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* insert full name
of Company

COMPANIES FORM No. 395

Particulars of a mortgage or charge

Chubel & C
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078656

395

A fee of £10 is payable to Companies House in respect
of each register entry for a mortgage or charge.

Pursuant to section 395 of the Companies Act 1985

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

For official use

Company number

[] [] [] [] [] []

3942516

Name of company

* Arrow Light Rail Limited (the "Chargor")

Date of creation of the charge

11 May 2000

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

Debenture (the "Debenture") between the Chargee and Arrow Light Rail
Holdings Limited (the "Chargee")

Amount secured by the mortgage or charge

All monies, actual or contingent whether solely, jointly and/or severally
with any other person now due or hereafter to become due or from time to
time accruing due from the Chargor to the Chargee under or pursuant to a
Subordinated Loan Agreement dated 11 May 2000 made between the Chargor
and the Chargee upon any account and in any manner whatsoever and
including, without limitation, all obligations to indemnify the Chargee
and any Ancillary Liabilities.

All costs, charges and expenses reasonably and properly incurred and all
payments reasonably and properly made by the Chargee or any Receiver
appointed hereunder shall be paid and charged as between the Chargee and
the Chargor on the basis of a full indemnity and not on the basis of a
party and party or any other kind of taxation.

Capitalised words and expressions used in this section have the meanings
ascribed to them in the Schedule to this form 395.

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

Arrow Light Rail Holdings Limited
Birch Street
Wolverhampton

Postcode WV1 4HY

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

MASONS
30 Aylesbury Street
London
EC1R 0ER

CEB / TSP

Time critical reference

For official Use
Mortgage Section

Post room



Short particulars of all the property mortgaged or charged

As Security for the payment and discharge of all the Secured Liabilities, the Chargor charges to the Chargee:

(A) by way of second legal mortgage (subject to the provisions of a Security Trust and Intercreditor Deed dated 11 May 2000 made between the Chargor, the Chargee, and Kleinwort Benson Limited):

(i) the property described in the Debenture; and

(ii) all estates or interests in any freehold and leasehold property (other than that specified in sub-paragraph (i) above) wheresoever situate now belonging to the Chargor and all buildings and Fixtures thereon, the proceeds of sale of all or any part thereof and the benefits of any covenants for title given or entered into by any predecessor in title of the Chargor and any moneys paid or payable in respect of such covenants.

(B) by way of second fixed charge (subject to the provisions of the Security Trust and Intercreditor Deed specified at paragraph (A) above):

(Cont'd on Sheet 1, page 4)

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Particulars as to commission allowance or discount (note 3)

Not applicable

Signed

Nasrus

Date *24/5/2000*

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

A fee of £10 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 Cheques and Postal Orders are to be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is:-

Companies House, Crown Way, Cardiff CF4 3UZ

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**Particulars of a mortgage or charge
(continued)**

Continuation sheet No 1
to Form No 395 and 410 (Scot)

CHA 116

Please complete
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bold block lettering

Company Number

3942516

Name of Company

Arrow Light Rail Limited (the "Chargor")

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Not applicable

Not applicable.

**Please complete
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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

**Please complete
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Not applicable.

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- (i) (to the extent the same are not the subject of a mortgage under paragraph (A) above all present and future estates or interests in any of the freehold or leasehold property belonging to the Chargor and all buildings and Fixtures thereon and all proceeds of sale thereof and the benefit of any covenants for title given or entered into by any predecessor in title of the Chargor and any moneys paid or payable in respect of such covenants;
- (ii) all plant and machinery now or in the future owned by the Chargor and its interest in any such plant or machinery in its possession;
- (iii) the Chargor's present and future interest in all stocks, shares, debentures, bonds and other securities and all rights relative thereto;
- (iv) all moneys (including interest) standing now or in the future to the credit of the Chargor's present and future accounts (except for the Proceeds Account) with any bank, financial institution or other person and the debt or debts represented thereby;
- (v) all benefits in respect of Insurances, all claims in respect thereof and return of premiums;
- (vi) (to the extent that the same do not fall within any other sub-paragraph of this paragraph B) all book and other debts and other moneys due, owing, payable or incurred to it now or at any time (other than on the Proceeds Account) and the benefit of all rights, securities and guarantees of any nature whatsoever now or at any time enjoyed or held by it in relation thereto;
- (vii) the Chargor's present and future goodwill;
- (viii) the benefit of all present and future licences (statutory or otherwise) held in connection with the Chargor's business or the use of any of the Security Assets the subject of the security pursuant to Clause 3.1 of the Debenture and the right to recover and receive all compensation which may at any time become payable to it in respect thereof;
- (ix) the Chargor's present and future uncalled capital; and
- (x) all know-how licences and patents (including applications and rights to apply therefor), copyrights, rights in trademarks, service marks whether registered or not, and rights in confidential information now or at any time belonging to it.

(C) by way of second (subject to the provisions of the Security Trust and Intercreditor Deed specified in paragraph A above) floating charge all the Chargor's undertakings and all its property, assets and rights whatsoever and wheresoever both present and future not otherwise effectively charged or assigned pursuant to Paragraph B above.

The Chargee may at any time by notice to the Chargor convert the floating charge created by the Debenture into a specific charge as regards any assets specified in the notice which the Chargee shall consider 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 and (whether or not this security has become enforceable) may at any time appoint a Receiver thereof. The Chargee acknowledges the provisions of Clause 4 of the Senior Bank Debenture and accordingly the floating charge created by the Senior Bank Debenture will rank in priority to any specific charge created following conversion of the floating charge in accordance with Clause 4.3 of the Debenture.

The floating charge hereby created by the Chargor shall in addition to the circumstances in which the same will occur under general law
(Cont'd on Sheet 2, page 4)

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Particulars of a mortgage or charge (continued)

Continuation sheet No 2
to Form No 395 and 410 (Scot)

CHA 116

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Company Number

3942516

Name of Company

Arrow Light Rail Limited (the "Chargor")

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Not applicable.

Not applicable.

**Please complete
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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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Not applicable.

automatically be converted into a fixed charge:-

(i) on the convening of any meeting of the members of the Chargor to consider a resolution to wind the Chargor up (or not to wind the Chargor up); or

(ii) on the presentation of a petition (other than a frivolous or vexatious petition) to wind the Chargor up.

GENERAL UNDERTAKINGS

(A) CONTINUANCE OF SECURITY

(i) The security constituted under the Debenture shall be continuing and not satisfied by any intermediate payment of any part of any of the Secured Liabilities but shall secure the ultimate balance of each of the Secured Liabilities until satisfaction of the whole.

(ii) The security given by the Debenture shall be in addition to and shall not be affected by any other mortgage, charge, pledge or lien now or hereafter held by the Chargee for all or any of the Secured Liabilities. The rights of the Chargee hereunder are in addition to and not exclusive of those provided by law.

(iii) On the Secured Liabilities and other moneys secured by the Debenture having been irrevocably paid in full or otherwise satisfied, the Chargee shall at the request and cost of the Chargor execute and do all such deeds, acts and things as may be necessary to release the property hereby charged or assigned or such part thereof as may remain subject to the charges or assignment created by the Debenture from the security constituted by the Debenture.

(iv) Where any discharge (whether in respect of this Debenture, any other security for the Secured Liabilities or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on bankruptcy or in administration or liquidation or otherwise without limitation, the liability of the Chargor under this Debenture shall continue as if there had been no such discharge or arrangement. The Chargee shall be entitled to concede or compromise any claim that any such payment, security or other disposition is liable to avoidance or repayment.

(B) RANKING

The provisions of Clause 8 of the Security Trust and Intercreditor Deed apply.

(C) DURATION

The covenants and undertakings contained in the Debenture shall remain in force during the Security Period.

(D) COVENANT TO PERFORM

The Chargor hereby covenants with the Chargee to comply at all times with the terms (express or implied) of the Debenture and the Subordinated Loan Agreement.

(Cont'd on Sheet 3, page 4)

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Particulars of a mortgage or charge (continued)

Continuation sheet No 3
to Form No 395 and 410 (Scot)

CHA 116

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Company Number

3942516

Name of Company

Arrow Light Rail Limited (the "Chargor")

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Not applicable.

Not applicable.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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Not applicable.

(E) BOOK DEBTS AND RECEIPTS

Except as the Chargee may otherwise direct in any particular case and subject always to the provisions of the Security Trust and Intercreditor Deed, and subject to the consent of the Security Trustee while the Senior Bank Debenture remains outstanding, the Chargor will after the occurrence of a Default:-

(i) get in and realise its:-

(a) securities to the extent held by way of temporary investment;

(b) book and other debts and other moneys;

(c) royalties, fees and income of like nature in relation to the licences, patents, copyrights, rights in trademarks and rights in confidential information referred to in Clause 3 of the Debenture; and

in the ordinary course of the Chargor's business (which shall not include or extend to the selling or assigning or in any other way factoring or discounting the same) and hold the proceeds of such getting in and realisation (until payment to the special account as hereinafter provided) upon trust for the Chargee;

(ii) unless the Chargee otherwise agrees pay the proceeds of such getting in and realisation into such separate and denominated account or accounts (which may or may not be with the Chargee) as may be specified in writing by the Chargee from time to time (collectively the "Special Account") or as the Chargee may require; and

(iii) not be entitled to withdraw from the Special Account all or any monies standing to the credit thereof except with the prior consent of the Chargee. The Chargee may at any time after this security shall have become enforceable apply the monies standing to the credit of the Special Account and interest thereon in or towards satisfaction of the Secured Liabilities.

(F) DEPOSIT OF SECURITIES AND PROPRIETARY RIGHTS

The Chargor shall (subject to, prior to the Senior Finance Liabilities Discharge Date only, the consent of the Security Trustee), if the Chargee so requires, deposit with the Chargee all certificates and other documents of title or evidence of ownership in relation to all or any of the Security Assets and shall execute and deliver to the Chargee all such transfers and other documents as may be necessary to enable the Chargee or its nominee to be registered as the owner or otherwise obtain a legal title to the same.

(G) GRANT OF FURTHER SECURITY

(i) The Chargor shall not otherwise than as provided in the Security Trust and Intercreditor Deed and the Senior Loan Agreement:-

(a) create or permit to subsist any encumbrance over all or any part of the Security Assets;

(b) part with, sell, transfer or otherwise dispose of or agree to part with, sell, transfer or otherwise dispose of all or any part of the Security Assets.

(H) THE SHARES

If the securities for the time being mortgaged or charged under the Debenture shall entitle the holder thereof to rights to subscribe for any other securities, then the Chargor shall do all acts and things and
(Cont'd on Sheet 4, page 4)

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**Particulars of a mortgage or charge
(continued)**

Continuation sheet No 4
to Form No 395 and 410 (Scot)

CHA 116

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Company Number

3942516

Name of Company

Arrow Light Rail Limited (the "Chargor")
Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Not applicable.

Not applicable.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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Not applicable.

execute such documents (including such deed or deeds supplemental hereto as the Chargee shall reasonably require) so as to charge in favour of the Chargee such securities when issued.

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(ii) Subject to paragraph (iii) below the Chargor may exercise any and all voting rights pertaining to such securities or any part thereof and to receive and retain any and all cash dividends paid in respect of such securities. If the Chargee receives due notice not less than 7 days before the proposed exercise of any such voting rights by the Chargor (or such lesser period as the Chargee may agree), and if the Chargor is entitled hereunder to exercise such rights, the Chargee shall procure its nominee to execute and deliver such documents as the Company may reasonably require in order to enable such rights to be so exercised.

(iii) The Debenture shall take effect so that:-

(a) prior to any enforcement of this security all rights attached to such securities shall be exercisable only in the interests of the Chargor in accordance with the Chargor's instructions, apart from the exercise of any such right for the purpose of preserving the security in accordance with the provisions of the Debenture; and

(b) upon any enforcement of this security all rights attached to such securities shall be exercisable by the Chargee for the purpose of enforcing this security and otherwise in accordance with Paragraph H(iii) (a)

to the intent that nothing contained herein shall give or is intended to have the effect of giving control of any Chargor to the Chargee otherwise than on enforcement of this security.

(iv) The Chargee may, but shall not be obliged to, pay any calls or other sums that may be or become due in respect of any of the securities for the time being the subject of the Debenture and the Chargor undertakes to pay to the Chargee on demand such sums so paid by the Chargee together with interest thereon at the Default Rate from the date of payment by the Chargee. Such sums and interest shall be secured by the Debenture.

SCHEDULE OF DEFINITIONS

Account Bank has the meaning given to it in the Senior Loan Agreement;

Banks has the meaning given to it in the Senior Loan Agreement;

Concession Agreement has the meaning given to it in the Subordinated Loan Agreement;

Default means a failure to pay any sum due under the Subordinated Loan as provided in Clause 9.4 of the Subordinated Loan Agreement;

Default Rate means the rate specified in the Subordinated Loan Agreement and interest payable at such rate shall be payable after, as well as before, judgment or decree until actual payment in full of the Secured Liabilities concerned;

Fixtures means in relation to any freehold or leasehold property charged by or pursuant to this Debenture all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon, the property wherein is vested in the Company;

Insurances means all contracts and policies of insurance or indemnities which are from time to time taken out by or on behalf of the Company;

Mortgaged Property means the property hereby legally mortgaged and any other freehold or leasehold property the subject of this security;

Proceeds Account has the meaning given to it in the Senior Loan Agreement;

Qualified Person has the meaning given to it in Clause 17.1 of the Debenture;

Receiver has the meaning given to it in Clause 17.1 of the Debenture;

Secured Liabilities means all monies actual or contingent whether solely, jointly and/or severally with any other person now due or hereafter to become due or from time to time accruing due from the Company to the Chargee under or pursuant to the Subordinated Loan Agreement upon any account and in any manner whatsoever and including, without limitation, all obligations to indemnify the Chargee and any Ancillary Liabilities;

Security Assets means all assets, rights and property of the Company the subject of any security hereby created;

Security Period means the period beginning on the date hereof and ending on the date upon which all the Secured Liabilities (actual or contingent) which have arisen or which may arise have been irrevocably paid and discharged in full or the security hereby created has been finally released and discharged;

Security Trust and Intercreditor Deed means the security trust and intercreditor deed dated of even date herewith made between, inter alia, the Company, the Chargee and the Security Trustee;

Security Trustee means Kleinwort Benson Limited in its capacity as security trustee for the Banks;

Senior Bank Debenture means the debenture dated 11th May 2000 granted by the Chargor in favour of the Security Trustee;

Senior Finance Liabilities Discharge Date has the meaning given to it in the Security Trust and Intercreditor Deed;

Senior Loan Agreement has the meaning given to it in the Subordinated Loan Agreement;

Special Account has the meaning given to it in Clause 9.2 of the Debenture;

Subordinated Loan Agreement means the subordinated loan agreement dated 11th May 2000 made between the Chargor and the Chargee, whereby the Chargee agrees to make available to the Chargor certain monies on and subject to the terms and conditions therein contained and "**Subordinated Loan**" means the monies made available by the Chargee to the Chargor pursuant to that agreement;

System means the light rail transit system to be developed and operated pursuant to the Concession Agreement;

Unless otherwise stated, terms and expressions defined in the Subordinated Loan Agreement have the same meaning in the Debenture.

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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. 03942516

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEBENTURE DATED THE 11th MAY 2000 AND CREATED BY ARROW LIGHT RAIL LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO ARROW LIGHT RAIL HOLDINGS LIMITED ON ANY ACCOUNT WHATSOEVER UNDER OR PURSUANT TO A SUBORDINATED LOAN AGREEMENT OF EVEN DATE AND ANY ANCILLARY LIABILITIES (AS DEFINED) WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 25th MAY 2000.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 26th MAY 2000.



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES



COMPANIES HOUSE

HC026