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COMPANIES FORM No. 395

Particulars of a mortgage or charge

Pursuant to section 395 of the Companies Act 1985

395

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

To the Registrar of Companies

For official use

Company number

2714781

*Insert full name
of company

Name of company

CLS HOLDINGS PLC

Date of creation of the charge

17th September 1998

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

A MEMORANDUM OF DEPOSIT for the Company dated 17th September 1998 between (1) CLS Holdings plc (No 2714781) ("the Chargor") and Rheinhyp Rheinische Hypothekbank Aktiengesellschaft ("the Bank")

Amount secured by the mortgage or charge

All monies due from One Leicester Square Limited (No 2322339) ("the Company"), obligations and liabilities on the part of the Company to the Bank to be paid or observed and performed or arising, whether directly or indirectly, under the terms of the Loan Agreement and/or in connection with the facilities thereby granted and/or under, this Memorandum of Deposit or any other Security Documents (as defined in the Loan Agreement) ("the Obligations")

In this form M395 the words and phrases shall have the following meanings :-

(See continuation sheet (No. 1, Page 2)

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

RHEINHYP RHEINISCHE HYPOTHEKENBANK AKTIENGESELLSCHAFT
TAUNUSSTR. 3, 60311
FRANKFURT, GERMANY

Postcode

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

Pritchard Englefield
14 New Street
London EC2M 4TR
Ref: AHH/JBH/15223.23

For official use
Mortgage section

Post room



COMPANIES HOUSE 02/10/98

FAC. REC'D 5.10.98

Page 1

Time critical reference

Short particulars of all the property mortgaged or charged

CHARGE

By Clause 2 of the Memorandum of Deposit:

The Chargor with full title guarantee hereby by way of first fixed legal charge and as a continuing security in favour of the Bank, charges with the payment and discharge of the Obligations all the Chargor's right, title and interest in and to 1,900,000 Ordinary Shares of £1 each in the issued share capital of the Company comprising all the issued share capital of the Company at the date hereof and registered in the name of the Chargor and represented or evidenced by the share certificates which have been deposited with the Bank for the purposes of this Memorandum of Deposit together with blank stock transfer forms duly executed by the Chargor (the "Shares").

(See Continuation Sheet No 1 page 4)

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bold black
lettering

Particulars as to commission allowance or discount (note 3)

N/A

Signed

Richard Egglefield

Date

1/10/90

On behalf of ~~(company)~~ (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.

Page 2

OYEZ

The Solicitors Law Stationery Society Ltd, Oyez House, 7 Spa Road, London SE16 3QD

Companies M395

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COMPANIES FORM No. 395 (Cont.) AND FORM No. 410 (Scot) (Cont.)

Particulars of a mortgage or charge
(continued)

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Continuation sheet No 1
to Forms Nos 395 and 410 (Scot)

Company number

2322335

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

Name of company

ONE LEICESTER SQUARE LIMITED

Limited *

* Delete if
inappropriate

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

Amount due or owing on the mortgage or charge (continued)

Please do not
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(Continued from page 1)

"Loan Facility Agreement"

the loan agreement dated 14 September 1988
made between the Chargor (1), CLS Holdings plc
(2) and the Bank (3) whereby it was agreed there
should be made available to the Chargor the
facilities upon the terms and conditions therein
contained;

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

(Continuation from page 2)

Dividends and Interest

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bold block lettering

By clause 3 of the Memorandum of Deposit, all dividends, interest and other monies deriving from the Shares (whether of the nature of capital or income) (the Shares and such dividends interest and other monies shall be referred to as "the Charged Assets") shall, unless otherwise agreed between the Bank and the Chargor (the Bank hereby agreeing to the Chargor retaining the same unless a Default occurs and provided any dividend is lawfully paid and permitted in accordance with the terms of the Loan Agreement and other Security Documents) be paid to and retained by the Bank as security and any such dividends, interest and other monies which may be received by the Chargor at any such time other than as aforesaid shall pending such payment be held in trust for the Bank. If the Bank shall demand repayment of the Loan pursuant to the Loan Agreement the Bank shall apply such dividends, interest and other monies in or towards the reduction or discharge of the Obligations or any of them or as it may require.

Charged Assets

By clause 4 of the Memorandum of Deposit, until the security constituted shall have been discharged :-

- 4.1 the Chargor shall ensure that all of the Charged Assets is and at all times remains free from any restriction on transfer; and
- 4.2 the Chargor shall pay all calls or other payments due in respect of any part of the Charged Assets.

Negative Pledge

By clause 7 of the Memorandum of Deposit the Chargor hereby undertakes with the Bank that at no time during the subsistence of the security hereby constituted will the Chargor create, grant, extend or permit to subsist any mortgage or other fixed security or any pledge, floating charge, lien or other encumbrance on or over the Charged Assets or any part thereof.

Power of Attorney

By clause 10 of the Memorandum of Deposit:

The Chargor irrevocably, by way of security, appoints the Bank to be the Chargor's attorney and in the Chargor's name and on the Chargor's behalf and as the act and deed of the Chargor to sign, seal, execute, deliver, perfect and do all deeds, instruments, mortgages and things as may be, or as the Bank may consider to be, requisite for carrying out any obligation imposed on the Chargor under Clause 5 above or for enabling the Bank to exercise its power of sale or other disposal referred to in Clause 8 above or for carrying any sale or other disposal made under such power into effect by executing instruments of transfer, or exercising any of the rights and powers referred to in Clause 9 above, including without limitation the appointment of any person as a proxy of the Chargor.

SOLICITORS

14 New Street, London EC2M 4TR
Tel: 0171 972 9720 Fax: 0171 972 9721
DX88 London. E-mail: po@pritchardenglefield.co.uk

FAX TRANSMISSION

DATE: 5 October 1998
TO: Registration of Charges Department- TONY WAKEHAM
FAX NO. 01222 380 827
FROM: Isabelle Lauzeral
OUR REF: IL/15223/23
YOUR REF:
RE: ONE LEICESTER SQUARE LIMITED
NO OF PAGES INCLUDING THIS PAGE: 2

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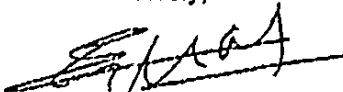
MESSAGES/COMMENTS

Dear Mr Wakeham,

Further to our telephone conversation earlier on this afternoon regarding the matter above mentioned, I attach for your attention an amended front page of Form 395 for the Memorandum of Deposit taking into account your comments.

If you have any further question regarding the above, please do not hesitate to contact me. Thank you for your assistance in this matter.

Yours sincerely,


Isabelle Lauzeral

FILE COPY



**CERTIFICATE OF THE REGISTRATION
OF A MORTGAGE OR CHARGE**

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

COMPANY No. 02714781

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A MEMORANDUM OF DEPOSIT DATED THE 17th SEPTEMBER 1998 AND CREATED BY CLS HOLDINGS PLC FOR SECURING ALL MONEYS OBLIGATIONS AND LIABILITIES DUE OR TO BECOME DUE FROM ONE LEICESTER SQUARE LIMITED TO RHEINHYP RHEINISCHE HYPOTHEKENBANK AKTIENGESELLSCHAFT UNDER THE TERMS OF THE LOAN FACILITY AGREEMENT AND/OR IN CONNECTION WITH THE FACILITY THEREBY GRANTED AND/OR UNDER THE TERMS OF THIS CHARGE OR ANY OTHER SECURITY DOCUMENTS WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 5th OCTOBER 1998.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 6th OCTOBER 1998.


for the Registrar of Companies



COMPANIES HOUSE

HC026B

POB
CLP
6/10/98 -