b) is identified in writing by the Company (or any of the Company's advisers) at the time of delivery as non-confidential; or
- (c) is known to the Noteholder before it is disclosed to the Noteholder by the Company (or any of the Company's advisers) or is lawfully obtained by the Noteholder from another source, in either case, through no breach of confidentiality of which the Noteholder is or becomes aware.

**“Confidentiality Undertaking”**: a confidential undertaking in the form agreed between Company and the Noteholder.

**“Control”**: in relation to a body corporate the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

- (a) by means of the holding of shares or the possession of voting power in relation to that or any other body corporate; or
- (b) as a result of any powers conferred by the articles of association or any other document regulating that or any other body corporate

and a Change of Control occurs if a person who controls any body corporate ceases to do so or if another person acquires Control of it.

**“Conversion Date”**: the date that is not later than five Business Days after the date of service of a Conversion Notice.

**“Conversion Notice”**: a notice in writing by the Noteholder to the Company to convert all of the outstanding Convertible Notes in substantially the form set out at Schedule 3.

**“Conversion Price”**:

- (a) a price per Ordinary Share of £0.065 at which the Convertible Notes may be converted, which price shall apply at any time on or before the Final Redemption Date; or

- (b) a price per Ordinary Share of £0.01 at which the Convertible Notes may be converted, which price shall apply at any time after the Final Redemption Date if the principal amount of and accrued interest on any outstanding Convertible Notes have not been repaid on or before the Final Redemption Date unless its failure to pay is caused by administrative or technical error and payment is made within two Business Days of its due date.

**“CREST”**: the system of electronic settlement for UK securities and the holding of uncertificated securities administered by Euroclear UK & Ireland Limited.

**“Debenture”**: the fixed and floating charge created by the Company in favour of RS in the form agreed between the Company and the Noteholder.

**“Directors”**: the board of directors of the Company, or a duly authorised committee of that board, for the time being.

**“Equity Securities”**: has the meaning given to "ordinary shares" in section 560(1) of the Companies Act 2006.

**“Event of Default”**: any of the events set out in paragraph 5 of Part 1 of Schedule 2.

**“Final Redemption Date”**: 26 April 2026.

**“Further Issue”**: has the meaning given in clause 2.2.

**“Initial Issue”**: has the meaning given in clause 2.1.

**“Interest Payment Date”**: each 6-month anniversary of the date of allotment and issue of the Notes.

**“Interest Rate”**: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

**“London Stock Exchange”**: London Stock Exchange plc.

**“Notes”**: means up to:

- (a) £4,172,562 secured convertible loan notes 2016 constituted by this Instrument (comprising 4,172,562 £1.00 secured convertible loan notes) or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **“principal amount”** shall be construed accordingly (**“Convertible Notes”**); and
- (b) £1,577,438 secured loan notes 2016 constituted by this Instrument (comprising 1,577,438 £1.00 secured loan notes) or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **“principal amount”** shall be construed accordingly (**“Loan Notes”**),

such Notes to be issued by the Company in the ratio set out in Schedule 4 Part A.

**“Noteholder”**: a person for the time being entered in the Register as holder of any Convertible Notes and/or Loan Notes.

**“Ordinary Shares”**: the ordinary shares of £0.01 each in the capital of the Company, which have the rights set out in the Articles.

**“PIK Notes”**: additional (payment in kind) Notes issued by the Company under paragraph 1.4 of Part 1 of Schedule 2 at the option of the Company in satisfaction of

its obligation to pay interest on any date on which interest on the Notes becomes due and payable in accordance with the terms of this Instrument. The ratio of the PIK Notes to be issued as between Convertible Notes and Loan Notes is as set out in Schedule 4 Part B.

**“Redemption Date”**: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

**“Redemption Notice”**: has the meaning given in paragraph 4.2 of Part 1 of Schedule 2.

**“Register”**: a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

**“Registered Office”**: the registered office of the Company from time to time.

**“RS”**: Roberto Sella of 2003 Delancey Street, Philadelphia PA, 19101-6509.

**“RS Subscription Letter”**: the letter from RS to the Company dated on or around the date of this Instrument relating to the subscription by RS for the Notes.

**“Securities Act”**: means the United States Securities Act of 1933, as amended, enacted by the United States Congress.

**“UKLA”**: the United Kingdom Listing Authority, a department of the Financial Conduct Authority or any other competent authority for the time being for the purposes of Part VI of the Financial Services and Markets Act 2000.

- 1.2 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.
- 1.3 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.
- 1.4 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.
- 1.5 A references to **“this Instrument”**, **“the Conditions”** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.
- 1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

- 1.8 A “**person**” includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.
- 1.9 A reference to a “**company**” shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.10 A reference to a “**holding company**” or a “**subsidiary**” means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in sections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of:
- (a) another person (or its nominee) by way of security or in connection with the taking of security; or
  - (b) its nominee.
- 1.11 A reference to “**writing**” or “**written**” includes fax but not e-mail (unless otherwise expressly provided in this Instrument).
- 1.12 Any words following the terms “**including**”, “**include**”, “**in particular**”, “**for example**” or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.13 Where the context permits, “**other**” and “**otherwise**” are illustrative and shall not limit the sense of the words preceding them.
- 1.14 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.
- 1.15 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.
- 1.16 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.
- 1.17 A reference in this Instrument to:
- (a) any Notes being “**outstanding**” means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;
  - (b) the “**assets**” of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

- (c) **“indebtedness”** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;
- (d) **“repayment”** includes redemption and vice versa and the words **“repay”**, **“redeem”**, **“repayable”**, **“redeemed”** and **“repaid”** shall be construed accordingly;
- (e) **“£”** or **“sterling”** denotes the lawful currency of the United Kingdom; and
- (f) **“tax”** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.18 Unless the context otherwise requires, a reference to the **“Notes”** includes a reference to all and/or any of the Notes.

1.19 Except as otherwise provided, expressions defined in the Companies Act 2006 shall be read as if defined in that way in this Instrument.

## **2. AMOUNT AND DESCRIPTION OF NOTES**

2.1 The aggregate principal amount of the Convertible Notes constituted by this Instrument is limited to £4,172,562 and the aggregate principal amount of the Loan Notes constituted by this Instrument is limited to £1,577,438, of which, on or around the date of this Instrument, RS shall subscribe for and the Company shall issue RS with Convertible Notes in the principal amount of £3,274,300 pursuant to the terms of the RS Subscription Letter (the **“Initial Issue”**).

2.2 Following the Initial Issue, any further Notes to be issued by the Company (each a **“Further Issue”**) shall be issued to RS on RS subscribing for such further Notes at the Company’s request in accordance with the terms of the RS Subscription Letter and Schedule 4 Part A.

2.3 The Convertible Notes shall be known as 2.33% fixed rate secured convertible loan notes 2016 and the Loan Notes shall be known as 2.33% fixed rate secured loan notes 2016 and in each case shall be issued by the Company as set out in Schedule 4 Part A.

## **3. STATUS OF NOTES**

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as secured obligations of the Company.



3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholder and all persons claiming through or under them respectively and shall enure for the benefit of the Noteholder.

#### **4. USE OF PROCEEDS**

The proceeds of all subscriptions for the Notes shall be used to fund the Company's working capital requirements for the time being.

#### **5. REPAYMENT OF NOTES**

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

#### **6. INTEREST**

Until the Notes are repaid by the Company or, in the case of the Convertible Notes, repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

#### **7. CERTIFICATES**

7.1 The Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Certificate for the Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

- (a) bear a denoting number;
- (b) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Schedule 1; and
- (c) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment of part only of the Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

- (a) endorsed with a memorandum of the nominal amount of the Notes so redeemed and the date of such repayment; or
- (b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid.

## **8. THE REGISTER**

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Companies Act 2006) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholder.

8.2 There shall be entered in the Register:

- (a) the name and address of the Noteholder for the time being;
- (b) the principal amount of the Notes held by the Noteholder and the principal monies paid up on them;
- (c) the date of issue of each of the Notes and the date on which the name of the Noteholder is entered in the Register in respect of the Notes registered in his name;
- (d) the serial number of each Certificate issued and the date of its issue; and
- (e) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholder, or any person authorised by the Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 The Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

## **9. NOTES NOT TO BE QUOTED NOR REGISTERED UNDER THE SECURITIES ACT**

9.1 No application has been, or shall be, made to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

9.2 The Noteholder acknowledges that:

- (a) the Notes have not been registered under the Securities Act nor qualified under any US state securities laws;
- (b) the Notes are being issued pursuant to an exemption from registration contained in the Securities Act and qualification provisions of applicable United States state securities laws;
- (c) the availability of such exemption and qualification provisions depends in part on, and the Company will rely upon the accuracy and truthfulness of, the Noteholder's representations contained in this Instrument to the extent they impact such exemption and the Noteholder hereby consents to such reliance;
- (d) the Noteholder is an "accredited investor" as defined in Rule 501(a) under the Securities Act and it is not a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended;
- (e) the Noteholder has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the investment set out in this Instrument. The Noteholder is able to bear the economic risks of an investment in the Notes and is able to afford a complete loss of such investment;
- (f) the Notes to be received by the Noteholder shall be acquired solely for the Noteholder's own account for investment, and not with a view to, or in connection with, any resale or distribution of any part thereof, and the Noteholder has no present intention of selling, granting any participation in, or otherwise distributing the same as at the date of this Instrument. The acquisition by the Noteholder of any of the Notes to be issued hereunder shall constitute confirmation of the representation by the Noteholder that it does not have any contract, undertaking, agreement, arrangement or other understanding with any person to sell, transfer or pledge Notes or any part thereof to such person or to any third person, with respect to any Notes; and
- (g) neither the Noteholder nor any of its affiliated issuers, directors, executive officers or promoters is subject to any conviction, order, judgment or decree of any governmental body which could cause the Company to be disqualified from relying upon the exemption from securities offering registration under Rule 506 of Regulation D promulgated under the Securities Act.

## **10. SECURITY**

The Company's obligations in respect of the Notes shall be secured by the Debenture.

## **11. PROVISION OF FINANCIAL INFORMATION**

The Company will provide the following financial information in respect of the Company to RS for so long as he is the Noteholder, which obligation of the Company shall automatically cease and determine upon the transfer by RS of any Notes and which shall not be an obligation of the Company to any subsequent Noteholder:

- (a) within 180 days after the end of each of its financial years, the audited consolidated accounts of the Company;
- (b) within 30 days after the end of each month, it's the monthly management accounts of the Company in the format distributed to its board of directors; and
- (c) promptly, all notices or other documents dispatched by the Company to its shareholders (or any class of them) or to its creditors generally.

## **12. COVENANTS**

12.1 Provided that at the time of issue of Ordinary Shares pursuant to the conversion of the Convertible Notes, the Ordinary Shares (or any of them) are listed on the Official List of the UKLA or are admitted to trading on AIM or permission has been granted for dealings therein on any other recognised investment exchange in any part of the world, the Company will, not later than seven Business Days after the issue of such Ordinary Shares, apply to such body for permission to deal in or for quotation of such Ordinary Shares (as the case may be) and shall use all reasonable endeavours to secure such permission or quotation.

12.2 So long as any rights to convert the Convertible Notes remain exercisable by the Noteholder:

- (a) the Company shall use its best endeavours to maintain the admission to trading on AIM of the Ordinary Shares;
- (b) all Ordinary Shares which may be issued upon the conversion of the Convertible Notes under this Instrument will, upon issue, be validly issued, fully paid and free from all liens created by or through the Company with respect to the issue thereof;
- (c) the Company shall not increase the nominal value (being the nominal value of the Ordinary Shares at the date of this Instrument) of any Ordinary Shares receivable upon the conversion of the Convertible Notes above the Conversion Price then in effect;
- (d) the Company shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid Ordinary Shares upon the conversion of the Convertible Notes;
- (e) the Company shall send to the Noteholder a copy of every document sent by it to the holders of its Ordinary Shares at the same time as it is sent to such holders,

provided that nothing herein shall prevent the Company from purchasing any of its Ordinary Shares for the time being in issue on such terms as it may think expedient nor require the sanction of an extraordinary resolution of the Noteholder for any such purchase.

**13. SET-OFF**

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholder in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

**14. VARIATION**

14.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of the Noteholder. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

14.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

14.3 The Company shall, within 10 Business Days of making any variation pursuant to this clause 14, send to the Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

14.4 Any modification, alteration or abrogation made pursuant to clause 14.1 or clause 14.2 shall be binding on the Noteholder.

**15. ENFORCEMENT AND THIRD PARTY RIGHTS**

15.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument

15.2 Except as expressly provided in clause 15.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

15.3 This Instrument shall operate for the benefit of the Noteholder who shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right.

**16. CONFIDENTIAL INFORMATION**

16.1 The Noteholder agrees to keep all Confidential Information confidential and not disclose it to anyone other than in accordance with Clause 16.2.

16.2 The Noteholder may disclose:

(a) to any of the Noteholder's professional advisers and auditors in addition to any publicly available information, such Confidential Information as the Noteholder shall consider appropriate, if the person to whom the information is given is informed that it:

- (i) is confidential;
- (ii) may be price-sensitive; and
- (iii) is subject to restrictions imposed by applicable securities laws restricting trading in the securities of the Company,

except that the Noteholder does not need to inform the recipient of (i) and (ii) above, if the recipient is subject to professional obligations to maintain the confidentiality of the information;

(b) to any actual or potential assignee or transferee of its rights or obligations under this Instrument (and any of their professional advisers), in addition to any publicly available information, such Confidential Information as the Noteholder shall consider appropriate, if the person to whom the information is given has entered into a Confidentiality Undertaking, except that there shall be no requirement for a Confidentiality Undertaking if the recipient is subject to professional obligations to maintain the confidentiality of the information;

(c) to any person with (or through) whom it enters into (or may enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, this Instrument and/or the Company (and any of their professional advisers), in addition to any publicly available information, such Confidential Information as the Noteholder shall consider appropriate, if the person to whom the information is given has entered into a Confidentiality Undertaking, except that there shall be no requirement for a Confidentiality Undertaking if the recipient is subject to professional obligations to maintain the confidentiality of the information;

(d) to any governmental, banking, taxation or regulatory authority or similar body, or any other person to the extent that it is required to do so by any applicable law, regulation, court order or the rules of any relevant stock exchange, such Confidential Information as the Noteholder shall consider appropriate, if the person to whom the information is given is informed that it:

- (i) is confidential;

- (ii) may be price-sensitive; and
  - (iii) is subject to restrictions imposed by applicable securities laws restricting trading in the securities of the Company,
- (e) to any person to whom information is required to be disclosed in connection with, and for the purpose of, any litigation, arbitration, administrative or other investigations, proceedings or disputes, such Confidential Information as the Noteholder shall consider appropriate, if the person to whom the information is given is informed that it:
  - (i) is confidential;
  - (ii) may be price-sensitive; and
  - (iii) is subject to restrictions imposed by applicable securities laws restricting trading in the securities of the Company,

16.3 The obligations in this Clause 16 are continuing and will remain binding on the Noteholder for a period of 12 months from the earlier of:

- (a) the date on which all amounts payable by the Company under or in connection with this Instrument have been paid in full; and
- (b) the date on which the Noteholder ceases to be a holder of the Loan Notes.

## **17. NOTICES**

Any notice to be given to or by the Noteholder for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

## **18. GOVERNING LAW AND JURISDICTION**

18.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

18.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

**Schedule 1 Form of Certificate**

**Certificate No.:** [NUMBER]

**Date of Issue:** [DATE] 2016

**Amount:** £[AMOUNT]

**CLOUDBUY PLC (“COMPANY”)  
£[AMOUNT] FIXED RATE  
SECURED CONVERTIBLE LOAN NOTES 2016  
and  
£[AMOUNT] FIXED RATE  
SECURED LOAN NOTES 2016**

Created and issued pursuant to a resolution of the board of directors of the Company passed on [ ] [ ] 2016.

**THIS IS TO CERTIFY THAT** [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £1.00 fixed rate secured convertible loan notes 2016 and £[AMOUNT] of the £1.00 fixed rate secured loan notes 2016 constituted by an instrument entered into by the Company on [ ] 2016 (“**Instrument**”). Such Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

**Notes:**

1. The Notes are repayable and shall bear interest in accordance with the Conditions.
2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.
3. Any change of address of the Noteholder must be notified in writing signed by the Noteholder to the Company at the Registered Office.
4. Subject to the Conditions, the Notes are transferable.
5. No transfer of any part of the Notes represented by this Certificate can be registered without production of this Certificate.
6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.
7. The Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in



connection with the Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by **CLOUDBUY PLC** )  
acting by a director ) .....  
in the presence of: ) Director

Signature of Witness: .....

Name of Witness: .....

Address: .....

.....

Occupation: .....

Dated: [ ] [ ] 2016

## Schedule 2 The Conditions

### Part 1. Interest, repayment and redemption

#### 1. INTEREST

- 1.1 Interest shall accrue on any outstanding Notes (and, in respect of the Convertible Notes, so far as not converted under Part 2 of Schedule 2) at a rate of 2.33% per annum (“**Interest Rate**”) and shall become due and payable by the Company to the Noteholder on each Interest Payment Date.
- 1.2 Interest shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment of interest.
- 1.3 If the Company fails to pay redemption monies or interest when due, interest shall continue to accrue on the unpaid amount at the Interest Rate.
- 1.4 On any Interest Payment Date, the Company may at its own option issue to the Noteholder that number of PIK Notes of £1.00 nominal amount that equals every £1.00 of interest due to the Noteholder in the ratio as between the Convertible Notes and the Loan Notes set out in Schedule 4 Part B (rounded upwards to the nearest whole number) in full or partial satisfaction of interest that has accrued in respect of the Notes up to that date, except that the Company shall be entitled to retain such proportion of PIK Notes as shall equal any tax required by law to be deducted or withheld, and any reference in this Instrument to payment of interest on the Notes shall be construed accordingly. Any PIK Notes issued on a Conversion Date or Redemption Date or the Final Redemption Date shall be deemed to be issued immediately prior to a conversion or redemption so that they are able to be converted or redeemed on such Conversion Date or Redemption Date or Final Redemption Date if applicable.
- 1.5 Any PIK Notes issued by the Company in satisfaction of interest due and payable on the Convertible Notes shall:
  - (a) rank equally in all respects with each other and with all other Convertible Notes; and
  - (b) be issued on identical terms in all respects to all other Convertible Notes, including as to payment of interest, redemption and conversion, but excluding their aggregate nominal amount and issue date.
- 1.6 Any PIK Notes issued by the Company in satisfaction of interest due and payable on the Loan Notes shall:

- (a) rank equally in all respects with each other and with all other Loan Notes; and
- (b) be issued on identical terms in all respects to all other Loan Notes, including as to payment of interest and redemption, but excluding their aggregate nominal amount and issue date.

## 2. REPAYMENT OF PRINCIPAL

As and when the Notes are to be redeemed in accordance with paragraph 4 or paragraph 6 of this Part 1 of Schedule 2, the Company shall pay to the Noteholder the principal amount of the Notes which are to be redeemed.

## 3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

## 4. REDEMPTION PRIOR TO FINAL REDEMPTION DATE

4.1 If the Noteholder so determines, all the Notes then in issue (and, in the case of the Convertible Notes, so far as not converted under Part 2 of this Schedule 2) prior to the Final Redemption Date shall be redeemed at the principal amount together with interest on the Notes outstanding at the Interest Rate on the relevant of the following dates:

- (a) on 26 April 2021; or
- (b) a date not less than 20 Business Days following a material breach by the Company of any of the terms of this Instrument and/or the Conditions (including as set out in this Part 1 of Schedule 2); or
- (c) a date not less than 20 Business Days following the occurrence of an Event of Default,
- (d) a date not less than 20 Business Days following a Change of Control of the Company,

(each such date being a “**Redemption Date**”).

4.2 At least 20 Business Days before the relevant Redemption Date in the case of paragraph 4.1(a) and at least 10 Business Days following the relevant Redemption Date in the case of paragraph 4.1(b), (c) and (d) (the “**Relevant Redemption Date**”), the Noteholder shall give the Company written notice of his intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1 (subject always, in the case of a material breach, if capable of remedy, to such material breach not being remedied to the Noteholder’s reasonable satisfaction within the 20 Business Day period referred to in paragraph 4.1(b)) (“**Redemption Notice**”). Within five Business Days of the Relevant Redemption Date, the Company shall repay to the Noteholder the

principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the Interest Rate. A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

## **5. EVENTS OF DEFAULT RESULTING IN IMMEDIATE REDEMPTION**

The Notes then in issue shall be immediately redeemed at the principal amount, together with interest on the Notes outstanding at the Interest Rate, if:

- (a) an administration order is made in relation to the Company; or
- (b) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company (except for the purpose of reorganisation or amalgamation of the Company); or
- (c) an encumbrancer takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company and is not discharged, paid out, withdrawn or removed within [twenty one] Business Days; or
- (d) the Company stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business; or
- (e) the Company is deemed for the purposes of section 123 Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally; or
- (f) the Company fails to pay in full on the due date any sum due from it under the Notes or this Instrument in the manner specified in this Instrument unless its failure to pay is caused by administrative or technical error and payment is made within two Business Days of its due date; or
- (g) the Company fails duly to perform or comply with any obligation expressed to be assumed by it under the Notes or this Instrument and such failure (if remediable) is not remedied to the reasonable satisfaction of the Noteholder within 10 Business Days of the Company becoming aware of the relevant breach; or
- (h) the Company repudiates any of the Notes or this Instrument or does or causes to be done any act or thing evidencing an intention to repudiate any of the Notes or this Instrument; or
- (i) at any time it is or becomes unlawful for the Company to perform or comply with any or all of its obligations under any of the Notes or this Instrument or any of the obligations of the Company under any of the Notes or this Instrument are not, or cease to be, legal, valid and binding; or
- (j) if the Company or its directors (or any of them) are found to be in material breach of the AIM Rules for Companies published by the London Stock

Exchange from time to time (the “**AIM Rules**”), the Companies Act 2006, the Financial Services and Markets Act 2000 or any other applicable legal or regulatory requirement to which the Company or its directors are subject; or

- (k) the Company fails to accept and implement the advice of its nominated adviser for the time being on a material matter concerning action to be taken in respect of the continuing obligations of the Company under the AIM Rules or any other applicable legal or regulatory requirement; or
- (l) any written representation or written warranty made to RS at the date of this Instrument by or on behalf of the Company or any director in or in connection with this Instrument or the RS Subscription Letter is or becomes untrue, inaccurate or misleading in any material respect; or
- (m) if the Ordinary shares cease to be traded on Aim or any other recognised investment exchange.

## **6. REDEMPTION ON FINAL REDEMPTION DATE**

If not otherwise redeemed or, in the case of the Convertible Notes redeemed or converted, pursuant to this Schedule 2, the Notes shall be redeemed on the Final Redemption Date when the Company shall repay to the Noteholder the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the Interest Rate.

## **7. ACTION FOLLOWING REDEMPTION**

- 7.1 The Company shall give written notice to the Noteholder immediately on the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.
- 7.2 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into a bank account which payment shall discharge the Company from all further obligations in respect of the Note.
- 7.3 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

## **8. RIGHT TO WITHHOLD**

The Company may deduct from any principal amount or interest payable in accordance with the Conditions any tax or other amounts which the Company may be required by law to deduct.

## **Part 2. Conversion**

### **1. CONVERSION**

At any time after the date of this Instrument the Noteholder shall have the right to serve a Conversion Notice on the Company to convert all or part of the Convertible Notes outstanding into fully paid Ordinary Shares at the Conversion Price.

### **2. PROCEDURES ON CONVERSION**

2.1 On the Conversion Date, the Directors shall convert the principal amount of the Convertible Notes into such number of new fully paid Ordinary Shares at the Conversion Price, subject to any adjustment as set out in paragraph 2.9 and in accordance with the following provisions of paragraph 2.2 to paragraph 2.5 (inclusive).

2.2 Conversion of the Convertible Notes shall be effected by the Company redeeming the relevant Convertible Notes on the Conversion Date. Each Noteholder whose Convertible Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Convertible Notes.

2.3 Ordinary Shares arising on conversion of the Convertible Notes shall be issued and allotted by the Company on the Conversion Date and the certificates for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk. Each Ordinary Share arising on conversion shall be issued and allotted at such premium to reflect the difference between the nominal amount of the Ordinary Share and the principal amount of Convertible Notes converted into one Ordinary Share on the Conversion Date.

2.4 The Ordinary Shares arising on conversion of the Convertible Notes shall be credited as fully paid and rank *pari passu* with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared after the Conversion Date.

2.5 The entitlement of each Noteholder holding Convertible Notes to a fraction of an Ordinary Share shall be rounded to the nearest whole number of Ordinary Shares which result from the conversion of the Convertible Notes.

2.6 Provided that on the Conversion Date, the Ordinary Shares (or any of them) are listed on the Official List of the UKLA or are admitted to trading on AIM or permission has been granted for dealings therein on any other recognised investment exchange in any part of the world, the Company will, not later than seven Business Days after the issue of such Ordinary Shares, apply to such body for permission to deal in or for quotation

of such Ordinary Shares (as the case may be) (“**Admission**”) and shall use all reasonable endeavours to secure Admission.

- 2.7 Provided that on the Conversion Date, the Company is participating in CREST or another electronic or book-entry delivery system in respect of the Ordinary Shares, the Company will, not later than the date of Admission procure that such Ordinary Shares be traded on CREST (or such other electronic or book-entry delivery system as applicable).
- 2.8 The Company undertakes that, while the Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes or the issue of the Ordinary Shares on conversion of the Convertible Notes, each in accordance with the provisions of this Instrument):
- (a) not issue any instrument that ranks pari passu or in priority to this Instrument and/or the Notes constituted by it without the prior sanction of the Noteholder;
  - (b) not alter the Articles in any way which would adversely affect the rights of the Noteholder without the prior written consent of the Noteholder;
  - (c) notify each Noteholder in writing as soon as reasonably practicable after the relevant board or general meeting of shareholders (whichever is the earliest) has resolved to implement an Adjustment Event specifying the prospective date of the Adjustment Event and the proposed terms of it;
  - (d) maintain sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the most onerous of the outstanding rights of conversion for the time being attaching to the Convertible Notes pursuant to paragraph 1.1 of this Part 2 of Schedule 2, without first having to offer the same to any existing shareholders of the Company or any other person.
- 2.9 Following an Adjustment Event, the professional advisors or auditors of the Company for the time being shall certify to the Company in writing the adjustments to the number and nominal value of the Ordinary Shares to be converted which they consider to be necessary so that, after such adjustment and on conversion, the Noteholder (in respect of the Convertible Notes) shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Ordinary Shares on conversion of the Convertible Notes). The Company shall then notify the Noteholder in writing of the necessary adjustment as determined by the professional advisors or auditors.

### **Part 3. Transfer provisions and other matters**

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.
2. The Notes are freely transferable by the Noteholder subject always to the Noteholder transferring all (and not some only) of the Notes. The Notes are transferable in accordance with this Part 3 of Schedule 2 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal.
3. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the Register in respect of such Notes.
4. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.
5. No transfer of Notes shall be registered in respect of which a Redemption Notice or Conversion Notice has been given.
6. Payment of the principal amount on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the Register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the Register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.



7. If more than one person is entered in the Register as joint holders of any Notes then, without prejudice to paragraph 6 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.
8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the Register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.
9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on the Noteholder by sending it by first-class post in a prepaid envelope addressed to the Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the Register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.
10. Any notice or other document delivered or sent by post to, or left at, the registered address of the Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the Register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.
11. A copy of this Instrument shall be kept at the Registered Office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

**Schedule 3 Conversion Notice**

To: The Directors  
cloudBuy PLC (the “Company”)  
(Registered in England and Wales under no. 3732253)  
Unit 5  
Jupiter House  
Calleva Park  
Aldermaston  
Reading RG7 8NN

From: [Noteholder]

Date: [date]

**Part A**

I, We, the registered holder of the 2.33% fixed rate secured convertible loan notes 2016 (“Convertible Notes”) issued by the Company hereby give notice in accordance with and pursuant to the terms of the Loan Note Instrument executed by the Company dated [ ] 2016 (“Instrument”) of my/our wish to exercise my/our conversion rights in respect of [all] or [part] of the Convertible Notes accordance with the particulars below.

<b>Principal amount of Convertible Notes (£)</b>	<b>Number of Ordinary Shares to be issued at the Conversion Price (as defined in the Instrument)</b>
[ ]	[ ]

**Part B**

I desire all of such Ordinary Shares to be registered in my/our name.

**Part C (CREST)**

Electronic book entry transfer of depository interests representing such Ordinary Shares requested: (check one) (1) YES \_\_\_\_ NO \_\_\_\_

Crest Participant ID: \_\_\_\_\_ Crest Account ID: \_\_\_\_\_

Please issue the Ordinary Shares to me to the address shown above or, if no address is given, to the registered address of the Noteholder.

**Or**

**Part D (hard copy certificates)**

I/we hereby authorise the despatch of the certificate(s) in respect of the Ordinary Shares in the Company to be allotted to me/us by post to the address shown above or if no address is given to the registered address of the Noteholder.

.....  
Signature of registered Noteholder \_\_\_\_\_ Date: \_\_\_\_\_

**NOTES**

1. In the case of a corporation, this notice must be executed under its common seal or under the hand of some officer or attorney of the corporation duly authorised in that behalf.
2. Provided that the Company is participating in CREST (as defined in the Instrument) or another electronic or book-entry delivery system in respect of the Ordinary Shares, if you wish to receive your Ordinary Shares through CREST, or its equivalent, please complete Part C. If you wish to receive your shares in certificated form, please complete Part D.
3. In order to exercise their rights of conversion, the registered Noteholder must complete this notice of conversion and lodge it at the registered office of the Company. The rights are subject to adjustment as set out in the Instrument and completion and lodgement of this notice will in that event be deemed to be an exercise of the rights as so adjusted.

## Schedule 4 Issue of the Notes and the PIK Notes

### Part A

The table below in this Schedule 4 Part A sets out (i) the principal amount of the Notes permitted to be allotted and issued by the Company on the Initial Issue and on any Further Issues and (ii) the ratio as between Convertible Notes and Loan Notes that shall apply on any Further Issue\*\*.

	<b>Principal Amount of Notes (£)</b>	<b>Principal Amount of Convertible Notes (£)</b>	<b>Principal Amount of Loan Notes (£)</b>	<b>Total (£)</b>	<b>Number of Ordinary Shares if Notes fully converted at Conversion Price of £0.065</b>
Initial Issue	£3,274,300	£3,274,300	£0	£3,274,300	50,373,846
Maximum Further Issues***	£2,475,700	£898,262	£1,577,438	£2,475,700	13,819,415
<b>Total:</b>	<b>£5,750,000</b>	<b>£4,172,562</b>	<b>£1,577,438</b>	<b>£5,750,000</b>	<b>64,193,261</b>

\*\* for each £100 principal amount of Notes issued on any Further Issue, £36.28 principal amount thereof shall be issued in Convertible Notes and £63.72 principal amount thereof shall be issued in Loan Notes.

\*\*\*the minimum principal amount of the Notes that may be issued in any single issue of the Notes by the Company after the Initial Issue shall be £1,000,000.

### Part B

The table below in this Schedule 4 Part B sets out the ratio that will apply in respect of any PIK Notes to be issued as between the Convertible Notes and the Loan Notes.

<b>PIK Notes</b>	<b>Amount (£)</b>	<b>Principal Amount of Convertible Notes (£)</b>	<b>Principal Amount of Loan Notes (£)</b>	<b>Total (£)</b>	<b>Number of Ordinary Shares if Convertible Notes issued as PIK Notes fully converted at Conversion Price of £0.065</b>
For each	£100	£36.28	£63.72	£100	558

Executed as a deed by **CLOUDBUY PLC** )  
acting by a director ) **DAVID GIBBON**  
in the presence of: ) Director

**WITNESS**