LOAN AGREEMENT

dated 26 June 2015

between

BHS GROUP LIMITED

as Borrower

and

ARCADIA GROUP LIMITED

as Lender

Linklaters
Ref: TB/AK
Linklaters LLP
THIS AGREEMENT is dated 26 June 2015 and made between:

(1) BHS Group Limited, incorporated in England and Wales with registration number 03858895 as borrower (the "Borrower"); and

(2) Arcadia Group Limited, incorporated in England and Wales with registration number 00237511, as lender (the "Lender").

RECAPITALS

(A) The Lender has agreed to make the Facility available to the Borrower.

(B) The Borrower has agreed that the provision by the Lender of this Facility will satisfy the obligation on the Lender to provide the BHS Loan (as defined in the SPA) pursuant to clause 4.2.2 of the SPA.

(C) The Borrower has further agreed to use the proceeds of any loans under this Facility towards the prepayment and cancellation of HSBC Facility 2.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Business Day" means a day (other than Saturday or Sunday) on which banks are open for general business in London.

"Corporate Guarantee 1" has the meaning given to the term Corporate Guarantee under the facility agreement in respect of HSBC Facility 1.

"Corporate Guarantee 2" has the meaning given to the term Corporate Guarantee under the facility agreement in respect of HSBC Facility 2.

"Event of Default" means any event or circumstance specified as such in Clause 8 (Events of Default).

"Facility" means the loan facility made available under this Agreement as described in Clause 2 (The Facility).

"Finance Document" means this Agreement and any other document designated as such by the Lender and the Borrower.

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

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);

(h) shares which are expressed to be redeemable;

(i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

"Group" means BHS Group Limited and each of its Subsidiaries from time to time.


"HSBC Facility 2" means the facility made available to BHS Group Limited by HSBC Bank plc under a facility agreement between, among others, BHS Group Limited as the borrower and HSBC Bank plc as the lender dated 26 March 2015.

"Interest Period" means 3 months.

"Legal Reservations" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim; and

(c) similar principles, rights and defences under the laws of any Relevant Jurisdiction.


"Loan" means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.
"Original Jurisdiction" means the jurisdiction under whose laws the Borrower is incorporated as at the date of this Agreement.

"Party" means a party to this Agreement.

"Retail Acquisitions Limited" means a company incorporated in England and Wales (registered number 09320475) whose registered office is at c/o Calder & Co, 16 Charles II Street, London SW1Y 4NW;

"Relevant Jurisdiction" means, in relation to the Borrower:

(a) its Original Jurisdiction; and

(b) any jurisdiction where it conducts its business.

"SPA" means the sale and purchase agreement in relation to the sale of the entire share capital of BHS Group Limited entered into by Taveta Investments (No. 2) Limited and Retails Acquisitions Limited dated 11 March 2015.

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Termination Date" means the date falling five years after the date of this Agreement.

1.2 Construction

Unless a contrary indication appears, any reference in this Agreement to:

(i) the "Borrower", the "Lender" or any "Party" shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under this Agreement;

(ii) this "Agreement", any "Finance Document" or any other agreement or instrument is a reference to this Agreement or that Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under this Agreement or that Finance Document or other agreement or instrument;

(iii) a "person" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);

(iv) a provision of law is a reference to that provision as amended or re-enacted; and

(v) a time of day is a reference to London time.
1.3 **Third party rights**

(a) Unless expressly provided to the contrary in a Finance Document, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "Third Parties Act") to enforce or to enjoy the benefit of any term of this Deed.

(b) Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Deed at any time.

2. **THE FACILITY**

Subject to the terms of this Agreement, the Lender makes available to the Borrower a loan facility in an aggregate amount equal to £3,500,000.

3. **PURPOSE**

The Borrower shall apply all amounts borrowed by it under the Facility towards prepayment of amounts outstanding under HSBC Facility 2.

4. **CONDITIONS OF UTILISATION**

The Lender will only be obliged to make a Loan available if:

(a) the Borrower gives the Lender not less than one Business Day's prior notice (or such lesser period as the Lender may agree) specifying the amount of the proposed Loan, the account to which the proposed Loan is to be paid (which must be the account for making prepayments pursuant to clause 5 of the HSBC Facility 2) and the Business Day on which the proposed Loan is to be advanced; and

(b) the Lender agrees to make the Loan available.

5. **REPAYMENT, PREPAYMENT AND CANCELLATION**

(a) The Borrower shall repay the Loans on the Termination Date.

(b) The Borrower may, at any time, prepay the whole or any part of any Loan (together with all interest accrued on it).

(c) The Borrower may not reborrow any part of the Facility which is repaid or prepaid.

(d) The Borrower may, at any time, cancel the whole or any part of the Facility.

6. **DEFAULT INTEREST**

(a) If the Borrower fails to pay any amount under this Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at the rate of 5 per cent. for successive Interest Periods. Any interest accruing under this paragraph (a) shall be immediately payable by the Borrower on demand by the Lender.

(b) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.
7. REPRESENTATIONS AND WARRANTIES

The Borrower makes the representations and warranties set out in this Clause 7 to the Lender on the date of this Agreement and every monthly thereafter.

7.1 Status
(a) It is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
(b) It has the power to own its assets and carry on its business as it is being conducted.

7.2 Binding obligations
Subject to the Legal Reservations, the obligations expressed to be assumed by it in any Finance Documents are legal, valid, binding and enforceable obligations.

7.3 Non-conflict with other obligations
The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:
(a) any law or regulation applicable to it;
(b) its constitutional documents; or
(c) any agreement or instrument binding upon it or any of its assets, to a material extent.

7.4 Power and authority
It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of its obligations under the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

7.5 Validity and admissibility in evidence
All Authorisations required:
(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
(b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect.

7.6 Governing law and enforcement
(a) The choice of English law as the governing law of this Agreement will be recognised and enforced in its jurisdiction of incorporation.
(b) Any judgment obtained in England in relation to this Agreement will be recognised and enforced in its jurisdiction of incorporation.
7.7 Insolvency
No corporate action, legal proceeding or other procedure or step described in Clause 8.5 (Insolvency Proceedings) as set out below has been taken or, to the knowledge of the Borrower, threatened in relation to the Borrower and the circumstances described in Clause 8.4 (Insolvency) as set out in the Loan Agreement do not apply to the Borrower.

7.8 Pari passu ranking
Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

8. EVENTS OF DEFAULT

8.1 Non payment
The Borrower does not pay on the due date any amount payable pursuant to the Finance Documents at the place at and in the currency in which it is expressed to be payable.

8.2 Other obligations
The Borrower does not comply with any provision of the Finance Documents (other than the obligation referred to in Clause 8.1 (Non payment) above).

8.3 Misrepresentation
Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

8.4 Insolvency
(a) The Borrower:
(i) is unable or admits inability to pay its debts as they fall due;
(ii) suspends making payments on any of its debts; or
(iii) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding the Lender in its capacity as such) with a view to rescheduling any of its indebtedness.

(b) A moratorium is declared in respect of any indebtedness of the Borrower.

8.5 Insolvency proceedings
Any corporate action, legal proceedings or other procedure or step is taken in respect of the Borrower in relation to:
(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
(b) a composition, compromise, assignment or arrangement with any of its creditors;
(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets; or
(d) enforcement of any Security over any of its assets of any member of the Group, or any analogous procedure or step is taken in any jurisdiction.

This Clause 8.5 shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 10 Business Days of commencement.

8.6 Cross default

(a) Any Financial Indebtedness of the Borrower is not paid when due nor within any originally applicable grace period.

(b) Any Financial indebtedness of the Borrower is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

(d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under this Clause 8.6 if the relevant Event of Default arises solely as a result of a breach by, or otherwise related solely to, Arcadia Group Limited (and no other person) under paragraph (a) of clause 22.1 and paragraph (a) of clause 22.2 and clauses 22.3, 22.4, 22.5, 22.6, 22.7, 22.9 and 22.13 of HSBC Facility 1 and HSBC Facility 2.

(f) No Event of Default will occur under this Clause 8.6 until the period of 30 days as set out in clause 3.4 of the Corporate Guarantee 1 or the Corporate Guarantee 2 (as applicable) has expired.

(g) No Event of Default will occur under this Clause 8.6 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a), (b), (c) or (d) above is less than £5,000,000 (or its equivalent in any other currency or currencies).

8.7 Ownership

(a) If Retail Acquisitions Limited ceases to control the Borrower or if Dominic Chappell ceases to control Retail Acquisitions Limited.

(b) For the purpose of paragraph (a) above "control" has the meaning given to it in section 450 of the Corporation Tax Act 2010.

8.8 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its obligations the Finance Documents.

8.9 Repudiation

The Borrower repudiates or evidences an intention to repudiate a Finance Document to which it is a party.
8.10 **Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing, the Lender may by notice in writing to the Borrower:

(a) declare that all or part of the Loans, together with accrued default interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(b) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand.

9. **COSTS AND EXPENSES**

9.1 **Transaction expenses**

Each party to this Agreement shall bear its own costs and expenses (including legal fees) incurred by it in connection with the negotiation, preparation, printing and execution of this Agreement and any other documents referred to in this Agreement.

9.2 **Amendment costs**

If the Borrower requests an amendment, waiver or consent in relation to a Finance Document, the Borrower shall within three Business Days of demand, reimburse the Lender for the amount of all reasonable costs and expenses (including legal fees) properly incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

9.3 **Enforcement and preservation costs**

The Borrower shall, within three Business Days of demand, pay to the Lender the amount of all costs, losses, liabilities and expenses (including legal fees) incurred by the Lender in relation to any Finance Document (including the administration, protection, realisation, enforcement or preservation of any rights under or in connection with this Agreement, or any consideration by the Lender as to whether to realise or enforce the same, and/or any amendment, waiver, consent or release of any Finance Document and/or any other document referred to in this Agreement).

10. **TAX GROSS UP AND INDEMNITIES**

10.1 **Tax Definitions**

(a) In this Agreement:

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under this Agreement.

"Tax Payment" means either the increase in a payment made by the Borrower to the Lender under Clause 10.2 (*Tax gross-up*).

(b) Unless a contrary indication appears, in this Clause 10 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.
10.2 **Tax gross-up**

(a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly.

(c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 **Stamp taxes**

The Borrower shall pay and, within three Business Days of demand, indemnify the Lender of any cost, loss or liability it incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of this Agreement.

10.4 **VAT**

(a) All amounts expressed to be payable under a Finance Document by the Borrower to the Lender which (in whole or in part) constitutes the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by the Lender to any party under a Finance Document and the Lender is required to account to the relevant tax authority for the VAT, that party must pay to the Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and the Lender must promptly provide an appropriate VAT invoice to that party).

(b) Where a Finance Document requires any party to reimburse or indemnify the Lender for any cost or expense, that party shall reimburse or indemnify (as the case may be) the Lender for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that the Lender reasonably determines it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(c) Any reference in this Clause 10.4 to any party shall, at any time when such party is treated as a member of a group or unity (or fiscal unity) for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated at that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union) or any other similar provision in any jurisdiction which is not a member state of the European Union) so that a reference to a party shall be construed as a
reference to that party or the relevant group or unity (or fiscal unity) of which that party is a member for VAT purposes at the relevant time or the relevant representative member (or head) of that group or unity (or fiscal unity) at the relevant time (as the case may be).

(d) In relation to any supply made by the Lender to any party under a Finance Document, if reasonably requested by the Lender, that party must promptly provide the Lender with details of that party's VAT registration and such other information as is reasonably requested in connection with the Lender's VAT reporting requirements in relation to such supply.

10.5 Conduct of affairs

No provision of this Agreement will:

(a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige the Lender to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

11. PAYMENTS

(a) All payments to be made by the Borrower under this Agreement shall be made:

(i) in full without (and free and clear of any deduction for) any set-off or counterclaim; and

(ii) to such account as the Lender may notify the Borrower from time to time.

(b) If the Borrower fails to pay any amount payable under this Agreement when due, it shall indemnify the Lender on demand against any cost, loss, expense or liability (including, without limitation, legal fees) reasonably sustained or incurred by the Lender as a result of such failure.

(c) Any payment under this Agreement which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

12. AMENDMENTS AND WAIVERS

Any term of this Agreement may be amended or waived only with the prior written consent of the Lender and the Borrower and any such amendment or waiver will be binding on all parties.

13. CHANGES TO THE PARTIES

(a) The Lender may not assign any of its rights and benefits under this Agreement or transfer by novation any of its rights, benefits and obligations under this Agreement without the written consent of the Borrower.

(b) The Borrower may not assign any of their rights and benefits under this Agreement or transfer by novation any of their rights, benefits and obligations under this Agreement without the written consent of the Lender.
14. **PARTIAL INVALIDITY**

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

15. **NOTICES**

15.1 **Communications in writing**
Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by email, fax or letter.

15.2 **Addresses**
The address, email address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with this Agreement is that identified with its name below or any substitute address, email address, fax number or department or officer as the party may notify to another party by not less than five Business Days’ notice.

15.3 **Delivery**
(a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:

(i) if by way of fax or email, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 15.2 (**Addresses**), if addressed to that department or officer.

(b) Any communication or document which becomes effective, in accordance with paragraph (a) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

15.4 **English language**
(a) Any notice given under or in connection with this Agreement must be in English.

(b) All other documents provided under or in connection with this Agreement must be:

(i) in English; or

(ii) if not in English, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

16. **REMEDIES, WAIVERS AND DETERMINATIONS**

16.1 **Remedies and waivers**
No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under this Agreement shall operate as a waiver of any such right or remedy or constitute an
election to affirm this Agreement. No waiver or election to affirm this Agreement on the part of the Lender shall be effective unless in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

16.2 Certificates and Determinations
Any certification or determination by the Lender of a rate or amount under this Agreement is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

17. COUNTERPARTS
This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

18. GOVERNING LAW
This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

19. ENFORCEMENT
(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "Dispute").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 19 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

This Agreement has been entered into on the date stated at the beginning of this Agreement.
SIGNATURES

The Borrower

By: D. CHAPPELL

The Lender

By:
SIGNATURES

The Borrower

By:

The Lender

By: [Signature]

Paul Budge