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COMPANIES FORM No. 395

Particulars of a mortgage or charge

A fee of £13 is payable to Companies House in respect of each register entry for a mortgage or charge.

CHFP025

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

*insert full name of Company

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 6)

For official use

Company number

210

610095

Name of company

* Waterstone's Booksellers Limited (the "Chargor")

Date of creation of the charge

31 March 2005

Description of the instrument (if any) creating or evidencing the charge (note 2)

Security Agreement dated 31 March 2005 between the Chargor, HMV Group plc, HMV Music Limited, HMV (IP) Limited and HMV UK Limited and the Security Trustee (as defined below) (the "Deed").

Amount secured by the mortgage or charge

All present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Secured Party under each Finance Document and Transaction Document to which such Obligor is a party, except for any obligation which, if it were so included, would result in the Deed contravening Section 151 of the Companies Act 1985 (the "Secured Liabilities").

Names and addresses of the mortgagees or persons entitled to the charge

The Royal Bank of Scotland plc, 135 Bishopsgate, London (the "Security Trustee")

Postcode EC2M 3UR

Presentor's name address and reference (if any):

Simmons & Simmons
CityPoint
One Ropemaker Street
London
EC2Y 9SS

For official Use (02/00)

Mortgage Section

Post room



LD3
COMPANIES HOUSE

0440
08/04/05

Time critical reference

AB32805/AMN/WZR/78254534

Short particulars of all the property mortgaged or charged

Please see continuation sheet attached hereto.

Please do not
write in
this margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

Particulars as to commission allowance or discount (note 3)

Nil

Signed

Simmons & Simmons

Date

8 April 2005

On behalf of [company] ~~XXXXXXXXXXXX~~ *Waterstone's Booksellers Limited*

A fee is payable
to Companies
House in
respect of each
register entry
for a mortgage
or charge.
(See Note 5)

† delete as
appropriate

Notes

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage", or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
(a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
(b) procuring or agreeing to procure subscriptions, whether absolute or conditional,
for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.
- 5 A fee of £13 is payable to Companies House in respect of each register entry for a mortgage or charge. Cheques and Postal Orders must be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is: Companies House, Crown Way, Cardiff CF14 3UZ

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Continuation Sheet 1

SHORT PARTICULARS OF ALL THE PROPERTY MORTGAGED OR CHARGED

(A) The Chargor charges:

- (i) by way of a first legal mortgage all estates or interests in any freehold or leasehold property now owned by it specified in Schedule 1 to this Form 395; and
- (ii) (to the extent that they are not the subject of a mortgage under sub-paragraph (i) above) by way of first fixed equitable charge all estates or interests in any freehold or leasehold property and agrees to execute a legal mortgage of such property in favour of the Security Trustee in such form as the Security Trustee may reasonably require.

(B) The Chargor assigns by way of security all of its rights in respect of any of the contracts or policies of insurance taken out by it or on its behalf or in which it has an interest specified in Schedule 2 to this Form 395.

(C) The Chargor charges by way of a first fixed charge, all of its rights in respect of:

- (i) any know-how, patent, trade mark, service mark, design, business name, topographical or similar right;
- (ii) any copyright or other intellectual property monopoly right; or
- (iii) any interest (including by way of licence) in any of the above,

in each case whether registered or not and including all applications for the same.

(D) The Chargor charges by way of a first legal mortgage all shares in all Obligors incorporated in the United Kingdom owned by it or held by any nominee on its behalf.

(E) The Chargor charges by way of a first floating charge:

- (i) all its assets (other than those situated in Scotland) not at any time otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, charge or assignment under the Deed; and
- (ii) without exception, the whole of its undertaking and assets present and future insofar as they are situated in Scotland or otherwise governed by or subject to Scots law.

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Continuation Sheet 2

The following provisions of the Deed should also be noted:

1. All the security created under the Deed:
 - (i) is created in favour of the Security Trustee;
 - (ii) is created over present and future assets of each Chargor; and
 - (iii) is security for the payment of all the Secured Liabilities.
2. If the rights of a Chargor under a document cannot be secured without the consent of a party to that document:
 - (i) that Chargor must notify the Security Trustee promptly;
 - (ii) the Deed will secure all amounts which that Chargor may receive, or has received, under that document but subject to paragraph 3 below, exclude the document itself; and
 - (iii) unless the Security Trustee otherwise requires, that Chargor must forthwith apply *for consent and use reasonable endeavours to obtain the consent of the relevant party to that document being secured under the Deed.*
3. For the purposes of paragraph 2(ii) above only, a lease of any Real Property named under the heading Real Property in Schedule 1 where landlord's consent to charge is required but consent cannot be unreasonably withheld (whether expressly or impliedly by statute) such a document shall be deemed to be a document for which no consent is required and the Security will for the purposes of the Deed be deemed to be effective from the date of the Deed.
4. The Security Trustee holds the benefit of the Deed on trust for the Secured Parties.
5. The Chargor may not:
 - (i) create or permit to subsist any Security Interest on any Security Asset; or
 - (ii) sell, transfer, licence, lease or otherwise dispose of any Security Asset,

except as expressly allowed under the Credit Agreement.
6. All the security created under the Deed:
 - (i) is created in favour of the Security Trustee;
 - (ii) is created over present and future assets of each Chargor; and

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Continuation Sheet 3

- (iii) is security for the payment of all the Secured Liabilities.
7. A reference in paragraph (A) above to a mortgage or charge of any freehold or leasehold property includes:
- (i) all buildings, fixtures, fittings and fixed plant and machinery on that property; and
 - (ii) the benefit of any covenants for title given or entered into by any predecessor in title of a Chargor in respect of that property or any moneys paid or payable in respect of those covenants.
8. A reference in paragraph (D) above to a mortgage or charge of any stock, share, debenture, bond or other security includes:
- (i) any dividend or interest paid or payable in relation to it; and
 - (ii) any right, money or property accruing or offered at any time in relation to it by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise.
9. (a) The Security Trustee may (to the extent competent under applicable law) by notice to a Chargor convert the floating charge created by that Chargor under paragraph (E) above into a fixed charge as regards any of that Chargor's assets specified in that notice, if:
- (i) an Event of Default is outstanding; or
 - (ii) the Security Trustee reasonably considers those assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy.
- (b) The floating charge created by paragraph (E) may not be converted into a fixed charge solely by reason of:
- (1) the obtaining of a moratorium; or
 - (2) anything done with a view to obtaining a moratorium,
- under the Insolvency Act 2000.
- (c) The floating charge created by paragraph (E) will automatically convert into a fixed charge over all of a Chargor's assets if an administrator is appointed or the Security Trustee receives notice of an intention to appoint an administrator.
- (d) The floating charge created by paragraph (E) is a **qualifying floating charge** for the purpose of paragraph 14 of Schedule B1 to the Insolvency Act 1986.

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Continuation Sheet 4

In this Form 395:

Accession Agreement means a letter agreement, substantially in the form of Schedule 7 (Form of *Accession Agreement*) of the Credit Agreement.

Additional Borrower means a member of the Group which becomes a Borrower after the date of the Credit Agreement.

Additional Guarantor means a member of the Group which becomes a Guarantor after the date of the Credit Agreement.

Administrative Party means the Issuing Bank, the Security Trustee or the Facility Agent.

Borrower means the Company or an Additional Borrower unless it has ceased to be a Borrower in accordance with Clause 30.8 (*Resignation of an Obligor (other than the Company)*) of the Credit Agreement.

Company means HMV Group plc

Credit Agreement means the £260,000,000 credit agreement dated 23 March 2005 between (among others) HMV Group plc (as borrower) and the Facility Agent.

EMI means EMI Group plc.

EMI Counter Indemnity means a deed of counter indemnity dated on or about 28th March, 1998 between, amongst others, the Company and EMI in respect of any payment made by EMI or certain of its Subsidiaries under various guarantees, bonds, letters of comfort and similar undertakings entered into by EMI and its Subsidiaries in respect of rent payable by the Group for certain of the properties owned by members of the Group.

Event of Default means an event specified as such in the Credit Agreement.

Facility means the revolving credit facility made available under the Credit Agreement.

Facility Agent means The Royal Bank of Scotland plc.

Fee Letters means the letters entered into by reference to the Credit Agreement between any or all of the Finance Parties and the Company setting out the amount of certain fees referred to in the Credit Agreement and **Fee Letter** means any one of them.

Finance Document means:

- (A) the Credit Agreement;
- (B) a Fee Letter;
- (C) the Intercreditor Agreement;

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- (D) an Intercreditor Accession Agreement;
- (E) an Accession Agreement;
- (F) a Resignation Request;
- (G) a Security Document; or
- (H) any other document designated as such by the Facility Agent and the Company.

Finance Party means a Lender or an Administrative Party.

Group means the Company and its Subsidiaries.

Guarantor means an Original Guarantor or an Additional Guarantor unless it has ceased to be a Guarantor in accordance with Clause 30.8 (*Resignation of an Obligor (other than the Company)*) of the Credit Agreement.

Intercreditor Accession Agreement means a letter agreement, substantially in the form of Schedule 2 to the Intercreditor Agreement.

Intercreditor Agreement means the intercreditor agreement between, amongst others, the Company, EMI and the Security Trustee in form and substance satisfactory to the Facility Agent.

Issuing Bank means The Royal Bank of Scotland plc.

Lender means:

- (A) an Original Lender; or
- (B) any person which becomes a Lender after the date of the Credit Agreement.

Obligor means a Borrower or Guarantor.

Original Guarantors means together the Company, HMV Music Limited, Waterstone's Booksellers Limited, HMV (IP) Limited and HMV UK Limited.

Original Lender means the financial institutions listed in Schedule 1 (*Original Parties*) of the Credit Agreement.

Real Property means the properties listed in Schedule 2 (*Security Assets*) of the Deed.

Resignation Request means a letter substantially in the form of Schedule 8 (*Form of Resignation Request*) to the Credit Agreement.

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Continuation Sheet 6

Secured Party means each Finance Party and EMI Group PLC as agent and trustee for the EMI Guarantors (as defined in the EMI Counter Indemnity).

Security Agreement means a security agreement in substantially the form of Schedule 10 (*Form of Security Agreement*) to the Credit Agreement which includes, for the avoidance of doubt, the Deed.

Security Asset means all assets of the Chargor the subject of any security created by the Deed.

Security Document means:

- (A) the Security Agreement; and
- (B) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Finance Party under the Finance Documents.

Security Interest means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement or arrangement having similar effect.

Subsidiary means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership and "**control**" for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

Transaction Document means the EMI Counter Indemnity.

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Continuation Sheet 7

SCHEDULE 1 – SECURITY ASSETS

REAL PROPERTY

1. The leasehold property known as 20-21 St Margaret's Street, Canterbury comprised in title number K695331.
2. The leasehold property known as 2a (Unit 1) The Hayes, Cardiff comprised in title number WA661976.
3. The leasehold property known as 88-90 The Promenade, Cheltenham comprised in title number GR200571.
4. The leasehold properties known as Unit 4, 18/19 Tavern Street and 13-19 Buttermarket, Ipswich comprised in title number SK53699.
5. The leasehold property known as 189 Kensington High Street, London W8 comprised in title number BGL18293.
6. The leasehold property known as 191-195 Kensington High Street, London W8 comprised in title number NGL634612.
7. The leasehold property known as 203/206 Piccadilly and 30/32 Jermyn Street, London, W1 comprised in title number NGL778621.
8. The leasehold property known as 231/237 Kensington Church Street and 39/41 Notting Hill Gate, London W11 comprised in title number NGL522007.
9. The leasehold property known as Ground and Basement Floors 1, 3 and 5, Bridlesmith Gate, Nottingham comprised in title number NT232927.
10. The leasehold property known as Unit 2, Leicester Harmsworth House, 65-69 New George Street, Plymouth comprised in title number DN343181.
11. The leasehold property known as 2-6 (even numbers) Hill Street and 2 Red Lion Street, Richmond Upon Thames comprised in title number SGL510079.
12. The leasehold property known as Units WVL16 and WVU1 Lower and Upper Levels, Bluewater West Greenhithe, Kent as more particularly described and comprised in a lease dated 9th July 1999 made between Blueco Limited (1) and Waterstone's Booksellers Limited (2).
13. The Leasehold property known as 33 Lower Mall, Cribbs Causeway, Bristol as more particularly described and comprised in a lease dated 11th May 2001 made between The Prudential Assurance Company Limited (1) and Waterstone's Booksellers Limited (2).

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14. The leasehold property known as 11A The Galleries, Bristol as more particularly described and comprised in a lease dated 12th June 1996 made between The Norwich Union Life Insurance Society (1) and Waterstone's Booksellers Limited (2).
15. The leasehold property known a 78-80 St Peter's Street, Derby as more particularly described and comprised in a lease dated 13th October 1994 made between Lunato Estates Establishment (1) and Waterstone's Booksellers Limited (2).
16. The leasehold property known as 68-69 Hampstead High Street, London NW3 as more particularly described and comprised in a lease dated 20th February 1998 made between The Prudential Assurance Company Limited (1) and Waterstone's Booksellers Limited (2).
17. The leasehold property known as 10-12 Islington Green, London as more particularly described and comprised in a lease dated 31st January 1996 made between Fleetplan Limited (1) and Waterstone's Booksellers Limited (2).
18. The leasehold property known as Ground Floor, Unit 1, and First Floor Units 1, 2 and 3 (1 Priorsgate), Warwick Street, Leamington Spa as more particularly described and comprised in a lease dated 25th May 1995 made between Sun Life Assurance Company of Canada (UK) Limited (1) and Waterstone's Booksellers Limited (2).
19. The leasehold property known as 91 Deansgate, Manchester as more particularly described and comprised in a lease dated 29th April 1998 made between The Scottish Life Assurance Company (1) and Waterstone's Booksellers Limited (2).
20. The leasehold property known as Stores A & E Shop Unit 1 and Craft Workshops 2 & 3, Orchard Square, Fargate, Sheffield as more particularly described and comprised in a lease dated 5th February 1997 made between MEPC Developments Limited (1) and Waterstone's Booksellers Limited (2).
21. The leasehold property known as 18-19 High Street, Shrewsbury as more particularly described and comprised in a lease dated 14th Judy 1988 made between The Manufacturers Life Insurance Company (U.K.) Limited (1), Waterstone's (Regent Street) Limited (2) and Waterstone & Co. Limited (3).
22. The leasehold property known as Unit MSU3, West Quay Shopping Centre, Above Bar, Southampton as more particularly described and comprised in a lease dated 25th October 2001 made between West Quay Shopping Centre Limited (1), Waterstone's Booksellers Limited (2) and HMV Media Group plc (3).
23. All interest in the leasehold property known as Unit 3, 126-138 Camden High Street, London comprised in title number NGL681650.
24. The leasehold property known as 311 Oxford Street, London, W1 comprised in title number NGL611655.

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Continuation Sheet 9

SCHEDULE 2

INSURANCES

Policy Type	Insured	Insurance Brokers / Insurers
Excess Public and Products/Umbrella Liability Insurance	HMV Group plc and Subsidiary Companies	Heath Lambert Group
Global Commercial "All Risks"	HMV Group plc and Subsidiary Companies	Heath Lambert Group
Collective "All Risks" Material Damage and Business Interruption Master Policy	HMV Group plc and Subsidiary Companies	Royal & Sun Alliance Insurance plc

FILE COPY



CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 00610095

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A SECURITY AGREEMENT DATED THE 31st MARCH 2005 AND CREATED BY WATERSTONE'S BOOKSELLERS LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE OF EACH OBLIGOR TO ANY SECURED PARTY UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 8th APRIL 2005.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 12th APRIL 2005.

P. D. M.



Companies House

— for the record —



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES