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* Insert full name
of company

COMPANIES FORM No. 395

Particulars of a mortgage or charge

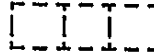
395

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies

For official use

Company number



1370220

Name of company

* REVOLVER RECORDS LIMITED (the "Company")

Date of creation of the charge

22 May 1998

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

A debenture (the "Debenture") dated 22 May 1998 and made between the Company in favour of The Chase Manhattan Bank as Security Trustee.

Amount secured by the mortgage or charge

See Schedules 1 and 2.

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

The Chase Manhattan Bank, 450 West 33rd Street, New York 10001-2697 as Security Trustee which expression shall include any person for the time being appointed as security trustee or as an additional trustee in accordance with the Indentures and the Notes (as defined in Schedule 1).

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

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

DO\$516.1fd

Time critical reference
DO/M2414/30/SGP

For official use
Mortgage Section

Post room



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Short particulars of all the property mortgaged or charged

See Schedules 3-7.

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in black type, or
bold block
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Particulars as to commission allowance or discount (note 3)

NONE

Signed

Clifford Chace

Date 3 June 1998

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" - "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.

SCHEDULE 1

Definitions

1.1 In this Form 395:

"Accession Undertaking" means an undertaking in the form set out in the Intercreditor Deed or the Senior Facility Agreement;

"Acquisition 1" means the purchase by the Parent (itself or via a wholly owned subsidiary) of the Target X Shares, the Target Y Shares and the Target Y Assets on the terms of the Acquisition 1 Agreement;

"Acquisition 1 Agreement" means the sale and purchase agreement in the agreed form dated on or about the date hereof between Vendors X and Vendors Y and the Parent relating to Acquisition 1 together with all schedules and exhibits thereto and any agreement stated to be supplemental thereto;

"Acquisition 2" means the purchase by the Parent of the Target Z Shares on the terms of the Acquisition 2 Agreement;

"Acquisition 2 Agreement" means the sale and purchase agreement in the agreed form dated on or about the date hereof between Vendor Z and the Parent relating to Acquisition 2 together with all schedules and exhibits thereto and any agreement stated to be supplemental thereto;

"Acquisition Documents" means (i) the sale and purchase agreement dated as of February 25, 1998 between the Company and WH Smith Group plc and (ii) the sale and purchase agreement dated as of February 25, 1998 between the Issuer and EMI Group plc, together with in each case, the other agreements, instruments and documents delivered pursuant thereto or in connection therewith;

"Acquisitions" means Acquisition 1 and Acquisition 2 and each an Acquisition;

"Additional Borrower" means any company which becomes a Borrower pursuant to the terms of the Senior Facility Agreement;

"Additional Guarantor" means any company which becomes a Guarantor pursuant to the terms of the Senior Facility Agreement;

"Advance" means, save as otherwise provided in the Senior Facility Agreement, an advance made or to be made by the Banks pursuant to the terms of the Senior Facility Agreement;

"Agent" means Swiss Bank Corporation;

"Agreed Criteria" means each of the following criteria (which have been agreed between the Company and the Security Trustee in order to determine the category of property to be specified as Principal Property which criteria should also be used in order to determine whether any after acquired property should also become Principal Property for the purposes of Clause 5.2 of the Debenture):

- (a) any flagship properties (being those properties which are so identified with the business of the Group and its image, in respect of which it should be damaging to the Group if there was a problem in the title to such a property);
- (b) profit centres (being those retail stores which would generate a materially disproportionately high level of profit for the Group calculated on a square footage basis and despite the fact that such properties are not particularly valuable properties in their own right);
- (c) properties with a rental in excess of £200,000 per annum;
- (d) properties which are leasehold where the term exceeds 25 years as granted;
- (e) any properties in respect of which the Company owns the freehold;
- (f) leases which have a turnover rent linked to the sales at any retail outlet;
- (g) any head office of the Group named or to be named in the annual report of a Group Entity;

"Agreements for Lease" means (severally) all agreements, contracts, options or undertakings whether at the time the Debenture was entered into or thereafter in existence for or relating to the creation of any estate, interest or right in or over the Principal Property or any part thereof (including without limitation any lease, licence, tenancy or right to occupy whether on a fixed term or periodic basis and whether in all cases in respect of the whole or any part of the Principal Property);

"Agreements for Sale" means (severally) all agreements, contracts or options at the time the Debenture was entered into or thereafter in existence for or in relation to the assignment or transfer

or disposal by way of sale of the whole or any part of or for or in relation to the creation of any estate or interest in the Principal Property or any part thereof upon the sale thereof or in relation to or under which any capital sum is or is to be derived from the Principal Property or any part thereof;

"Ancillary Bank" means each Bank which becomes an Ancillary Bank by operation of Clause 11 of the Senior Facility Agreement;

"Banks" means Merrill Lynch Capital Corporation and Swiss Bank Corporation and each a **"Bank"**;

"Borrowers" means the Parent and the Additional Borrowers provided that such company has not been released from its rights and obligations in accordance with the terms of the Senior Facility Agreement;

"Bridging Facility Agreement" means the £200,000,000 subordinated guaranteed bridging facility agreement to be entered into on the terms of a commitment letter in the agreed form dated on or about the 22 May 1998 from Eagle to the Parent to fund part of the Acquisition to be repaid out of the proceeds of the High Yield Issue;

"Canadian Acquisition" means the purchase of all of the assets of Hawk division of Eagle Group Canada Inc. by Canadian Newco pursuant to the Acquisition 1 Agreement;

"Canadian Newco" means the wholly-owned subsidiary of the Parent incorporated in Canada;

"Charged Property" means, subject to any contrary indication, the undertaking and assets of the Company from time to time charged in favour of, or assigned (whether at law or in equity) to, the Security Trustee by or pursuant to the Debenture;

"Claims" means the book and other debts and monetary claims referred to in Clause 1.1(c) (other than those referred to in Clause 1.1(c)(iv));

"Closing Date" means the date on which the Acquisitions, (other than, if applicable, the Overseas Acquisitions, the Canadian Acquisition and the Wren Deferred Acquisition) are completed in accordance with the Acquisition Documents;

"Collateral Account" means an interest bearing account in the name of the relevant Obligor with the Security Agent (or such other person as the Joint Lead-Arrangers may require) (bearing interest at the market rate applicable at such time to any such interest bearing accounts held with such bank) which is pledged, charged or assigned to the Security Agent pursuant to the Security Documents to

secure all amounts due under the Facility Documents and from which the only withdrawals which may be made by the relevant Obligor are to repay amounts due to the Beneficiaries under the Facility Documents or otherwise as permitted under the Senior Facility Agreement and such other separate and denominated account or accounts with the Security Trustee or such other bank or banks as may from time to time be specified in writing by the Security Trustee as the account or accounts into which the proceeds of the getting in or the realisation of the Claims are to be paid;

"Collateral Deposits" means all moneys at the time the Debenture was entered into or thereafter standing to the credit of any Collateral Accounts together with all rights relating or attaching thereto (including the right to interest);

"Commitment" means, in relation to any Bank, the aggregate amount of such Bank's Term Commitment and such Bank's Working Capital Commitment;

"Deferred Acquisitions" means each of the Overseas Acquisitions, the Canadian Acquisition and the Wren Deferred Acquisition and each a **"Deferred Acquisition"**;

"Documents" means the agreements listed in Schedule 6 together with all supplemental agreements thereto;

"Eagle" means EMI;

"Encumbrance" means (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person, (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person or (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

"Excluded Shares" means the senior US dollar and/or sterling denominated cumulative redeemable preference shares and the ordinary shares issued in connection therewith by the Parent the aggregate subscription amount for which is approximately £50 million (or its equivalent in US dollars) and any additional shares issued pursuant thereto, in exchange therefor or in satisfaction of any dividend declared thereon proposed to be issued by the Parent on or about 22 May 1998 on terms acceptable to the Joint Lead-Arrangers;

"Existing Indebtedness" means the Financial Indebtedness of the Group set out in the list agreed with the Joint Lead-Arrangers provided to the Agent as a condition precedent pursuant to the terms of the Senior Facility Agreement;

"Facility Documents" means the Senior Facility Agreement, the Security Documents, each Letter of Credit, the Intercreditor Deed, the Ancillary Documents, the Hedging Agreements, any accession memorandum executed pursuant to the terms of the Senior Facility Agreement (the "Accession Memorandum"), the fee letters referred to in Clause 38 of the Senior Facility Agreement, any documents evidencing the terms of any other agreement or document that may be entered into or executed pursuant to any of the foregoing by the Obligors or any of them and any other agreement or document designated in writing as a "Facility Document" by the Parent and the Agent;

"Financial Indebtedness" means any indebtedness for or in respect of:

- (i) Indebtedness for Borrowed Money;
- (ii) any documentary credit facility;
- (iii) any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination thereof or any other transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and the amount of the Financial Indebtedness in relation to any such transaction shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time);
- (iv) any guarantee, indemnity, bond, standby letter of credit or any other instrument issued in connection with the performance of any contract or other obligation; and
- (v) the supply of any goods or services but only where payment is deferred more than 90 days past the expiry of the period customarily allowed by the relevant supplier after the due date (other than an amount which is being disputed reasonably and in good faith by the relevant company);

"Fronting Bank" means any Bank as may have been agreed in writing with the Parent and the Joint Lead-Arrangers to issue any Letter of Credit in accordance with the provisions of the Senior Facility Agreement;

"Guarantors" means each of the Parent and the Additional Guarantors from time to time under the Senior Facility Agreement;

"Group" means the Parent and its subsidiaries from time to time;

"Group Entity" means any member of the Group;

"Hawk" means HMV;

"Hedging Agreements" means each of the agreements entered into or to be entered into by the Group Entities in accordance with the Hedging Strategy Letter;

"Hedging Strategy Letter" means the hedging strategy letter identified as such and agreed between the Parent and the Joint Lead-Arrangers, setting out the hedging strategy of the Borrowers in relation to the interest rate exposure of the Borrowers under the Senior Facility Agreement;

"High Yield Documents" means the Indentures and the Notes together with all other documents issued or entered into in connection therewith including (for the avoidance of doubt) but not limited to an agreement or agreements entered into on or about the date hereof to indemnify the Security Trustee, as book-entry depository of the Notes, in respect of withholding tax liabilities (the "Additional Amounts Agreements") and an agreement or agreements entered into on or about the date hereof with the Initial Purchasers (as defined therein) containing undertakings and indemnities in relation to registration of the Notes with the Securities and Exchange Commission (the "Registration Rights Agreements");

"High Yield Issue" means the senior subordinated debt securities of the Parent the maximum net proceeds of which do not exceed in aggregate the total of £135,000,000 (or its equivalent in dollars) and \$125,000,000 (or its equivalent in Sterling) or such other amount agreed with the Agent in the agreed form;

"Holders" means the bearers of securities pursuant to the High Yield Documents;

"Indebtedness for Borrowed Money" means any indebtedness for or in respect of:

- (i) moneys borrowed;
- (ii) any amount raised by acceptance under any acceptance credit facility;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (iv) any amount raised pursuant to any issue of shares which are expressed to be redeemable;

- (v) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with generally accepted accounting principles in the relevant jurisdiction, be treated as a finance or capital lease;
- (vi) the amount of any liability in respect of any advance or deferred purchase agreement if one of the primary reasons for entering into such agreement is to raise finance;
- (vii) receivables sold or discounted (other than on a non-recourse basis or on a basis where recourse is limited solely to warranty claims relating to title or objective characteristics of the relevant receivables);
- (viii) any agreement or option to re-acquire an asset if one of the primary reasons for entering into such agreement or option is to raise finance;
- (ix) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (x) all Indebtedness for Borrowed Money of other persons of the kinds referred to in paragraphs (i) to (ix) above guaranteed or indemnified directly or indirectly in any manner by a Group Entity, or having the commercial effect of being guaranteed or indemnified directly or indirectly by a Group Entity;

"Indentures" means the separate indentures dated 22 May 1998 made between the Company, the Security Trustee as Trustee for the Holders and the Guarantors whereby the Company issued Sterling Notes (the "Sterling Indenture") and Dollar Notes (the "Dollar Indenture") and each an "Indenture";

"Instructing Group" means a Bank or group of Banks whose aggregate Commitments, calculated on the date on which the Agent seeks instructions from the Banks, amount (or, if each Bank's Commitment has been reduced to zero, did immediately before such reduction to zero, amount) in aggregate to at least sixty six and two-thirds per cent. ($66\frac{2}{3}\%$) of the Total Commitments;

"Insurance Policies" means any policies of insurance in which the Company may at the time the Debenture was entered into or thereafter have had an interest;

"Intercreditor Deed" means a deed dated 28 March 1998 as amended and restated from time to time made between amongst others Merrill Lynch Capital Corporation and SBC Warburg Dillon Read, a Division of Swiss Bank Corporation as joint lead-arrangers, Swiss Bank Corporation as agent, Swiss

Bank Corporation as security agent, the financial institutions named therein as senior lenders, the original investors named therein, the vendor named therein and others, the parties thereto agreed that certain claims should be regulated and/or subordinated in the manner set out therein;

"Intra-Group Loan" means any loan between Group Entities;

"Issuer" means the party named as the "Issuer" in the Indentures;

"Lease" or "Leases" means (severally) any lease, underlease, sublease, licence agreement, option, occupation agreement or any other document governing the use or occupation of the Real Property or any part thereof;

"Letter of Credit" means a letter of credit, bond or guarantee issued or to be issued by the Fronting Bank pursuant to the terms and subject to the conditions set out in the Senior Facility Agreement which (i) in the case of a letter of credit, is substantially in the form of the Fifth Schedule of the Senior Facility Agreement or in such form as may be requested by the Relevant Borrower and is acceptable to the Fronting Bank and the Agent and (ii) in the case of any bond or guarantee, is in the form agreed by the Relevant Borrower, the Fronting Bank and the Agent (acting reasonably);

"Material Adverse Effect" has the meaning given to it in the Senior Facility Agreement;

"Notice of Assignment" means a notice of assignment in substantially the form set out in the Fourth Schedule of the Debenture;

"Notice of Drawdown" means a duly completed notice substantially in the form set out in Part I of the Fourth Schedule of the Senior Facility Agreement;

"Non-Principal Property" means in relation to any Company all Real Property not falling within the definition of Principal Property;

"Notes" means a £135,000,000 principal amount at 10 $\frac{1}{8}$ % Senior Subordinated Notes due 2008 (the "Sterling Notes") and a \$125,000,000 principal amount at 10 $\frac{1}{4}$ % Senior Subordinated Notes due 2008 (the "Dollar Notes") (which shall include any global or other notes issued in exchange for the Notes or any other notes and each other note, security agreement, deed, notice or certificate entered into by any Group Entity in connection therewith) and each a "Note";

"Obligors" means the Borrowers and the Guarantors;

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"Overseas Acquisition Termination Date" means the date on which each of the Overseas Acquisitions or the Canadian Acquisition as applicable is completed and in any event will not be later than one year after the first Closing Date of the Acquisition 1 Agreement;

"Overseas Acquisitions" means excluding the Canadian Acquisition, the purchase of any of the Target Y Shares and the Target Y Assets and "Overseas Acquisition" shall mean any of them;

"Parent" means HMV Media Group plc, a company incorporated under the laws of England and Wales with registered number 3412290;

"Permitted Encumbrances" means:

- (i) any Encumbrance over or affecting any asset acquired by a member of the Group after 22 May 1998 and subject to which such asset is acquired, provided that:
 - (a) such Encumbrance was not created in contemplation of the acquisition of such asset by a member of the Group;
 - (b) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the Group; and
 - (c) such Encumbrance is removed or discharged within three months of the date of acquisition of such asset;
- (ii) any Encumbrance over or affecting any asset of any company which becomes a member of the Group after the date hereof, where such Encumbrance is created prior to the date on which such company becomes a member of the Group, provided that:
 - (a) such Encumbrance was not created in contemplation of the acquisition of such company;
 - (b) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such company; and
 - (c) such Encumbrance is removed or discharged within three months of such company becoming a member of the Group;

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- (iii) any netting or set-off arrangement entered into by any member of the Group in the normal course of the banking arrangements of itself or the Group for the purpose of netting debit and credit balances;
- (iv) any title transfer or retention of title arrangement entered into by any member of the Group in the normal course of its trading activities on the counterparty's standard or usual terms;
- (v) any lien arising by operation of law (including any contractual evidence thereof) and in the normal course of business, provided that such lien is discharged within thirty days of arising;
- (vi) any Encumbrance in favour of an Ancillary Bank over goods and documents of title to goods arising in the ordinary course of letter of credit transactions entered into in the ordinary course of trade;
- (vii) an Encumbrance arising under the Security Documents;
- (viii) any Encumbrance subordinated in each case in accordance with the terms of the Intercreditor Deed (a) in favour of Eagle in relation to the Financial Indebtedness referred to in paragraph (i) of the definition of Permitted Financial Indebtedness (the "Eagle Secured Counter Indemnity") and (b) in relation to the High Yield Issue and/or in relation to the facility made available pursuant to the Bridging Facility Agreement;
- (ix) any Encumbrances in favour of (a) the lender or (b) the guarantor of the lender, making available facilities permitted pursuant to paragraph (xi) of the definition of Permitted Financial Indebtedness;
- (x) any Encumbrances over cash deposited with a bank securing liabilities in respect of (a) a letter of credit or (b) a guarantee, issued by or to such bank in support of obligations of a member of the Group (or, prior to the Overseas Acquisition Termination Date in respect of the financing of any person in relation to any of the Deferred Acquisitions) which obligations constitute Indebtedness for Borrowed Money;
- (xi) any Encumbrances not within paragraphs (i) to (x) above securing indebtedness not exceeding £1,000,000 (or its equivalent) in aggregate at any time; and

- (xii) any Encumbrances not within paragraphs (i) to (xi) above previously approved in writing by an Instructing Group;

"Permitted Financial Indebtedness" means:

- (i) any Financial Indebtedness of any member of the Group in relation to counter indemnities of guarantees of leasehold obligations of the Targets by Eagle;
- (ii) any Financial Indebtedness in respect of the Permitted U.S. Finance Lease;
- (iii) any Existing Indebtedness provided that such Financial Indebtedness is discharged within 90 days of the Closing Date;
- (iv) any Financial Indebtedness arising under or permitted pursuant to the Finance Documents;
- (v) any Financial Indebtedness arising under the Acquisition Documents;
- (vi) any Financial Indebtedness arising under Permitted Transactions;
- (vii) any Financial Indebtedness arising under Permitted Treasury Transactions;
- (viii) any Financial Indebtedness supported by a Letter of Credit or supported by an Encumbrance or by cash deposited each as described in paragraph (x) of the definition of Permitted Encumbrance;
- (ix) any Financial Indebtedness within paragraph (v) of the definition of Indebtedness for Borrowed Money not exceeding £1,000,000 (or its equivalent) in aggregate at any time;
- (x) any deferred consideration payable to the Vendors pursuant to the Acquisition Documents;
- (xi) any Financial Indebtedness arising under a working capital facility up to an aggregate amount of £50,000,000 (or equivalent) guaranteed or provided by Eagle (the "Eagle Working Capital Facility"); and

- (xii) any Financial Indebtedness not falling within paragraphs (i) to (xi) above not exceeding £5,000,000 outstanding (or its equivalent) in aggregate at any one time;

"Permitted Transactions" means:

- (i) Intra-Group Loans made by an Obligor to another Obligor;
- (ii) loans made by a Group Entity to any entity subject to a Deferred Acquisition prior to the Overseas Acquisition Termination Date provided that any of the Deferred Acquisitions do not occur on or before the Overseas Acquisition Termination Date or, in the case of the Wren Deferred Acquisition, the Wren Deferred Acquisition Date, any such loans made in respect of such Deferred Acquisitions will be immediately repaid in full (together with interest (if any) thereon) by the Vendors pursuant to the Acquisition Documents;
- (iii) the payment or declaration of any dividend, return on capital, repayment of capital contributions or other distributions by any Group Entity other than (a) by the Parent other than pursuant to paragraph (iv) below or (b) by an Obligor to a Group Entity which is not an Obligor;
- (iv) the payment or declaration of any dividend by the Parent in relation to the Excluded Shares (a) at any time, if and to the extent that it is, or is to be, satisfied by the issue of further shares in the capital of the Parent; or (b) on or after the date falling five years after the issuance thereof and in accordance with the terms of the Senior Facility Agreement;
- (v) issues of shares by the Parent permitted pursuant to Clause 29.2(vi) of the Senior Facility Agreement;
- (vi) the purchase, subscription for, or other acquisition of any shares (or other securities or any interest therein) in:
 - (a) any Obligor by any other Obligor; and
 - (b) any Group Entity which is not an Obligor by any other Group Entity which is not an Obligor;

provided that, if any such shares (or other securities or any interest therein) are issued by a Group Entity whose shares are subject to an Encumbrance constituted by the Security Documents, in any such case such shares (or other securities or any interest therein) are made subject to an Encumbrance on substantially the same terms as such existing Encumbrance; and

- (vii) the giving by any Group Entity of any guarantee, bond or indemnity in respect of the liabilities or obligations of any other Group Entity but excluding any guarantee, bond or indemnity given by any Obligor in respect of the liabilities or obligations of any Group Entity which is not an Obligor;

"Permitted Treasury Transactions" means the Treasury Transactions entered into in accordance with Clause 29.5 of the Senior Facility Agreement and any other foreign exchange transactions for spot delivery and forward or other contracts entered into in the ordinary course of business (and not for investment or speculative purposes) to hedge currency exposures incurred by the Group in the ordinary course of trade or in respect of Permitted Financial Indebtedness;

"Permitted U.S. Finance Lease" means the lease financing transaction entered into within 6 months of the Closing Date relating to the retail operations of the Group in the U.S. in respect of assets of an aggregate value of up to £40,000,000;

"Planning Acts" means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, the Planning and Compensation Act 1991, the Local Government Planning and Land Act 1980 and any other legislation of a similar nature and in relation to Real Property and/or Leases or other assets of the Company situated in Scotland, the Town and Country Planning (Scotland) Act 1997, the Planning (Listed Building and Conservation Areas) Scotland Act 1997, the Planning (Hazardous Substances) Act 1997;

"Principal Property" means such of the Real Property as is:

- (i) specified in Schedule 4; or
- (ii) hereafter acquired by the Company and satisfies pursuant to Clause 5.3(a) of the Debenture the Agreed Criteria;

"Real Property" means all estates and other interests in freehold, feuhold, leasehold and other immovable or heritable property wheresoever situate now or hereafter belonging to the Company of

which the Company is the registered proprietor, owner specified, entitled to an interest, and all buildings, trade and other fixtures, fixed plant and machinery from time to time on any such freehold, feuhold, leasehold and other heritable or immovable property and any reference to the Real Property shall be taken to refer to the whole or any part or parts of any property comprised therein at any time;

"**Relevant Borrower**" means, in relation to any Advance under the Senior Facility Agreement, such Borrower as has delivered the Notice of Drawdown in respect of such Advance to the Agent and to whom such Advance has been (or is to be) made by the Banks or, in the case of an Advance by way of Letter of Credit by the Fronting Bank under the Senior Facility Agreement;

"**Secured Obligations**" means all sums and liabilities covenanted to be paid and discharged by the Company in Schedule 2;

"**Security**" means the security from time to time constituted by or pursuant to the Debenture;

"**Security Documents**" means each of the documents in the agreed form delivered to the Agent pursuant to the Senior Facility Agreement together with any other document entered into by any Group Entity creating or evidencing security for all or any part of the obligations of the Obligors or any of them under any of the Facility Documents whether by way of personal covenant, charge, security interest, mortgage, pledge or otherwise;

"**Senior Facility Agreement**" means a senior facility agreement dated 25 February 1998 (as amended and restated from time to time) (the "**Senior Facility Agreement**") made between HMV Media Group plc as parent, Merrill Lynch Capital Corporation and SBC Warburg Dillon Read, a Division of Swiss Bank Corporation as joint lead-arrangers, Swiss Bank Corporation as agent and as security agent and the financial institutions defined therein as Banks, the banks have agreed to make available certain term loan facilities and working capital facilities on the terms set out therein;

"**Share**" shall have the meaning ascribed to it in Section 744 of the Companies Act 1985 or article 2 of the Companies (Northern Ireland) Order 1986 as the case may be;

"**Subsidiary Shares**" means those Shares listed in Schedule 5;

"**Successor**" in relation to any person means an assignee or successor in title of such person or any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of such first-mentioned person or to whom under such laws the same have been transferred;

"Target X Shares" means all of the issued share capital in each of Target 1 and Target 2;

"Target Y" means the Target Y Assets and the Target Y Shares;

"Target Y Assets" means the Hawk division of the Eagle Group Hong Kong Limited, the Hawk division of Eagle Group Singapore PTE Limited and the assets to be acquired under the Canadian Acquisition;

"Target Y Shares" means all of the issued share capital in each of Target 3, Target 4, Target 5, Target 6, Target 7, Target 8 and Target 9 and Target 10;

"Target Z Shares" means all of the issued share capital in Wren a company incorporated under the laws of England with registered number 610095, Wren Booksellers Belgium N.V./S.A. incorporated in Belgium with registered number 1271314 and Wren Booksellers Amsterdam B.V. incorporated with registered number 213092;

"Target 1" means Hawk Ireland Limited a company incorporated under the laws of Ireland with registered number 2019;

"Target 2" means Eagle Group Home Electronics (UK) Limited a company incorporated under the laws of England and Wales with registered number 229249;

"Target 3" means Hawk Australia Pty Ltd a company incorporated under the laws of New South Wales with Australian Company with registered number 000037258;

"Target 4" means Hawk USA inc. a Delaware Corporation;

"Target 5" means Hawk USA Inc. of Massachusetts Delaware Corporation;

"Target 6" means Hawk Inc. of New York a Delaware Corporation;

"Target 7" means Eagle Hawk Tontrager GmbH a company incorporated under the laws of the Federal Republic of Germany registered in the Commercial Register of the Lower Court *Amtgericht* of Oberhausen under HRB3038;

"Target 8" means Hawk Singapore Pte Limited a company incorporated under the laws of Singapore;

"Target 9" means Hawk Japan KK a company incorporated under the laws of Japan;

"Target 10" means Revolver Records Limited a company incorporated under the laws of England and Wales with registered number 1370220;

"Targets" means the Target X Shares, Target Y and the Target Z Shares;

"Term Commitment" means, in relation to any Bank at any time and save as otherwise provided herein, the aggregate of its Term A Commitment, its Term B Commitment, its Term C Commitment and its Term D Commitment pursuant to the Senior Facility Agreement;

"Total Commitments" means the aggregate for the time being of the Banks' Commitments;

"Transfer Certificate" means a certificate substantially in the form set out in the Second Schedule of the Senior Facility Agreement (with such amendments as may be approved by the Agent) signed by a Bank and a Transferee whereby:

- (i) such Bank seeks to assign and transfer to such Transferee all or a part of such Bank's rights and obligations under the Facility Documents upon and subject to the terms and conditions set out in Clause 41 of the Senior Facility Agreement; and
- (ii) such Transferee undertakes to perform the obligations it will assume as a result of delivery of such certificate to the Agent as is contemplated in Clause 41.5 of the Senior Facility Agreement;

"Transferee" means a person to which a Bank seeks to assign all or part of such Bank's rights and by which all or part of such Bank's obligations under the Senior Facility Agreement are assumed;

"Treasury Transaction" means any currency or interest rate purchase, cap or collar agreement, forward rate agreements, interest rate or currency future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined interest rate and currency swap agreement and any other similar agreement entered into on or after the Closing Date by any Group Entity;

"Trustee" means The Chase Manhattan Bank and includes any person appointed as trustee for the purpose of, and in accordance with, the High Yield Documents provided that such person shall have executed and delivered to the Security Trustee a duly completed Accession Undertaking in respect of the Intercreditor Deed which has been countersigned by the outgoing Trustee;

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"Vendors" means Vendor X, Vendors Y and Vendor Z;

"Vendor X" means Eagle Group plc and Eagle Group Limited;

"Vendors Y" means Eagle Group Australia Pty Ltd, Capital Records Inc., Eagle Group Germany GmbH, Eagle Group Singapore Pte Limited, Eagle Group International (1989) BV and Hawk Hong Kong Limited;

"Vendor Z" means W H Smith Group Limited;

"Working Capital Commitment" means the amount of £50,000,000 in relation to Merrill Lynch Capital Corporation and £50,000,000 in relation to Swiss Bank Corporation or in the Transfer Certificate relative to its Working Capital Commitment, in each case as reduced or increased from time to time pursuant to a Transfer Certificate;

"Wren Deferred Acquisition" means the acquisition of certain properties deferred in accordance with the Acquisition 2 Agreement;

"Wren Deferred Acquisition Date" means the date (if any) set out in the Acquisition 2 Agreement for completion of the Wren Deferred Acquisition, such earlier date as the Wren Deferred Acquisitions are completed or such date as agreed with the Joint Lead-Arrangers;

1.2 Any reference in this Form 395 to a statute or statutory provision shall be construed as a reference to such statute or statutory provision as the same may have been, or may from time to time be, amended or re-enacted and all instruments, orders, plans, regulations, bye-laws, permissions and directions at any time made thereunder.

SCHEDULE 2

Amount Secured by the Mortgage or Charge

In the Debenture, the Company covenanted and undertook with the Security Trustee as trustee for the Holders that it shall discharge each and every liability which the Company may have had at the time the Debenture was entered into or may have hereafter to the Security Trustee (whether for its own account or as trustee for the Holders) (and whether solely or jointly with one or more persons and whether as principal or as surety) under or pursuant to the High Yield Documents (including the Debenture) including any liability in respect of any further advances made thereunder and pay to the Security Trustee when due and payable every sum (of principal, interest or otherwise) at the time the Debenture was entered into or thereafter owing, due or incurred by the Company to the Security Trustee (whether for its own account or as trustee for the Holders) in respect of any such liabilities. Provided that:

- (a) there shall be excluded from the foregoing covenant any liability or sum which would, but for this proviso, cause such covenant or the security which would otherwise be constituted by the Debenture for such liability or sum to constitute unlawful financial assistance prohibited by Section 151 of the Companies Act 1985 or equivalent legislation in Northern Ireland; and
- (b) every payment by the Company of any sum in respect of the liabilities covenanted in the Debenture to be discharged by the Company to or for the account of the Holder to whom the same is due and payable which is made in accordance with the terms of the High Yield Documents under which such sum is payable to such Holder shall operate in satisfaction *pro tanto* of such covenant.

If the Company fails to pay any of such sums on the due date for payment thereof the Company shall pay interest on such sums (after as well as before any judgment) from the due date until the date of payment calculated and payable at the rate and in the manner agreed in Section 2.12 and 4.01 of the Indentures, as if such sums were due and payable under the relevant High Yield Document (but without any double counting of default interest under the Debenture or the relevant High Yield Document, as the case may be).

SCHEDULE 3

Short Particulars of all the Property Charged

2. Assignments, Fixed and Floating Charges

2.1 In the Debenture, the Company:

FIXED CHARGES

- (a) charged in favour of the Security Trustee as trustee for the Holders with the payment and discharge of the Secured Obligations by way of fixed charge (which so far as it relates to land in England and Wales vested in the Company at the date the Debenture was entered into or thereafter shall be a charge by way of legal mortgage) each of the following, namely:

(i) **Principal Property**

the Principal Property specified in Schedule 4 other than (a) any heritable or leasehold property in Scotland and all buildings, trade and other fixtures, fixed plant, machinery, installations and apparatus from time to time on any such property in Scotland and (b) any Principal Property in Northern Ireland;

(ii) **Accounts with the Security Trustee**

all rights and claims to which the Company was at the date the Debenture was entered into or thereafter entitled in relation to all moneys at the date the Debenture was entered into or thereafter standing to the credit of any bank accounts (including any Collateral Accounts but excluding any bank accounts in which cash is deposited as described in sub-paragraph (x) of the definition of "Permitted Encumbrance" (other than a Permitted Encumbrance solely arising as specified in paragraph (iii) of the definition of Permitted Encumbrance or in respect of a Collateral Account)) opened or maintained with the Security Trustee together with all rights relating or attaching thereto (including the right to interest);

(iii) **Northern Ireland Principal Property**

charged the Principal Property specified in Part 2 of Schedule 4 in relation to the Company insofar as it consists of land registered in the Land Registry of Northern

Ireland with the payment and discharge of the Secured Obligations, the Company thereby assenting to the registration of the charge thereby created as a burden affecting the said lands and the Company as beneficial owner thereby granted, conveyed and assigned to the Security Trustee as trustee for the Holders as security for the payment and discharge of the Secured Obligations and by way of fixed charge so much of the Principal Property in Northern Ireland as is held by it in fee simple specified in Part 2 of Schedule 4 TO HOLD the same unto the Security Trustee in fee simple and, the Company as beneficial owner thereby demised unto the Security Trustee as trustee for the Holders as security for the payment and discharge of the Secured Obligations by way of fixed charge so much of the Principal Property of leasehold tenure as is owned by it and is specified in Part 2 of Schedule 4 TO HOLD the same unto the Security Trustee for the residue of the respective terms of years for which the Company holds the same respectively (less the last three days thereof) subject as to all the Principal Property to the proviso for redemption contained in the Debenture;

EQUITABLE CHARGES

- (b) charged by way of equitable charge any equitable interests in the Principal Property specified in Schedule 4;

ASSIGNMENTS

- (c) assigned to the Security Trustee as trustee for the Holders all the Company's right, title and interest in and to each of the following:

- (i) **Property Rights**

- (aa) all rights and claims to which the Company was at the time the Debenture was entered into or thereafter entitled in relation to the Principal Property including those against any manufacturer, supplier or installer of such property, any builder, contractor or professional adviser engaged in relation to any such property and any lessee, sub-lessee or licensee of any of the Principal Property and any guarantor or surety for the obligations of such person, the rights under the hiring, leasing or rental contract and any guarantee, indemnity or security for the performance of the obligations of such person and any other rights and benefits relating thereto;

(bb) the benefit of the Agreements for Sale and Agreements for Lease to which the Company was at the time the Debenture was entered into or thereafter party and all the proceeds of any payment of any claims, awards, judgments, sums or damages arising out of such Agreements payable to the Company thereunder and all the Company's rights or remedies at the time the Debenture was entered into and thereafter in existence arising thereunder;

(cc) the benefit of all covenants, agreements, undertakings or obligations entered into by any other party to any Lease to which the Company was at the time the Debenture was entered into or thereafter party or to any licences, deeds, rent deposit agreements or other deeds or documents supplemental or collateral to any such Lease and of all guarantees or indemnities in any of the aforesaid;

(ii) **Insurance**

all rights and claims to which the Company was at the time the Debenture was entered into or thereafter entitled in relation to the proceeds of any of the Insurance Policies;

(iii) **Debts**

all present and future book and other debts and monetary claims at the time the Debenture was entered into or thereafter due or owing to the Company (including, without limitation, claims at the time the Debenture was entered into or thereafter due or owing to the Company in respect of any Intra-Group Loans) which are not otherwise subject to a fixed charge or assigned (whether at law or in equity) to the Security Trustee by or pursuant to the Debenture and all rights relating thereto including any security or remedies therefor;

(iv) **Accounts with another bank**

all rights and claims to which the Company was at the time the Debenture was entered into or thereafter entitled in relation to all moneys at the time the Debenture was entered into or thereafter standing to the credit of any bank accounts (including any Collateral Accounts but excluding any bank accounts in which cash is deposited as described in sub-paragraph (x) of the definition of "Permitted Encumbrance" (other than a Permitted Encumbrance solely arising as specified in paragraph (iii) of the

definition of Permitted Encumbrance or in respect of a Collateral Account)) opened or maintained with a bank other than the Security Trustee and all rights relating or attaching thereto (including the right to interest) as well as any VAT recoveries due to the Company;

(v) **The Documents**

all rights of the Company under or in respect of the Documents;

(vi) **Section 238, 239 and 244 orders**

all rights to which the Company was at the time the Debenture was entered into or thereafter entitled in respect of the proceeds of any order of the court made pursuant to sections 238(3), 239(3) or 244 of the Insolvency Act 1986; and

(i) **Subsidiary Shares**

all Subsidiary Shares;

FLOATING CHARGE

- (d) charged in favour of the Security Trustee as trustee for the Holders with the payment and discharge of the Secured Obligations by way of floating charge the whole of the Company's undertaking and assets, present and future, including the intellectual property rights specified in Schedule 7, other than any assets for the time being effectively charged to the Security Trustee by way of fixed charge pursuant to the provisions of Clause 1.1(a) herein and any bank accounts in which cash is deposited as described in sub-paragraph (x) of the definition of "Permitted Encumbrance", by way of equitable charge pursuant to the provisions of Clause 1.1(b) herein, or effectively assigned (whether at law or in equity) to the Security Trustee pursuant to the provisions of Clause 1.1(c) herein or otherwise subject to an effective fixed security in favour of the Security Trustee and including any heritable, leasehold or corporeal moveable property in Scotland where such property is charged in the Debenture by way of floating charge.

2.2 Deposits

All moneys at the time the Debenture was entered into or thereafter standing to the credit of any bank accounts (whether deposit or current accounts or otherwise howsoever designated) opened or

maintained by the Company with the Security Trustee (including any Collateral Accounts) and all or any rights and benefits relating thereto shall, except as permitted or required under the terms of the Senior Facility Agreement or the Intercreditor Deed, be incapable of assignment (and each deposit of any such moneys shall be made on such terms accordingly) and the Company shall not, except as permitted or required under the terms of the Senior Facility Agreement or the Intercreditor Deed, purport to assign or otherwise dispose of any interest in any such moneys or any such rights and benefits.

2.3 The Company declared and agreed that, subject to the charges and assignments created or made pursuant to the foregoing provisions of this Clause 1, it shall hold all of its right and title, interest and benefit in and to all of its property and assets whatsoever and wheresoever present and future on trust for application in accordance with the priority of payments specified in the Intercreditor Deed.

3. Further Assurance

The Debenture contains covenants for further assurance.

4. Negative Pledge

The Debenture contains a negative pledge.

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SCHEDULE 4

Principal Property

Part 1 - Principal Property in England and Wales

NIL

Part 2 - Principal Property in Northern Ireland

NIL

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FILE COPY



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

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

COMPANY No. 01370220

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEBENTURE DATED THE 22nd MAY 1998 AND CREATED BY REVOLVER RECORDS LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO THE CHASE MANHATTAN BANK, AS SECURITY TRUSTEE ON ANY ACCOUNT WHATSOEVER UNDER OR PURSUANT TO THE HIGH YIELD DOCUMENTS (AS DEFINED) AND THIS DEBENTURE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 4th JUNE 1998.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 8th JUNE 1998.

A handwritten signature in cursive script, appearing to read 'M. Ikram Dar'.

M. IKRAM DAR.

for the Registrar of Companies

LC
20/6/98



C O M P A N I E S H O U S E