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COMPANIES FORM No. 395

Particulars of a mortgage or charge

395

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write in  
this margin

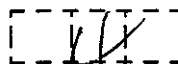
Pursuant to section 395 of the Companies Act 1985

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

To the Registrar of Companies  
(Address overleaf - Note 5)

For official use

Company number



2915494

Name of company

\* AEC Holdings (UK) Limited

\* insert full name  
of company

Date of creation of the charge

25th July 1995

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

Deed of Debenture constituting a Floating Charge

Amount secured by the mortgage or charge

Please see attached continuation sheet

ob  
under any of the  
loan documents  
(as defined therein)  
and  
J...

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

The Chase Manhattan Bank, N.A., as Security Agent for the Beneficiaries  
(as defined in the Debenture) 410 Park Avenue Ground Floor

Postcode New York 10022

Presenter's name address and  
reference (if any): N729

**THEODORE GODDARD**  
150 ALDERSGATE STREET  
LONDON EC1A 4EJ

For official Use  
Mortgage Section

Post room

Time critical reference



Short particulars of all the property mortgaged or charged

Please do not  
write in  
this margin

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

PLEASE SEE ATTACHED CONTINUATION SHEET

Particulars as to commission allowance or discount (note 3)

N/A

Signed

*Theodore Goddard*

Date

*15/8/95*

On behalf of ~~[company/mortgagee]~~ [mortgagee/chargee]†

† 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 The address of the Registrar of Companies is:-  
Companies House, Crown Way, Cardiff CF4 3UZ

CONTINUATION SHEET

AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

AMOUNTS SECURED BY THE MORTGAGE OR CHARGE

All monies and other liabilities, whether principal, interest, obligations as a guarantor, commission, charges, costs, expenses or otherwise, in whichever currency which now are, or at any time hereafter, may become (whether on or at any time after such demand) due, owing or incurred to the Beneficiaries by the Chargor under any of the Loan Documents, and, in each case, whether alone or jointly with any other person, whether actual or contingent and whether as principal debtor, guarantor, surety or otherwise.

SHORT PARTICULARS OF ALL THE PROPERTY MORTGAGED OR CHARGED

As beneficial owner and as continuing security for the Indebtedness by way of first floating charge the undertaking and all the assets of the Chargor both present and future.

The floating charge created by the Debenture is to become a specific charge, as regards any property, assets, rights or title specified in a notice from the Security Agent to the Chargor, if an Event of Default has occurred and is continuing.

The Chargor on 25th July, 1995 executed a First Charge over Shares in Castle Communications Limited in favour of the Security Agent as trustee for the Beneficiaries as security for the same obligations as those secured pursuant to the Debenture. The first fixed charge created pursuant to such document over the Charged Assets (as therein defined) shall rank ahead in priority over any security over such corresponding assets created pursuant to the Debenture.

At any time after an Event of Default shall have occurred and is continuing, until the Debenture shall be discharged, it is and shall be a term of each contract relating to each debt constituted by a credit balance for the time being and from time to time on any account(s) for the time being and from time to time opened with the Security Agent and/or any Beneficiary at any of its branches in the name of the Chargor or to which the Chargor is beneficially entitled, together with interest for the time being and from time to time accrued thereon (all such debts and interest being referred to as the "Balances") or any part thereof shall not be payable or repayable by the Security Agent and/or any Beneficiary to the Chargor to the extent that the aggregate amount of the Balances at any time shall not exceed the Indebtedness, and the Security Agent and/or any Beneficiary may (but shall not be obliged to) for the time being and from time to time, without notice to the Chargor and in addition to any lien or other right to which the Security Agent and/or any Beneficiary may for the time being be and from time to time become entitled by law:-

(1) retain the Balances or any part thereof to the extent of the Indebtedness; and/or

(2) set off, transfer and/or apply the Balances or any part thereof, together with other sums (if any) for the time being and from time to time owing to the Chargor and in its hands, in or towards payment or satisfaction of the Indebtedness and, if it shall so decide, to purchase out of the Balances such other currencies at its usual spot rate for the time being as may be necessary to effect such set-off, transfer or application; and/or

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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

(3) combine or consolidate all or any of the accounts of the Chargor with it at any of the branches of it; and/or

(4) refuse payment of any cheque, bill, note, order or notice of withdrawal drawn or made by the Chargor or upon which it may be otherwise liable and which if paid or complied with would reduce the Balances (exclusive of interest accruing) to less than the amount of the Indebtedness;

and the Security Agent and the Beneficiaries are not to be liable for any loss to the Chargor by reason of the exercise of such rights including, but without limitation, any loss of interest on the Balances.

The parties have agreed that to the extent that there are any inconsistencies between the above provisions and the corresponding provisions of the Loan Documents, the latter shall prevail.

The Credit Agreement contains covenants restricting, inter alia, the ability of the Chargor to borrow and/or guarantee and also a covenant to the effect that so long as any of the Loans shall remain unpaid or any Trade Letter of Credit Obligation or Standby Letter of Credit Obligation shall remain outstanding or any Bank shall have any Alliance Revolving Credit Commitment under the Credit Agreement or Chase shall have any Trade Letter of Credit Commitment or Standby Letter of Credit Commitment or Chase UK shall have any Castle Revolving Credit Commitment under the Credit Agreement or any other amount is owing by any Borrower to any Bank Party under the Credit Agreement or under any other Loan Document (each such term being as defined in the Credit Agreement), Alliance and each Restricted Subsidiary shall not create, incur, assume or suffer to exist any Lien, upon or with respect to any of its real or personal properties (including, without limitation, leasehold interests, leasehold improvements and any other interest in real property or fixtures), now owned or hereafter acquired, except for certain categories listed in Section 9.01 of the Credit Agreement.

In the Debenture, the following words have the following meanings:-

"assets" means assets of every kind, including, but without limitation, the benefit of an agreement, a building or other fixture, a business, goods, goodwill, immoveable property, money, plant or other equipment, stock-in-trade, the uncalled capital of a body corporate, an undertaking and work-in-progress and any interest therein and, as the context shall require or admit, any part of such assets.

"Beneficiaries" means the Security Agent, Chase US, Chase UK and each Bank Party and each of their respective successors, endorsees, transferees and assigns (each a "Beneficiary").

"Charged Assets" means all the right, title, interests and assets of the Chargor for the time being and from time to time the subject of or expressed to be the subject of any interest by way of security created by the Chargor in favour of the Security Agent under or pursuant to the Debenture or pursuant to the Loan Documents as further security for the Beneficiaries in relation to the Loan Documents and the proceeds of any security created by or pursuant to the Debenture or the Loan Documents, and, as the context shall require or admit, any part thereof.

"Credit Agreement" means the Third Amended and Restated Credit Agreement and Guaranty dated 25th July, 1995 entered into amongst, inter alios,

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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

Alliance Entertainment Corp., the Chargor, Castle Communications Limited, the Guarantors and Banks (as therein defined) and the Security Agent.

"Debenture" means the Debenture and any deed for the time being and from time to time expressed to be supplemental thereto and any other deed or document for the time being and from time to time conferring rights upon the Security Agent as trustee for the Beneficiaries or to which it may be a party executed or entered into pursuant to the Debenture or any deed for the time being and from time to time supplemental thereto.

"Immoveable Property" means all freehold, leasehold, heritable or other land or buildings wheresoever situate and any estate or interest therein of the Chargor and as the context shall require or admit, any part of such immoveable property.

"Indebtedness" means all monies, liabilities and other sums of whatsoever nature covenanted to be paid and discharged by the Chargor to the Security Agent as trustee for the Beneficiaries under Clause 2 of the Debenture and as specified in "Amounts Secured by the Mortgage or Charge" and, as the context shall require or admit, any part of such monies, liabilities and other sums.

"interest by way of security" means any mortgage, pledge, lien, charge, assignment by way of security, hypothecation, title retention, finance lease, factoring or discounting of debts or any other agreement or arrangement for or by way of security, including such as arises or is imposed by operation or implication of applicable law and including any account with bankers earmarked or designated for the use of making preferential payments pursuant to Sections 40 and 175 of (together with Section 386 of, and paragraphs 9 and 10 of Schedule 6 to,) the Insolvency Act 1986 or any other provision of applicable law having similar or substantially similar effect or any Lien.

"Loan Documents" bears the meaning ascribed to it in the Credit Agreement and includes any Assignment and Assumption Agreement.

"Security Agent" means the Security Agent and includes its successors and assigns and also all other persons from time to time and for the time being appointed as Agent pursuant to the Loan Documents.

"security constituted by the Debenture" means the interests by way of security for the time being and from time to time constituted by or in pursuance of the Debenture and includes interests by way of collateral security and, as the context shall require or admit, any such interests.

In the Debenture certain words are defined by reference to their respective meanings in the Credit Agreement:-

"Acquisition" means either or both of (1) the purchase of more than a fifty percent (50%) Equity Interest in a Person, or (2) the purchase of any assets of a Person (other than the purchase of inventory and other assets required to operate a business, both in the ordinary course of business), including but not limited to the purchase of any Intellectual Property.

"Active Castle Subsidiaries" means each of Dojo Limited, Hendring Limited, Eastern Light Productions Limited, White Metal Music Limited, Castle Copyrights Limited, KAZ Records Limited and Movie Gems (UK) Distribution Limited.

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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

"AEC(UK) Deed of Debenture" means both (1) the Deed of Debenture made by AEC(UK) to Chase, as Security Agent, dated the Effective Date and (2) the Deed of Debenture made by AEC (UK) to Chase, as Security Agent date the Third Closing Date

"AEC(UK) First Charge Over Shares" means both (1) the First Charge Over Shares in Castle by AEC(UK), as Chargor, and Chase, as Security Agent, dated the Effective Date and (2) the First Charge over Shares in Castle by AEC (UK) as Chargor, and Chase, as Security Agent, date the Third Closing Date.

"AEC(UK) Guarantor" means Alliance, and Castle.

"Agent" means Chase US or Chase UK, when acting in its capacity as the Agent under any of the Loan Documents, and any successor thereto.

"Alliance" means Alliance Entertainment Corp.

"Alliance Term Loan Notes" has the meaning specified in section 2.12 of the Credit Agreement.

"Alliance First Charge Over Shares" means both (1) the First Charge Over Shares in AEC(UK) by Alliance, as Chargor, and Chase, as Security Agent, dated the Effective Date, and (2) the First Charge over shares in AEC (UK) by Alliance, as Chargor, and Chase, as Security Agent, dated the Third Closing Date.

"Alliance Guarantors" means each Subsidiary of Alliance as of the Third Closing Date (other than (1) the Inactive Castle Subsidiaries, (2) each of the following Active Castle Subsidiaries: Hendring Limited, Eastern Light Productions Limited and White Metal Music Limited, (3) Alliance Talent, Inc., (4) Corporate Entertainment Productions and (5) GO Properties), including but not limited to Jerry Bassin Inc., Passport Music Distribution, Inc., Titus Oaks Records, Inc., Airlie, Inc., AEC Americas, Inc., Alliance Ventures, Inc., Premier Artists Services, Inc., Premier Signatures, Inc., AEC Music Distribution, Inc., FL Acquisition Corp., Execusoft Inc., Castle Communications (U.S.), Inc., Concord Jazz, Inc., The Jazz Alliance, AEC Acquisition Corp., Passport Music Worldwide, Inc., Disquemusic Commercial Importadora Ltda., Brasison Distribuidora de Discos Ltd., AEC Holdings (UK) Limited, Castle Communications (Deutschland), The St. Clair Entertainment Group Inc., Castle, Castle Germany, Movie Gems (UK) Distribution Limited, Castle Copyrights Limited, Dojo Limited, A.E. Land Corp. and each Subsidiary of Alliance that becomes a Subsidiary after the Third Closing Date, except that on and after an effective release of an Alliance Guarantor in accordance with Section 5.07, a Released Subsidiary will no longer be an Alliance Guarantor.

"Alliance Revolving Credit Notes" has the meaning specified in Section 2.12 of the Credit Agreement.

"Assignee" has the meaning specified in Section 13.04 of the Credit Agreement.

"Assignment and Assumption Agreement" means an Assignment and Assumption Agreement, substantially in the form of Exhibit G to the Credit Agreement, pursuant to which a Bank assigns and an Assignee assumes rights and obligations in accordance with Section 13.04 of the Credit Agreement.

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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

"Bank" or "Banks" means each of the lenders that is a party to this Agreement on the Third Closing Date, and each lender that thereafter executes and delivers an Assignment and Assumption Agreement pursuant to S13.04 of the Credit Agreement.

"Bank Parties" means the Agent and each of the Banks.

"Borrower" means Alliance, AEC(UK) or Castle, or any or all of the foregoing, all as the context may require.

"Castle" means Castle Communications Limited.

"Castle Deed of Debenture" means both (1) the Deed of Debenture between Castle and Chase, as Security Agent, dated the Effective Date and (2) the Deed of Debenture between Castle and Chase, as Security Agent, dated the Third Closing Date.

"Castle First Charge Over Shares" means both (1) the First Charge Over Shares between Castle and Chase, as Security Agent, dated the Effective Date and (2) the First Charge over Shares between Castle and Chase, as Security Agent, dated the Third Closing Date.

"Castle Guarantor" means each of Alliance and AEC(UK).

"Castle Obligations" means all indebtedness, obligations and liabilities of Castle to Chase UK or any Bank Party, now existing or hereafter incurred, under or arising out of or in connection with the Castle Revolving Credit Loans, the Credit Agreement or any of the other Loan Documents, whether for principal, interest, obligations as a guarantor, fees, expenses or otherwise except that with respect to the Castle Subsidiary Guaranty provided by each of Hendring Limited, Easter Light Productions Limited and White Metal Music Limited the term "Castle Obligations" does not include Castle's obligations as a guarantor, including but not limited to its obligations as an Alliance Guarantor or an AEC (UK) Guarantor.

"Castle Revolving Credit Loans" has the meaning specified in Section 2.02 of the Credit Agreement.

"Castle Revolving Credit Note" has the meaning specified in Section 2.12 of the Credit Agreement.

"Castle Subsidiaries" means all Subsidiaries of Castle.

"Castle Subsidiary Deeds of Debenture" means all of the following: (1) each Deed of Debenture made by an Active Castle Subsidiary to Chase, as Security Agent, dated the Effective Date and (2) each Deed of Debenture made by an Active Castle Subsidiary to Chase, as Security Agent, dated the Third Closing Date.

"Castle Subsidiary Guaranty" means all of the following: (1) each guaranty of the Castle Obligations made by an Active Castle Subsidiary (other than Movie Gems (UK) Distribution Limited) to the Agent for the benefit of the Banks, dated the Effective Date and (2) each guaranty of the Castle Obligations made by an Active Castle Subsidiary to the Agent for the benefit of the Banks, dated the Third Closing Date.

"Catalog Subsidiary" means any Subsidiary which at the time of its Acquisition by Alliance or a Restricted Subsidiary was engaged

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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

principally in the business of exploiting owned or licensed Copyrights and the businesses related or incidental thereto.

"Chase UK" means The Chase Manhattan Bank, N.A., London branch.

"Chase" or "Chase US" means The Chase Manhattan Bank, N.A.

"Copyright" means the exclusive right, granted by Law for a certain number of years, to control the reproduction, distribution, performance, alteration or display of a creative work fixed in a tangible medium of expression, where creative works include, but are not limited to, musical works, audio-visual works and sound recordings.

"Copyright License" means a license to use and exploit a Copyright.

"Effective Date" means September 9, 1994.

"Equity Interest" means any equity interest in a Person, whether in the form of stock, a partnership interest or otherwise.

"Event of Default" has the meaning specified in Section 11.01 of the Credit Agreement.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantors" means, collectively, the Alliance Guarantors, AEC(UK) Guarantors, and the Castle Guarantors, each other Person that becomes a guarantor under the Credit Agreement and each Active Castle Subsidiary as a guarantor of the Castle Obligations under and in accordance with its Castle Subsidiary Guaranty.

"Inactive Castle Subsidiaries" means each of Castle Home Video Limited, Masterpiece Music Productions Limited, Castle Sales & Marketing Limited, Knight Records Limited, Castle Target International Limited, and Castle Premier Releasing Limited.

"Intellectual Property" means all Copyrights, Copyright Licenses, patents, trademarks and other types of intellectual property.

"Interest Rate Protection" means protection, by means of an interest rate collar, cap, swap or similar arrangement entered into by Alliance with a financial institution which is either a Bank, or a commercial or investment bank, the long term debt of which is rated at least "A" by Moody's or Standard and Poor's, or is otherwise acceptable to the Required Banks (as defined in the Credit Agreement), pursuant to which Alliance effectively limits to eleven percent (11%) per annum, for a period of not less than two (2) years following the Effective Date, Alliance's maximum interest rate on at least Thirty Million Dollars (\$30,000,000) aggregate notional principal.

"Interest Rate Protection Agreement" means the agreement under which the Interest Rate Protection is established and maintained.

"Law" means any federal, state, local or foreign statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial



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AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

or administrative interpretation thereof by a Governmental Authority or otherwise, including any judicial or administrative order, consent decree or judgment.

"Letters of Credit" means, collectively, a Trade Letter of Credit and a Standby Letter of Credit.

"Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing), except for the rights of either the licensor or licensee under a Copyright License.

"Loan Document(s)" means the Credit Agreement, the Notes, the Letters of Credit, the Castle Subsidiary Guarantees, the Security Documents, and, the Interest Rate Protection Agreement.

"Notes" means the Alliance Revolving Credit Notes, the Alliance Term Loan Notes, or the Castle Revolving Credit Note, or any or all of the foregoing, all as the context may require.

"Omnibus Pledge Agreement" means the Omnibus Pledge Agreement dated the Third Closing Date by Alliance, Airlie, Inc. and Alliance Ventures, Inc. in favour of the Banks and the Agent for the benefit of the Banks.

"Omnibus Security Agreement" means the Omnibus Security Agreement dated the Third Closing Date by Alliance and each Restricted Subsidiary (other than Castle and each Castle Subsidiary) in favour of the Banks and the Agent for the benefit of the Banks.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Pledge Agreements" means the Omnibus Pledge Agreement, the Alliance First Charge Over Shares, the AEC(UK) First Charge Over Shares and the Castle First Charge Over Shares.

"Restricted Subsidiary" means (1) each Subsidiary of Alliance (including each Castle Subsidiary) as of the Third Closing Date other than Brasison Distribuidora de Discos Ltda; AEC Americas, Inc., Disquemusic Commercial Importadora, Ltd., Alliance Talent, Inc., Corporate Entertainment Productions (a New York partnership) GO Properties, A.E. Land Corp., The St. Clair Entertainment Group Inc. and each Inactive Castle Subsidiary, (2) each Catalog Subsidiary, and (3) each other Subsidiary of Alliance (other than those specifically excluded under Clause (1) above) (a) in which the direct or indirect loans, advances and other investments of one or more of Alliance and its Subsidiaries in the aggregate exceed Two Million Dollars (\$2,000,000) and (b) which is organized under the laws of, or the principal business activities of which are conducted in, the United States or any political subdivision thereof.

AEC HOLDINGS (UK) LIMITED - 2915494 - DEBENTURE - 25TH JULY, 1995

"Secured Parties" means the Agent and each of the Banks.

"Security Agreements" means, collectively, (1) each and every one of the security agreements executed by any Borrower or any Guarantor under or pursuant to which such Borrower or such Guarantor granted to the Secured Parties a Lien on its assets to secure its obligations under or pursuant to the Credit Agreement and any of the other Loan Documents including but not limited to the Omnibus Security Agreement, (2) the Castle Deed of Debenture, and (3) each Castle Subsidiary Deed of Debenture.

"Security Documents" means the Security Agreements and the Pledge Agreements.

"Standby Letter of Credit" means a standby letter of credit issued by Chase for the account of Alliance.

"Subsidiary" means, as to any Person, any other Person who is controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

"Third Closing Date" means 25th July, 1995.

"Trade Letter of Credit" has the meaning specified in Section 3.01 of the Credit Agreement.

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## CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

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

COMPANY No. 02915494

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEED OF DEBENTURE DATED THE 25th JULY 1995 AND CREATED BY AEC HOLDINGS (UK) LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO THE CHASE MANHATTAN BANK, N.A. AS SECURITY AGENT FOR THE BENEFICIARIES (AS DEFINED IN THE DEBENTURE) UNDER ANY OF THE LOAN DOCUMENTS (AS DEFINED THEREIN) AND ON ANY ACCOUNT WHATSOEVER WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 15th AUGUST 1995.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 17th AUGUST 1995.

*W. Grandon*  
W. GRANDON

for the Registrar of Companies



C O M P A N I E S   H O U S E

HC026B

17/8/95 BT