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COMPANIES FORM No. 395

150073150

Particulars of a mortgage or charge

395

A fee of £10 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

Pursuant to section 395 of the Companies Act 1985

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

For official use

Company number

610095

Name of company

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

Date of creation of the charge

15th May, 2002

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

Security Agreement dated 15th May, 2002 between the Chargor HMV Group plc, HMV Music Limited, HMV (IP) Limited and HMV UK Limited and the Facility Agent (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 this 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 "**Facility Agent**")

Postcode EC2M 3UR

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

Allen & Overy
One New Change
London EC4M 9QQ

For official Use
Mortgage Section

Post room



LD3
COMPANIES HOUSE

0150
24/05/02

Time critical reference
BK:961079.2 (PPDA)

Short particulars of all the property mortgaged or charged

See continuation sheet

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

Allen & Ovey

Date

24.05.02

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

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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 CF14 3UZ

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 Facility Agent in such form as the Facility Agent 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 3 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; this includes the patents and trademarks (if any) specified in Schedule 2 to this Form 395;
 - (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 its assets situated in Scotland) not at any time otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, charge or assignment under this Clause; 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.

NB

1. The Chargor shall 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.
2. All the security created under the Deed:
- (i) is created in favour of the Facility Agent;

- (ii) is created over present and future assets of the Chargor;
 - (iii) is security for the payment of all the Secured Liabilities; and
 - (iv) is made with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994.
3. 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.
4. (a) 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.
- (b) For the purposes of paragraph 4(a)(ii) above only, a lease of any Real Property named in Schedule 1 to this Form 395 where landlord's consent to charge is required but consent cannot be unreasonably withheld (whether expressly or implied by statute) such a document shall be deemed to be a document for which no consent is required and the Security will be effective from the date of this Deed.
5. The Facility Agent may (to the extent competent under applicable law) by notice to the Chargor convert the floating charge created by the Chargor under paragraph (e) above into a fixed charge as regards any of the Chargor's assets specified in that notice, if:
- (i) an Event of Default is outstanding; or
 - (ii) the Facility Agent 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.

In this Form 395:

Accession Agreement means a letter, substantially in the form of Schedule 8 (Form of Accession Agreement) to 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 a Mandated Lead Arranger, the Issuing Bank, the Security Trustee or the Facility Agent;

Borrower means the Company or an Additional Borrower;

Company means HMV Group PLC;

Credit Agreement means the £425,000,000 credit agreement dated 24th April, 2002, 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 a credit facility made available under the Credit Agreement;

Fee Letter means any letter entered into by reference to the Credit Agreement between one or more Administrative Parties and the Company setting out the amount of certain fees referred to in the Credit Agreement;

Finance Document means:

- (a) the Credit Agreement;
- (b) a Security Document;
- (c) a Fee Letter;
- (d) the Intercreditor Agreement;
- (e) the Syndication Agreement;
- (f) an Accession Agreement; or
- (g) 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 the Company or an Additional Guarantor;

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;

Mandated Lead Arranger means Dresdner Kleinwort Wasserstein (acting on behalf of Dresdner Bank AG, London Branch) and The Royal Bank of Scotland plc;

Obligor means a Borrower or a Guarantor;

Original Lender means Dresdner Kleinwort Wasserstein (acting on behalf of Dresdner Bank AG, London Branch) and The Royal Bank of Scotland plc;

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 11 (Form of Security Agreement) to the Credit Agreement which includes, for the avoidance of doubt, the Deed;

Security Assets means all assets of the Chargor the subject of any security created by the Deed;

Security Document means:

- (a) each 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 having similar effect;

Security Trustee means The Royal Bank of Scotland plc as security trustee under the Intercreditor Agreement;

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;

Syndication means the primary syndication of the Facilities by the Mandated Lead Arrangers;

Syndication Agreement means the syndication agreement entered into in connection with Syndication in substantially the form of Part II of Schedule 5 (Form of Syndication Agreement) to the Credit Agreement;

Transaction Document means the EMI Counter Indemnity.

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).
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).

Company: Waterstone's Booksellers Limited
Registered Number: 610695
Continuation Sheet 6

15. The leasehold property known as 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 1, 3 and 5 Bridlesmith Gate, Nottingham as more particularly described and comprised in an agreement for lease dated 26th March 1999 made between Armgrade Limited (1), Waterstone's Booksellers Limited (2) and HMV Media Group plc (3).
21. 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).
22. The leasehold property known as 18-19 High Street, Shrewsbury as more particularly described and comprised in a lease dated 14th July 1988 made between The Manufacturers Life Insurance Company (U.K.) Limited (1), Waterstone's (Regent Street) Limited (2) and Waterstone & Co. Limited (3).
23. 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).
24. All interest in the leasehold property known as Unit 3, 126-138 Camden High Street, London comprised in title number NGL681650.

Company: Waterstone's Booksellers Limited
Registered Number: 610695
Continuation Sheet 7

SCHEDULE 2

SPECIFIC INTELLECTUAL PROPERTY RIGHTS

None

SCHEDULE 3

INSURANCES

Policy Type	Insured	Insurance Brokers / Insurers
1. Excess Public and Products/Umbrella Liability Insurance	HMV Group plc and Subsidiary Companies	Heath Lambert Group
2. Global Commercial "All Risks"	HMV Group plc and Subsidiary Companies	Heath Lambert Group
3. 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 15th MAY 2002 AND CREATED BY WATERSTONE'S BOOKSELLERS LIMITED FOR SECURING ALL PRESENT AND FUTURE OBLIGATIONS AND LIABILITIES DUE OR TO BECOME DUE FROM EACH OBLIGOR TO THE ROYAL BANK OF SCOTLAND plc AS AGENT AND TRUSTEE FOR THE SECURED PARTIES (THE "FACILITY AGENT") ON ANY ACCOUNT WHATSOEVER 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 24th MAY 2002.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 28th MAY 2002.

LC
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THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES



Companies House

— for the record —