DATED 26 March 2015

(1) ARCADIA GROUP LIMITED

- and -

(2) HSBC BANK PLC

GUARANTEE AND INDEMNITY relating to

the obligations of BHS Group Limited
THIS GUARANTEE AND INDEMNITY is made on 26 March 2015

BY

(1) ARCADIA GROUP LIMITED, a company incorporated and registered under the laws of England and Wales with number 00237511 with its registered office at Arcadia Group Limited, Colegrave House, 70 Berners Street, London W1T3NL (the Guarantor);

IN FAVOUR OF

(2) HSBC BANK PLC (the Lender).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

Affiliate means a Subsidiary of a company, a Holding Company of that company or any other Subsidiary of that Holding Company;

Borrower means BHS Group Limited, incorporated in England & Wales with registered number 03858895 whose registered office is situated at Colegrave House, 70 Berners Street, London W1T 3NL;

Compliance Certificate means a certificate in the form set out in Schedule 1 to this Deed.

Debtor means the Guarantor, the Shareholder, an Obligor or any other Subsidiary of the Borrower;

Discharge Date means the date on which the Guaranteed Obligations have been irrevocably discharged and repaid in full and the Lender has no further commitment to the Borrower;

Enforcement Action means:

(a) in relation to any Guaranteed Obligations or any Security, guarantee, indemnity or other assurance against loss in respect thereof (the Liabilities):

(i) the acceleration of any Liabilities or the making of any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for the Lender to perform its obligations under, or of any mandatory prepayment arising under, the Finance Documents);

(ii) the making of any declaration that any Liabilities are payable on demand;

(iii) the making of a demand in relation to a Liability that is payable on demand;

(iv) the making of any demand against any Debtor in relation to any Liabilities of that Debtor;

(v) the exercise of any right to require any Debtor to acquire any Liability (including exercising any put or call option against any Debtor for the redemption or purchase of any Liability);

(vi) the exercise of any right of set-off, account combination or payment netting against any Debtor in respect of any Liabilities other than the exercise of any such right which is otherwise expressly permitted under the Facility Agreement;
(vii) the suing for, commencing or joining of any legal or arbitration proceedings against any Debtor to recover any Liabilities;

(b) the taking of any steps to enforce or require the enforcement of any Security (including the crystallisation of any floating charge forming part of the Security);

(d) the entering into of any composition, compromise, assignment or arrangement with any Debtor; or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any Debtor in respect of any of the Liabilities, or any of such Debtor’s assets or any suspension of payments or moratorium of any indebtedness of any such Debtor, or any analogous procedure or step in any jurisdiction,

except that the taking of any action falling within paragraphs (a)(vii) or (e) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods shall not constitute Enforcement Action.

Facility Agreement means a facility agreement dated on or about the date of this Deed between the Borrower and the Lender as amended, restated, varied or supplemented from time to time in a manner permitted by this Deed;

Guaranteed Obligations means all present and future payment obligations and payment liabilities (whether actual or contingent and whether owed jointly or severally or alone or in any other capacity whatsoever) of the Obligors to the Lender under the Finance Documents;

Holding Company has the meaning given in section 1159 of the Companies Act 2006;

Interest Rate means the rate of interest payable on any facility guaranteed by the guarantee created by or pursuant to this Deed;

Party means a party to this Deed and includes the Lender whether or not it is a signatory to this Deed;

Security means a mortgage, charge, assignment, pledge, lien, standard security, assignation or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect; and

Subsidiary has the meaning given in section 1159 of the Companies Act 2006.

1.2 Construction

(a) Unless a contrary indication appears, any reference in this Deed to:

(i) assets includes present and future properties, revenues and rights of every description;

(ii) the Lender shall be construed to include its successors in title, permitted assigns and permitted transferees;

(iii) includes or including shall be read and construed as including the phrase without limitation;

(iv) this Deed or any other agreement or instrument is a reference to this Deed, or other agreement or instrument as amended, supplemented, extended, restated, novated and/or replaced in any manner from time to time (however fundamentally and even if
any of the same increases the Borrower's obligations or provides for further
advances) in a manner permitted by this Deed;

(v) Guaranteed Obligations includes obligations and liabilities which would be treated
as such but for the death, bankruptcy, liquidation, administration, dissolution of or
similar event affecting the Borrower;

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

(vii) the singular includes the plural and vice versa.

(b) When any provision of this Deed refers to an approval or consent by the Lender that provision
shall be construed so as to require that consent or approval to be given in writing.

(c) References to clauses and paragraphs are to be construed, unless otherwise stated, as
references to clauses and paragraphs of this Deed.

(d) Clause headings are for ease of reference only and shall not affect the construction of this
Deed.

(e) If the Lender reasonably considers that an amount paid by the Guarantor under this Deed or by
the Borrower is capable of being avoided or otherwise set aside on the bankruptcy, liquidation
or administration of the Guarantor or the Borrower, then that amount shall not be considered
to have been irrevocably paid for the purposes of this Deed.

(f) Where the Borrower is more than one person references to the Borrower are to each such
person both jointly and severally.

(g) Where the Borrower is expressed to be a partner, a reference to the Borrower includes all the
partners in the partnership from time to time, regardless of any change in the name or
constitution of the partnership or any change in the number or identity of the partners in the
partnership, however caused.

(h) Where the Borrower is expressed to be a trustee of a trust, a reference to the Borrower
includes all the trustees of that trust from time to time, regardless of any change in the name or
constitution of the trust or any change in the number or identity of the trustees of the trust,
however caused.

(i) Capitalised terms defined in the Facility Agreement have, unless expressly defined in this
Deed, the same meaning in this Deed.

1.3 Third party rights

A person who is not a party to this Deed shall have no right under the Contracts (Rights of Third
Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

1.4 Delivery

The Parties intend this Deed to be delivered on the first date specified on page 1 of this Deed and that
this document shall take effect as a deed notwithstanding the fact that the Lender may only execute this
document under hand.

2. GUARANTEE AND INDEMNITY

Subject to the terms of this Deed, in consideration of the Lender making available or continuing
facilities to the Borrower, the Guarantor irrevocably and unconditionally:
(a) guarantees to the Lender within ten Business Days of demand on the Guarantor the due and punctual performance by the Borrower of all of the Guaranteed Obligations;

(b) undertakes with the Lender that whenever the Borrower does not pay any amount of the Guaranteed Obligations when due, the Guarantor shall within ten Business Days of demand on the Guarantor pay that amount as if the Guarantor were the principal obligor; and

(c) agrees with the Lender that if any part or the whole of the Guaranteed Obligations become unenforceable, invalid or illegal, the Guarantor will, as an independent and primary obligation, indemnify the Lender within ten Business Days of demand on the Guarantor against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it on the date when it would have been due. The amount payable by the Guarantor under this indemnity will not exceed the amount the Guarantor would have had to pay under this clause 2 if the amount claimed had been recoverable on the basis of a guarantee.

3. FINANCE DOCUMENTS

3.1 Restriction on amendment and waivers

(a) Subject to paragraph (b) below, the Lender may amend or waive the terms of the Finance Documents in accordance with their terms (and subject to any consent required under them) at any time.

(b) The Lender may not amend or waive the terms of the Finance Documents if the amendment or waiver has the effect of:

(i) increasing the principal amount of the Facility;

(ii) changing the amount, currency, dates or terms of repayment or prepayment (mandatory or otherwise) of the Facility other than one which is contemplated by the original form of the Finance Documents (or the amended form of Finance Documents to the extent that such amendments have been previously agreed (if required by the terms of this Deed) by the Guarantor);

(iii) changing the basis on which interest, fees or commission accrue, are calculated or are payable other than one which is:

(A) contemplated by the original form of the Finance Documents (or the amended form of Finance Documents to the extent that such amendments have been previously agreed (if required by the terms of this Deed) by the Guarantor); or

(B) which is:

(1) a minor or administrative change or correction; or

(2) a correction of a manifest error,

which is, in each case, not prejudicial to the Guarantor;

(iv) making any Debtor liable to make additional or increased payments;

(v) making any Debtor being subject to materially more or less onerous obligations under the representations, undertakings, financial covenants or events of default in the Facility Agreement; or
(vi) changing the nature or scope of, or releasing, any Security, guarantee, indemnity or other assurance against loss, the assets subject to any Security or the manner in which the proceeds of enforcement of any Security are distributed (other than a release of Security contemplated by the original form of the Finance Documents (or the amended form of Finance Documents to the extent that such amendments have been previously agreed (if required by the terms of this Deed) by the Guarantor) to permit the disposal of a Property (or the Chargors that own that Property) provided that the proceeds of such disposal are applied in accordance with the mandatory prepayment provisions of the original form of the Facility Agreement (or the amended form of Finance Documents to the extent that such amendments have been previously agreed (if required by the terms of this Deed) by the Guarantor)),

in which case the prior consent of the Guarantor is required.

3.2 Designation of Finance Documents

If the terms of a document effect a change which would, if that change was effected by way of amendment to, or waiver of, the terms of a Finance Document, require the consent of the Guarantor under Clause 3.1 (Restriction on amendment and waivers), that document may not be entered into without the prior consent of the Guarantor.

3.3 Restriction on transfer

(a) Notwithstanding any other provision of the Finance Documents, the Lender may not assign and/or transfer its rights and obligations under the Finance Documents without the consent of the Guarantor unless the assignment or transfer is:

(i) to an Affiliate of the Lender;

(ii) made at a time when an Event of Default is continuing; or

(iii) made pursuant to Clause 3.5 (Option to purchase).

(b) The consent of the Guarantor to an assignment or transfer must not be unreasonably withheld or delayed. The Guarantor will be deemed to have given its consent ten Business Days after the Lender has requested it unless consent is expressly refused by the Guarantor within that time.

3.4 Restriction on enforcement

The Lender shall not be entitled to:

(a) take any Enforcement Action in respect of any of the Guaranteed Obligations; or

(b) declare that the outstanding Loan, interest and other outstanding amounts are immediately due and payable pursuant to Clause 5.3(a)(iv) of the Facility Agreement (the "Declaration"),

unless the Lender has consulted with the Guarantor in good faith for a period of no less than 30 days prior to taking such Enforcement Action or Declaration, save always if the Enforcement Action arises as a result of an Event of Default set out in clause 22.13 (Corporate Guarantor) of the Facility Agreement.

3.5 Option to purchase

If the guarantee or indemnity set out in Clause 2 (Guarantee and Indemnity) is demanded, at any time if an Event of Default is continuing or if the circumstances have arisen to allow a Declaration (as defined in Clause 3.4 above) to be made, the Guarantor may at any time by giving not less than five
Business Days' notice to the Lender, require the transfer to it (or to a nominee or nominees) of all, but not part, of the rights and obligations in respect of the Guaranteed Obligations if:

(a) that transfer is lawful;

(b) the Lender is paid an amount equal to the aggregate amount of all of the Guaranteed Obligations which are then outstanding; and

(c) the transfer is made without recourse to, or representation or warranty from, the Lender, except that each Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorise the making by it of that transfer.

4. **NATURE OF GUARANTEE**

4.1 **Continuing guarantee**

This Deed is a continuing guarantee and will extend to the ultimate balance of all the Guaranteed Obligations, regardless of any intermediate payment or discharge in whole or in part.

4.2 **Additional and separate guarantee**

This Deed is in addition to, and without prejudice to and shall not merge with, any other right, remedy, guarantee or Security which the Lender may at any time hold for any of the Guaranteed Obligations.

4.3 **Immediate recourse**

The Guarantor waives any right it may have of first requiring the Lender to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Guarantor under this Deed.

5. **REINSTatement**

(a) If any discharge, release or arrangement given by the Lender (whether in respect of the obligations of the Guarantor or the Borrower or any Security for those obligations or otherwise) is made by the Lender in whole or in part on the basis of any payment, Security or other disposition which is avoided or must be restored in insolvency, liquidation, bankruptcy, administration or otherwise, without limitation, then the Guarantor’s liability under this Deed will continue or be reinstated as if the discharge, release or arrangement had not occurred.

(b) The Lender may decline to release this Deed if it reasonably considers any payment security or other disposition may be avoided or must be restored in any liquidation, bankruptcy, administration or otherwise.

6. **WAIVER OF DEFENCES**

Subject to Clause 3 (Finance Documents) the Guarantor's obligations under this Deed will not be affected by any act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of the Guarantor's obligations under this Deed (whether or not known to the Guarantor or the Lender) including:

(a) any time, waiver or consent granted to, or composition with, the Borrower or any other person;

(b) the release of the Borrower or any other person under the terms of any composition or arrangement with any creditor;
(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, the Borrower or any other person, or any non-presentation or non-observance of any formality or other requirement in respect of any instrument, or any failure to realise the full value of any Security;

(d) any incapacity or lack of power, authority or legal personality of, or dissolution or change in the members or status of, the Borrower or any other person;

(e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any document or Security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any document or Security in each case which has been expressly agreed to by the Guarantor;

(f) any unenforceability, illegality or invalidity of any obligation of any other person under any other document or Security; or

(g) any insolvency or similar proceedings.

7. APPROPRIATIONS AND SUSPENSE ACCOUNT

7.1 Right of appropriation

(a) All monies received or recovered by the Lender from the Guarantor, the Borrower or any other person in respect of the Guaranteed Obligations may be applied by the Lender to reduce any part of the Guaranteed Obligations or as it sees fit or in accordance with clause 7.2 (Application and suspense account).

(b) Any such appropriation by the Lender shall override any appropriation by the Guarantor.

7.2 Application and suspense account

Until the Discharge Date, the Lender may:

(a) refrain from applying or enforcing any other monies, Security or rights held or received by it in respect of the Guaranteed Obligations or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any monies received from the Guarantor or on account of its liabilities under this Deed.

8. DEFERRAL OF GUARANTOR'S RIGHTS

8.1 Deferral of rights

Until the Discharge Date and unless the Lender otherwise directs, the Guarantor shall not exercise any rights which it may have by reason of performance by it of its obligations under or by reason of any amount being payable, or liability arising, under this Deed:

(a) to be indemnified by the Borrower;

(b) to claim any contribution from any other guarantor of the Borrower's obligations to the Lender;

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender in respect of the Borrower or of any other guarantee or Security taken by the Lender;
(d) to bring legal or other proceedings for an order requiring the Borrower to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under clause 2 (Guarantee and Indemnity);

(e) to exercise any right of set-off against the Borrower; and/or

(f) to claim or prove as a creditor of the Borrower in competition with the Lender.

8.2 Trust

If the Guarantor receives any benefit, payment or distribution in relation to the rights referred to in clause 8.1 (Deferral of rights) or any Security as a result of any breach of clause 8.3 (No security), it shall:

(a) hold that benefit, payment, distribution or Security to the extent necessary to enable all the Guaranteed Obligations to be repaid in full on trust for the Lender; and

(b) promptly pay or transfer the same to the Lender or as the Lender may direct for application in or towards discharge of the Guaranteed Obligations.

8.3 No security

Until the Discharge Date and unless the Lender otherwise directs, the Guarantor shall not have or take from the Borrower or any other surety for any Guaranteed Obligation any Security in respect of the Guarantor's liability under this Deed or in respect of any other obligation or liability which the Borrower has, or may in future have, to the Guarantor.

8.4 Additional security

This Deed is in addition to and is not in any way prejudiced by any other guarantee or Security now or subsequently held by the Lender.

9. REPRESENTATIONS

9.1 General

The Guarantor makes the representations and warranties set out in this clause 9 (Representations) to the Lender on the date of this Deed and on each day the Guaranteed Obligations are outstanding.

9.2 Status

Where the Guarantor is a company, it is a limited liability corporation duly incorporated and validly existing under the law of its jurisdiction of incorporation and it has the power to own its assets and carry on its business as it is being conducted.

9.3 Binding obligations

The Guarantor's obligations in this Deed are, subject to the Legal Reservations, legal, valid, binding and enforceable obligations.

9.4 Non-conflict with other obligations

The entry into and performance by the Guarantor of its obligations under this Deed and the transactions contemplated by it do not and will not conflict with:

(a) any law or regulation applicable to the Guarantor; or

(b) its constitutional documents (save where the Guarantor is an individual); or
(c) any agreement or other obligation binding on the Guarantor or any of its assets,

in each case to an extent which could reasonably be expected to have a Material Adverse Effect.

9.5 Power and authority

The Guarantor has the power to enter into, perform and deliver, and have taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated by this Deed.

9.6 Validity and admissibility in evidence

All authorisations, consents, approvals, resolutions, licences, exemptions, filings, notarisations and registrations required or desirable to enable the Guarantor lawfully to enter into, comply with its obligations under this Deed, and to make this Deed admissible in evidence in any relevant jurisdiction have been obtained or effected and are in full force and effect.

10. FINANCIAL STATEMENTS

The Guarantor must supply to the Lender:

(a) as soon as the same become available, but in any event within 120 days after the end of each financial year, the consolidated audited financial statements of the Guarantor for that financial year; and

(b) as soon as the same become available, but in any event no later than 45 days after the end of each financial quarter for the Guarantor, the quarterly consolidated accounts for the Guarantor.

11. NEW ACCOUNTS

The Guarantor acknowledges that if for any reason this Deed ceases to be a continuing guarantee for the Lender, it may either continue any then existing account(s) with the Borrower or open one or more new accounts for the Borrower, but in any such case the Guarantor's obligations under this Deed shall remain unaffected by, and be calculated without regard to, any payment into and out of any such account after this Deed has ceased to be a continuing guarantee.

12. SET-OFF

(a) The Lender may (but shall not be obliged to) set off any obligation which is due and payable by the Guarantor and unpaid against any obligation (whether or not matured) owed by the Lender to the Guarantor, regardless of the place of payment, booking branch or currency of either obligation.

(b) If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

13. PAYMENT

13.1 Payments

Subject to clause 13.2 (Gross-up), all payments to be made by the Guarantor under this Deed shall be made without (and free and clear of, and without any deduction for or on account of) any set-off or counterclaim, or (except to the extent compelled by law) any deduction or withholding for or on account of tax.
13.2 **Gross-up**

If the Guarantor is compelled by law to make any deduction or withholding from any sum payable under this Deed to the Lender, the sum so payable by it shall be increased so as to result in the receipt by the Lender of a net amount equal to the full amount expressed to be payable under this Deed.

14. **CURRENCIES**

14.1 **Currency of account**

Payments under this Deed in relation to the Guaranteed Obligations shall be made in the currency to which it is denominated, and each payment in respect of costs, expenses or taxes under this Deed shall be made in the currency in which the costs, expenses or taxes are incurred.

14.2 **Currency indemnity**

If any sum due from the Guarantor under this Deed (a **Sum**), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the **First Currency**) in which that Sum is payable into another currency (the **Second Currency**) for the purpose of:

(a) making or filing a claim or proof against the Guarantor; or

(b) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Guarantor shall, as an independent obligation, indemnify the Lender on demand against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to the Lender at the time of its receipt of that Sum.

14.3 **Waiver**

The Guarantor waives any right it may have in any jurisdiction to pay any amount under this Deed in a currency or currency unit other than that in which it is expressed to be payable.

15. **INDEMNITY**

The Guarantor must indemnify the Lender promptly on demand against any cost, loss, liability or expense (however arising) incurred by the Lender as a result of or in connection with any breach by the Guarantor of any of its obligations under this Deed.

16. **INFORMATION: FINANCIAL CONDITION**

At least 5 Business Days prior to each Payment Date the Guarantor must supply to the Lender a Compliance Certificate signed by a treasurer, director or other authorised signatory of the Guarantor evidencing that it is not in breach of the Event of Defaults set out in clause 22.13 (Corporate Guarantor) of the Facility Agreement as at the date at which those financial statements or accounts were drawn up and setting out in reasonable detail computations as to compliance with such obligations.

17. **CALCULATIONS AND CERTIFICATES**

Any certificate of or determination by the Lender specifying the amount of the Guaranteed Obligations is, in the absence of manifest error, conclusive evidence against the Guarantor of the matters to which it relates.
18. **PARTIAL INVALIDITY**

All the provisions of this Deed are severable and distinct from one another and if at any time any provision is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of any 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.

19. **REMEDIES AND WAIVERS**

No failure to exercise nor any delay in exercising any right or remedy under this Deed against the Guarantor shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise, or the exercise of any other right or remedy. The rights and remedies provided are cumulative and not exclusive of any rights or remedies provided by law.

20. **AMENDMENTS AND WAIVERS**

Any provision of this Deed may be amended only if the Guarantor and the Lender agree in writing and any breach of this Deed by the Guarantor may be waived before or after it occurs only if the Lender so agrees in writing. A waiver given or consent granted by the Lender under this Deed will be effective only if given in writing and then only in the instance and for the purpose for which it is given.

21. **TRANSFER AND CONFIDENTIALITY**

21.1 **Transfer**

(a) Subject to Clause 3.3 (Restriction on transfer), the Lender may assign and/or transfer its rights and obligations under this Deed.

(b) The Guarantor shall not assign any of its rights or transfer any of its obligations under this Deed.

21.2 **Confidentiality**

The Lender may disclose to:

(a) any transferee or potential transferee;

(b) any assignee or potential assignee;

(c) any person with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to or including the Guaranteed Obligations;

(d) any ratings agency;

(e) any of the officers, directors, employees, professional advisers, auditors, partners and representatives of the persons referred to in sub-clauses 21.2(a) to 21.2(d);

(f) any of its Affiliates and to any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives; and

(g) any person to whom information is required or requested to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation,

such confidential information as the Lender shall consider appropriate if any person to whom the confidential information is to be given is informed in writing of its confidential nature and (in the case
of paragraphs (a) to (d) above) has signed a confidentiality undertaking substantially in the form recommended by the Loans Market Association.

22. COUNTERPARTS

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures (and seals, if any) on the counterparts were on a single copy of this Deed.

23. OTHER GUARANTORS

Subject to Clause 3 (Finance Documents), the Guarantor agrees to be bound by this Deed notwithstanding that any other person intended to execute or be bound by this Deed or by any other guarantee or assurance for the Guaranteed Obligations to the Lender may not do so or may not be effectually bound.

24. NOTICES

24.1 Communications in writing

Any communication to be made under or in connection with this Deed shall be made in writing in the English language and, unless otherwise stated, must be made by letter.

24.2 Addresses

The Lender may deliver any communication, document or notice to the Guarantor relating to this Deed to its registered office or any additional address the Guarantor may notify to the Lender by not less than five business days' notice.

24.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with this Deed will only be effective 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.

(b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with Lender's signature below (or any substitute department or officer as the Lender shall specify for this purpose).

25. GOVERNING LAW

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

26. ENFORCEMENT

26.1 Jurisdiction

(a) The courts of England have exclusive jurisdiction to settle any dispute (including a dispute relating to non-contractual obligations) arising out of or in connection with this Deed (including disputes regarding the existence, validity or termination of this Deed) (a Dispute).

(b) The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly the Guarantor will not argue to the contrary.
(c) This clause 26.1 is for the benefit of the Lender only. The Lender may take 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.

IN WITNESS of which this Deed has been duly executed by the Guarantor as a deed and duly executed by the Lender and has been delivered on the first date specified on page 1 of this Deed.
SCHEDULE 1
Form of Compliance Certificate

From: Arcadia Group Limited
To: HSBC Bank plc
Dated: [◆ ]

Dear Sirs

Guarantee and Indemnity dated [ ] 2015 between Arcadia Group Limited (1) and HSBC
Bank Plc (2) (the "Guarantee")

1. We refer to the Guarantee. This is a Compliance Certificate. Terms defined in the Guarantee have the
same meaning in this Compliance Certificate unless given a different meaning in this Compliance
Certificate.

2. Pursuant to clause [16] of the Guarantee, we hereby certify that there is no Event of Default arising
under clause 22.13 (Corporate Guarantor) of the Facility Agreement¹.

[◆ □ Set out in reasonable detail computations as to compliance of the financial covenants]

__________________________
Director of
Arcadia Group Limited

¹ If this statement cannot be made, the certificate should identify any Default that is continuing and
the steps if any, being taken to remedy it
THE GUARANTOR

Director:

In the presence of:

Witness signature:

Witness name:

Witness occupation:

Witness address:

THE LENDER

SIGNED for and on behalf of

HSBC BANK plc
EXECUTION PAGE

THE GUARANTOR

Director: [signature]

In the presence of: [signature]

Witness signature: Richard Biechill
Witness name: 
Witness occupation: Accountant
Witness address: Woodland House

THE LENDER

SIGNED for and on behalf of:

HSBC BANK plc
Dear Sirs

Facility agreement dated 26 March 2015 between HSBC Bank plc (as "Lender"), the Borrower and the Guarantors and as amended, restated, varied, supplemented, extended or replaced from time to time (the "Facility Agreement")

1. INTERPRETATION

1.1 Unless the contrary intention is expressed, all defined terms in the Facility Agreement shall have the same meaning here.

1.2 The construction provisions set out at clause 33.2 (Construction) of the Facility Agreement shall apply equally to this letter.
1.3 References in this letter to Clause numbers shall be references to those Clauses in the Facility Agreement unless otherwise expressed.

2. **AMENDMENTS TO THE FACILITY AGREEMENT**

At your request and on the basis of the information which you have supplied to us, we hereby consent and agree to the following amendment to the Facility Agreement taking effect on the Effective Date (as defined below):

(a) Clause 20.12 (e)(i) *(Property Insurance)* of the Facility Agreement shall be amended so that the following new sub clause (3) is added:

"(3) a loss payee clause naming the Lender as first loss payee in respect of insurance claim payments (other than public liability and third party liability insurance claim payments) above £250,000 otherwise payable to any Obligor."

3. **EFFECTIVE DATE**

3.1 This letter shall take effect on the date (the "Effective Date") on which the Lender notifies the Borrower promptly in writing when it has received or waived the requirement to receive all the documents and other evidence listed in the schedule *(Conditions precedent)* of this letter in form and substance satisfactory to the Lender.

3.2 If the Effective Date does not occur on or before 17 July 2015 (or such later date as may be agreed between the Borrower and the Lender), this letter shall lapse and shall cease to have any effect other than paragraph 7.2 *(Miscellaneous)* of this letter in respect of Amendment Costs, which shall remain in full force and effect.

4. **REPRESENTATIONS AND WARRANTIES**

The Borrower and each Guarantor makes the Repeating Representations on the date that they sign this letter and on the Effective Date.

5. **CONFIRMATION BY THE BORROWER, EACH GUARANTOR AND THE CORPORATE GUARANTOR**

5.1 The Borrower, each Guarantor and the Corporate Guarantor confirm:-

(a) its knowledge and acceptance of this letter; and

(b) that the Facility Agreement, as amended or varied by the terms of this letter, is hereby ratified and shall continue in full force and effect.

5.2 The Borrower, each Guarantor and the Corporate Guarantor hereby confirm to the Lender on the date of this letter and on the Effective Date that:

(a) the guarantee and indemnity given by the Corporate Guarantor pursuant to the Corporate Guarantee dated 26 March 2015, the guarantee and indemnity given by each Guarantor pursuant to clause 15 of the Facility Agreement and all Security given by it pursuant to the Facility Agreement continues in full force and effect notwithstanding the amendment of the Facility Agreement and shall extend to the Facility Agreement and as so amended in accordance with the terms of this letter; and

(b) its liabilities and obligations arising under the Facility Agreement as amended by this letter shall form part of (but do not limit) the Secured Liabilities (as defined in each document pursuant to which a Security Interest is granted).
5.3 The Borrower, each Guarantor and the Corporate Guarantor shall at the request of the Lender and at their own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this letter.

6. **RESERVATION OF RIGHTS**

6.1 Save as specifically set out in this letter, nothing in this letter shall:

   (a) constitute a waiver of any Default which is existing at the date of this letter; or
   
   (b) prejudice or affect the Lender’s rights under the Finance Documents.

6.2 Pursuant to Clause 29 (*Remedies and waivers*) of the Facility Agreement, the rights and remedies of the Lender under the Finance Documents:

   (a) may be exercised as often as necessary;
   
   (b) are cumulative and not exclusive of its rights under the general law; and
   
   (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

6.3 Accordingly, the Lender reserves any right or remedy it may have now or subsequently in connection with or arising from any Default, whether or not subsisting on the date of this letter.

7. **MISCELLANEOUS**

7.1 This letter shall be designated as a Finance Document.

7.2 Clause 14.2 (*Amendment costs*) and Clause 30 (*Counterparts*) of the Facility Agreement shall apply to this letter as if set out in full here.

8. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to this letter shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this letter.

9. **GOVERNING LAW**

9.1 This letter is governed by and shall be construed in accordance with English law.

9.2 Clause 31 (*Governing Law*) and Clause 32 (*Enforcement*) of the Facility Agreement shall apply to this letter as if set out in full here and as if reference in those provisions to this "Agreement" were a reference to this letter.

The parties intend this letter shall take effect as a Deed notwithstanding the fact that the Lender may only execute this letter under hand.

Please confirm your agreement with the contents of this letter by signing and returning to Elizabeth Davies at the above address the enclosed duplicate of this letter.
EXECUTED AND DELIVERED AS A DEED by the parties to this letter on the date which first appears in this letter.

THE LENDER
SIGNED for and on behalf of
HSBC BANK plc

THE BORROWER
Executed and Delivered as a deed by
BHS GROUP LIMITED acting by:

Director
in the presence of:
Signature of witness:
Name of witness:
Address of witness:

THE GUARANTORS
Executed and Delivered as a deed by
BHS PROPERTIES LIMITED acting by:

Director
in the presence of:
Signature of witness:
Name of witness:
Address of witness:
EXECUTED AND DELIVERED AS A DEED by the parties to this letter on the date which first appears in this letter.

THE LENDER
SIGNED for and on behalf of )
HSBC BANK plc )

THE BORROWER
Executed and Delivered as a deed by
BHS GROUP LIMITED acting by:

Director

in the presence of:

Signature of witness: E. Carratt

Name of witness: ELEANOR CARRATT

Address of witness:
13 ORMONDE CT, LONDON, SW1B 6TW

THE GUARANTORS
Executed and Delivered as a deed by
BHS PROPERTIES LIMITED acting by:

Director

in the presence of:

Signature of witness: E. Carratt

Name of witness: ELEANOR CARRATT

Address of witness:
13 ORMONDE CT, LONDON, SW1B 6TW
Executed and Delivered as a deed by BHS LIMITED acting by:

Director

in the presence of:

Signature of witness: E. G. Carratt

Name of witness: Eleanor Garratt

Address of witness: 13 Ormonde Ct, London, SW15 6TW

Executed and Delivered as a deed by BHS (JERSEY) LIMITED acting by:

Director

in the presence of:

Signature of witness: E. G. Carratt

Name of witness: Eleanor Garratt

Address of witness: 13 Ormonde Ct, London, SW15 6TW
Executed and Delivered as a deed by EPOCH PROPERTIES LIMITED acting by:

Director

in the presence of:

Signature of witness:

Name of witness: ELEANOR GARRATT

Address of witness: 13 ORMONDE CT, LONDON, SW15 6TW.

CORPORATE GUARANTOR

Executed and Delivered as a deed by ARCADIA GROUP LIMITED acting by:
Executed and Delivered as a deed by
EPOCH PROPERTIES LIMITED acting
by:

Director

in the presence of:

Signature of witness:

Name of witness:

Address of witness:

CORPORATE GUARANTOR

Executed and Delivered as a deed by
ARCADIA GROUP LIMITED acting by:

Director

in the presence of:

Signature of witness:

Name of witness:

Address of witness:
SCHEDULE

Conditions Precedent

1. Finance Documents

Confirmation from the Lender that it has received a copy of this letter countersigned by you by which you acknowledge and agree to the terms of this letter in form and substance satisfactory to it.

2. Other documents and evidence

(a) Evidence that the fees, costs and expenses then due from the Borrower pursuant to paragraph 7.2 (Miscellaneous) of this letter have been paid or will be paid by the Effective Date.

(b) A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by this letter.
HSBC

To: BHS Group Limited (the "Borrower")
129-137 Marylebone Road
London
NW1 5QD

BHS Properties Limited
129-137 Marylebone Road
London
NW1 5QD

BHS Limited
129-137 Marylebone Road
London
NW1 5QD

BHS (Jersey) Limited
Nautilus House
La Cour des Casernes
St Helier, Jersey
JE1 3NH

Epoch Properties Limited
Nautilus House
La Cour des Casernes
St Helier, Jersey
JE1 3NH

BHS Properties Limited, BHS Limited, BHS (Jersey) Limited and Epoch Properties Limited (each a "Guarantor" and together the "Guarantors")

Arcadia Group Limited (the "Corporate Guarantor")
Colegrave House
70 Berners Street
London
W1T 3NL

26... June 2015

Dear Sirs

Facility agreement dated 26 March 2015 between HSBC Bank plc (as "Lender"), the Borrower and the Guarantors and as amended, restated, varied, supplemented, extended or replaced from time to time (the "Facility Agreement")

1. INTERPRETATION

1.1 Unless the contrary intention is expressed, all defined terms in the Facility Agreement shall have the same meaning here.

1.2 The construction provisions set out at clause 33.2 (Construction) of the Facility Agreement shall apply equally to this letter.

LIB01/PRENDEF/4568774.5

Hogan Lovells

Registered in England number 14269. Registered Office: 8 Canada Square, London E14 5HQ.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
1.3 References in this letter to Clause numbers shall be references to those Clauses in the Facility Agreement unless otherwise expressed.

2. MATTERS REQUIRING CONSENT

Clause 5.4(b) (Cancellation and Prepayment) of the Facility Agreement states that the Borrower may by not less than 5 Business Days' notice in writing to the Lender prepay the whole or any part of the Loan.

3. CONSENT

3.1 You have informed us that you wish to cancel the Undrawn Commitment in full and prepay the Loan on 24 June 2015, so that, after that prepayment, the amount of the Loan will not exceed £12,250,000 and as such you have requested that the 5 Business Day notice period referred to in Clause 5.4(b) (Cancellation and Prepayment) of the Facility Agreement is waived in connection with that cancellation and prepayment.

3.2 Pursuant to the prepayment of the Loan as set out in paragraph 3.1 above, the Borrower shall be in breach of its financial undertaking in Clause 18.1 (Financial Condition) of the Facility Agreement (the "Financial Covenant Breach"). The Financial Covenant Breach constitutes an Event of Default pursuant to Clause 22.1(b) (Breach) of the Facility Agreement and as such you have requested a waiver in respect of this Financial Covenant Breach.

3.3 The requested waivers set out in paragraphs 3.1 and 3.2 above shall be referred to as the "Waivers" and each a "Waiver".

3.4 Subject to paragraph 8 below, we as Lender hereby consent and agree to each Waiver so that:

(a) without the requirement for further notice by any party (i) the prepayment will be accepted and (ii) the Undrawn Commitment will be cancelled in full immediately upon receipt by the Lender of the prepayment referred to in paragraph 3.1; and

(b) the Financial Covenant Breach shall be waived until the Payment Date falling on 27 December 2015.

4. AMENDMENTS TO THE FACILITY AGREEMENT

At your request and on the basis of the information which you have supplied to us, we hereby consent and agree to the following amendments to the Facility Agreement (the "Amendments") taking effect on the Effective Date (as defined below):

(a) Clause 19.4 (c) (Negative pledge) of the Facility Agreement be amended so that the following new sub clause (xiii) is added:

"any legal charge entered into by:

(i) BHS Limited charging the leasehold property known as part basement, ground, mezzanine, first, second and third floors, 252 to 258 (even) Oxford Street and 16 and 17 John Prince's Street, London W1C 1DL, registered at the Land Registry with title number NGL816029 (the "Oxford Street Property");

(ii) BHS Properties Limited charging the freehold and leasehold property known as 57 Market and 79/83, 1A and Part 38 Arndale Shopping Centre,
Manchester M1 1WN, registered at the Land Registry with title numbers GM512231 (freehold) and GM389885 (leasehold) together with the underleases of the same registered at the Land Registry with title numbers GM512211 (leasehold) and GM512230 (leasehold) (the "Manchester Property");

(iii) BHS Limited charging 2 to 4 Guildhall Square, Carmarthen SA31 1NP registered at the Land Registry with title number WA867566 (the "Carmarthen Property");

(iv) BHS Properties Limited charging 86/89 High Street West, Sunderland SR1 3DB registered at the Land Registry with title number TY338045 (freehold) together with the underlease of the same registered at the Land Registry with title number TY258439 (leasehold) (the "Sunderland Property");

(v) BHS Properties Limited charging 40/44 & 44A North Street, Taunton TA1 1LX registered at the Land Registry with title number ST164677 (freehold) together with the underlease of the same registered at the Land Registry with title number ST80690 (leasehold) (the "Taunton Property"); or

(vi) BHS Properties Limited 1/7 Victoria Street West and 7/9 Victoria Street, Freshney Place, Grimsby, DN31 1DF registered at the Land Registry with title number HS185550 (leasehold) and HS185549 (freehold) (the "Grimsby Property").

(together, the "Properties"),

together with (as the case may be) such property interests, deposits, rent, rental security and insurance policies and proceeds associated with the Properties, created in connection with the Third Party Financing to the extent that the principal amount outstanding under the Third Party Financing does not exceed £60 million".

(b) Clause 19.5(a)(i) (Disposals) be amended so that the following wording "(or, in the case of the Oxford Street Property referred to in row 1 of Schedule 5 (Properties and Allocated Loan Amount), the Net Disposal Proceeds of that Property if such amount is greater than the Release Price)" be deleted.

(c) Clause 19.10(b) (Financial Indebtedness) of the Facility Agreement be amended so that the following new sub clause (x) is added: "any Financial Indebtedness arising under any Third Party Financing to the extent that the principal amount outstanding under the Third Party Financing does not exceed £60 million".

(d) Clause 20.12 (e)(i)(3) (Property Insurance) of the Facility Agreement which sets out the requirement for the Borrower to procure that the Insurances contain "a loss payee clause naming the Lender as first loss payee in respect of the insurance claim payments above £250,000 otherwise payable to any Obligor" shall be deleted.

(e) Clause 21.2 (Rent Account) of the Facility Agreement shall be amended so that the following new clause (k) is added: "The Borrower must ensure that where the amounts standing to the credit of the Rent Account are insufficient to cover the payments due to the Lender pursuant to limbs (i), (ii) and (iii) of Clause 21.2(i) then the Borrower must, prior to that relevant Payment Date, transfer an amount into the Rent Account in order to meet such payments that are due but unpaid."
(f) The definition of "Allocated Loan Amount" in Clause 33.1 (Definitions) of the Facility Agreement is to be deleted.

(g) The definition of "Release Price" in Clause 33.1 (Definitions) of the Facility Agreement is to be deleted and replaced with the following definition:

"Release Price means the outstanding Liabilities and all amounts which would be payable on such prepayment in accordance with Clause 5.5 (Restrictions);"

(h) Clause 33.1 (Definitions) of the Facility Agreement be amended so that the following definition is added: "Third Party Financing means Financial Indebtedness incurred under a loan agreement dated on or about 24 June 2015 from a third party funder the principal amount of which shall not exceed £60 million".

(i) Schedule 5 (Properties and Allocated Loan Amount) of the Facility Agreement shall be deleted and replaced with the following Schedule 5 (Properties):

<table>
<thead>
<tr>
<th>Properties</th>
<th>Title Number</th>
<th>Property Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>8, 10, 12, 14, 16 and 18 King Street and 2, 4, 6, 8, 10, 12 and 12A Don Street, St Helier, Jersey and being all that property acquired by Epoch Properties Limited from Scottish Widows Fund and Life Assurance Society by contract of purchase passed before the Royal Court of Jersey on 6 August 1999</td>
<td>N/A</td>
<td>Epoch Properties Limited</td>
</tr>
</tbody>
</table>

5. **EFFECTIVE DATE**

5.1 The Amendments shall take effect on the date (the "Effective Date") on which the Lender notifies the Borrower promptly in writing when it has received or waived:

(a) the requirement to receive all the documents and other evidence listed in the schedule (Conditions precedent) of this letter in form and substance satisfactory to the Lender; and

(b) the prepayment referred to in paragraph 3.1 above.

5.2 If the Effective Date does not occur on or before 1 July 2015 (or such later date as may be agreed between the Borrower and the Lender), this letter shall lapse and shall cease to have any effect other than paragraphs 1 (Interpretation), 9 (Miscellaneous) and 11 (Governing Law) of this letter, which shall remain in full force and effect.

6. **REPRESENTATIONS AND WARRANTIES**

The Borrower and each Guarantor makes the Repeating Representations on the date that they sign this letter and on the Effective Date.

7. **CONFIRMATION BY THE BORROWER, EACH GUARANTOR AND THE CORPORATE GUARANTOR**

7.1 The Borrower, each Guarantor and the Corporate Guarantor confirm:
(a) its knowledge and acceptance of this letter; and

(b) that the Facility Agreement, as amended or varied by the terms of this letter, is hereby ratified and shall continue in full force and effect.

7.2 The Borrower, each Guarantor and the Corporate Guarantor hereby confirm to the Lender on the date of this letter and on the Effective Date that:

(a) the guarantee and indemnity given by the Corporate Guarantor pursuant to the Corporate Guarantee dated 26 March 2015, the guarantee and indemnity given by each Guarantor pursuant to clause 15 of the Facility Agreement and all Security given by it pursuant to the Facility Agreement continues in full force and effect notwithstanding the Waiver and Amendments and shall extend to the Facility Agreement as so waived and amended in accordance with the terms of this letter; and

(b) its liabilities and obligations arising under the Facility Agreement as waived and amended by this letter shall form part of (but do not limit) the Secured Liabilities (as defined in each document pursuant to which a Security Interest is granted).

7.3 The Borrower, each Guarantor and the Corporate Guarantor shall at the request of the Lender and at their own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this letter.

8. **RESERVATION OF RIGHTS**

8.1 Save as specifically set out in this letter, nothing in this letter shall:

(a) constitute a waiver of any Default which is existing at the date of this letter; or

(b) prejudice or affect the Lender's rights under the Finance Documents.

8.2 Pursuant to Clause 29 *(Remedies and waivers)* of the Facility Agreement, the rights and remedies of the Lender under the Finance Documents:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

8.3 Accordingly, the Lender reserves any right or remedy it may have now or subsequently in connection with or arising from any Default, whether or not subsisting on the date of this letter.

9. **MISCELLANEOUS**

9.1 This letter shall be designated as a Finance Document.

9.2 Clause 14.2 *(Amendment costs)* and Clause 30 *(Counterparts)* of the Facility Agreement shall apply to this letter as if set out in full here, but with Clause 14.2 applying, in addition to in favour of the Lender, in favour of the Corporate Guarantor.
9.3 In favour of the Corporate Guarantor, each Guarantor irrevocably waives any rights (including without limitation any right of contribution or indemnity) that it may have or obtain against the Corporate Guarantor by reason of performance by that Guarantor of any of its obligations under the Finance Documents or otherwise.

10. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to this letter shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this letter.

11. **GOVERNING LAW**

11.1 This letter is governed by and shall be construed in accordance with English law.

11.2 Clause 31 (Governing Law) and Clause 32 (Enforcement) of the Facility Agreement shall apply to this letter as if set out in full here and as if reference in those provisions to this "Agreement" were a reference to this letter.

Please confirm your agreement with the contents of this letter by signing and returning to Elizabeth Davies at the above address the enclosed duplicate of this letter.
Signed by the parties to this letter on the date which first appears in this letter.

THE LENDER

SIGNED for and on behalf of

HSBC BANK plc

THE BORROWER

Signed by BHS GROUP LIMITED

Signature

Name of director of BHS Group Limited

GUARANTORS

Signed by BHS PROPERTIES LIMITED

Signature

Name of director of BHS Properties Limited

Signed by BHS LIMITED

Signature

Name of director of BHS Limited
Signed by the parties to this letter on the date which first appears in this letter.

THE LENDER


SIGNED for and on behalf of

HSBC BANK plc

THE BORROWER

Signed by BHS GROUP LIMITED

Signature

O. CHAPPELL

Name of director of BHS Group Limited

GUARANTORS

Signed by BHS PROPERTIES LIMITED

Signature

O. CHAPPELL

Name of director of BHS Properties Limited

Signed by BHS LIMITED

Signature

O. CHAPPELL

Name of director of BHS Limited
Signed by BHS (JERSEY) LIMITED

) ) )
) ) Signature

Name of director of BHS (Jersey) Limited

Signed by EPOCH PROPERTIES LIMITED

) ) )
) ) Signature

Name of director of Epoch Properties Limited

CORPORATE GUARANTOR

Signed by ARCADIA GROUP LIMITED

) ) )
) ) Signature

Paul Budge
Name of director of Arcadia Group Limited
Signed by **BHS (JERSEY) LIMITED**

[

Signature

*D. CHAPPELL*

Name of director of BHS (Jersey) Limited

---

Signed by **EPOCH PROPERTIES LIMITED**

[

Signature

*D. CHAPPELL*

Name of director of Epoch Properties Limited

---

**CORPORATE GUARANTOR**

Signed by **ARCADIA GROUP LIMITED**

[

Signature

Name of director of Arcadia Group Limited
SCHEDULE

Conditions Precedent

1. Finance Documents

Confirmation from the Lender that it has received a copy of this letter countersigned by you by which you acknowledge and agree to the terms of this letter in form and substance satisfactory to it.

2. Other documents and evidence

A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by this letter.
To: BHS Group Limited (the "Borrower")
129-137 Marylebone Road
London
NW1 5QD

BHS Properties Limited
129-137 Marylebone Road
London
NW1 5QD

BHS Limited
129-137 Marylebone Road
London
NW1 5QD

BHS (Jersey) Limited
Nautilus House
La Cour des Casernes
St Helier, Jersey
JE1 3NH

Epoch Properties Limited
Nautilus House
La Cour des Casernes
St Helier, Jersey
JE1 3NH

BHS Properties Limited, BHS Limited, BHS (Jersey) Limited and Epoch Properties Limited (each a "Guarantor" and together the "Guarantors")

Arcadia Group Limited (the "Corporate Guarantor")
Colegrave House
70 Berners Street
London
W1T 3NL

26th June 2015

Dear Sirs

Facility agreement dated 26 March 2015 between HSBC Bank plc (as "Lender"), the Borrower and the Guarantors and as amended, restated, varied, supplemented, extended or replaced from time to time (the "Facility Agreement")

1. INTERPRETATION

1.1 Unless the contrary intention is expressed, all defined terms in the Facility Agreement shall have the same meaning here.

1.2 The construction provisions set out at clause 33.2 (Construction) of the Facility Agreement shall apply equally to this letter.
1.3 References in this letter to Clause numbers shall be references to those Clauses in the Facility Agreement unless otherwise expressed.

2. MATTERS REQUIRING CONSENT

Clause 5.4(b) (Cancellation and Prepayment) of the Facility Agreement states that the Borrower may by not less than 5 Business Days' notice in writing to the Lender prepay the whole or any part of the Loan.

3. CONSENT

3.1 You have informed us that you wish to cancel the Undrawn Commitment in full and prepay the Loan on 24 June 2015, so that, after that prepayment, the amount of the Loan will not exceed £12,250,000 and as such you have requested that the 5 Business Day notice period referred to in Clause 5.4(b) (Cancellation and Prepayment) of the Facility Agreement is waived in connection with that cancellation and prepayment.

3.2 Pursuant to the prepayment of the Loan as set out in paragraph 3.1 above, the Borrower shall be in breach of its financial undertaking in Clause 18.1 (Financial Condition) of the Facility Agreement (the "Financial Covenant Breach"). The Financial Covenant Breach constitutes an Event of Default pursuant to Clause 22.1(b) (Breach) of the Facility Agreement and as such you have requested a waiver in respect of this Financial Covenant Breach.

3.3 The requested waivers set out in paragraphs 3.1 and 3.2 above shall be referred to as the "Waivers" and each a "Waiver".

3.4 Subject to paragraph 8 below, we as Lender hereby consent and agree to each Waiver so that:

(a) without the requirement for further notice by any party (i) the prepayment will be accepted and (ii) the Undrawn Commitment will be cancelled in full immediately upon receipt by the Lender of the prepayment referred to in paragraph 3.1; and

(b) the Financial Covenant Breach shall be waived until the Payment Date falling on 27 December 2015.

4. AMENDMENTS TO THE FACILITY AGREEMENT

At your request and on the basis of the information which you have supplied to us, we hereby consent and agree to the following amendments to the Facility Agreement (the "Amendments") taking effect on the Effective Date (as defined below):

(a) Clause 19.4 (c) (Negative pledge) of the Facility Agreement be amended so that the following new sub clause (xiii) is added:

"any legal charge entered into by:

(i) BHS Limited charging the leasehold property known as part basement, ground, mezzanine, first, second and third floors, 252 to 258 (even) Oxford Street and 16 and 17 John Prince's Street, London W1C 1DL, registered at the Land Registry with title number NGL816029 (the "Oxford Street Property");

(ii) BHS Properties Limited charging the freehold and leasehold property known as 57 Market and 79/83, 1A and Part 38 Arndale Shopping Centre,
Manchester M1 1WN, registered at the Land Registry with title numbers GM512231 (freehold) and GM389885 (leasehold) together with the underleases of the same registered at the Land Registry with title numbers GM512211 (leasehold) and GM512230 (leasehold) (the "Manchester Property");

(iii) BHS Limited charging 2 to 4 Guildhall Square, Carmarthen SA31 1NP registered at the Land Registry with title number WA867566 (the "Carmarthen Property");

(iv) BHS Properties Limited charging 86/89 High Street West, Sunderland SR1 3DB registered at the Land Registry with title number TY338045 (freehold) together with the underlease of the same registered at the Land Registry with title number TY258439 (leasehold) (the "Sunderland Property");

(v) BHS Properties Limited charging 40/44 & 44A North Street, Taunton TA1 1LX registered at the Land Registry with title number ST164677 (freehold) together with the underlease of the same registered at the Land Registry with title number ST80690 (leasehold) (the "Taunton Property"); or

(vi) BHS Properties Limited 1/7 Victoria Street West and 7/9 Victoria Street, Freshney Place, Grimsby, DN31 1DF registered at the Land Registry with title number HS185550 (leasehold) and HS185549 (freehold) (the "Grimsby Property").

(together, the "Properties"),

together with (as the case may be) such property interests, deposits, rent, rental security and insurance policies and proceeds associated with the Properties, created in connection with the Third Party Financing to the extent that the principal amount outstanding under the Third Party Financing does not exceed £60 million".

(b) Clause 19.5(a)(i) (Disposals) be amended so that the following wording "(or, in the case of the Oxford Street Property referred to in row 1 of Schedule 5 (Properties and Allocated Loan Amount), the Net Disposal Proceeds of that Property if such amount is greater than the Release Price)" be deleted.

(c) Clause 19.10(b) (Financial Indebtedness) of the Facility Agreement be amended so that the following new sub clause (x) is added: "any Financial Indebtedness arising under any Third Party Financing to the extent that the principal amount outstanding under the Third Party Financing does not exceed £60 million".

(d) Clause 20.12 (e)(ii)(3) (Property Insurance) of the Facility Agreement which sets out the requirement for the Borrower to procure that the Insurances contain "a loss payee clause naming the Lender as first loss payee in respect of the insurance claim payments above £250,000 otherwise payable to any Obligor" shall be deleted.

(e) Clause 21.2 (Rent Account) of the Facility Agreement shall be amended so that the following new clause (k) is added: "The Borrower must ensure that where the amounts standing to the credit of the Rent Account are insufficient to cover the payments due to the Lender pursuant to limbs (i), (ii) and (iii) of Clause 21.2(j) then the Borrower must, prior to that relevant Payment Date, transfer an amount into the Rent Account in order to meet such payments that are due but unpaid."
(f) The definition of "Allocated Loan Amount" in Clause 33.1 (Definitions) of the Facility Agreement is to be deleted.

(g) The definition of "Release Price" in Clause 33.1 (Definitions) of the Facility Agreement is to be deleted and replaced with the following definition:

"Release Price means the outstanding Liabilities and all amounts which would be payable on such prepayment in accordance with Clause 5.5 (Restrictions),"

(h) Clause 33.1 (Definitions) of the Facility Agreement be amended so that the following definition is added: "Third Party Financing means Financial Indebtedness incurred under a loan agreement dated on or about 24 June 2015 from a third party funder the principal amount of which shall not exceed £60 million".

(i) Schedule 5 (Properties and Allocated Loan Amount) of the Facility Agreement shall be deleted and replaced with the following Schedule 5 (Properties):

<table>
<thead>
<tr>
<th>Properties</th>
<th>Title Number</th>
<th>Property Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>3, 10, 12, 14, 16 and 18 King Street and 2, 4, 6, 8, 10, 12 and 12A Don Street, St Helier, Jersey and being all that property acquired by Epoch Properties Limited from Scottish Widows Fund and Life Assurance Society by contract of purchase passed before the Royal Court of Jersey on 6 August 1999</td>
<td>N/A</td>
<td>Epoch Properties Limited</td>
</tr>
</tbody>
</table>

5. **EFFECTIVE DATE**

5.1 The Amendments shall take effect on the date (the "Effective Date") on which the Lender notifies the Borrower promptly in writing when it has received or waived:

(a) the requirement to receive all the documents and other evidence listed in the schedule (Conditions precedent) of this letter in form and substance satisfactory to the Lender; and

(b) the prepayment referred to in paragraph 3.1 above.

5.2 If the Effective Date does not occur on or before 1 July 2015 (or such later date as may be agreed between the Borrower and the Lender), this letter shall lapse and shall cease to have any effect other than paragraphs 1 (Interpretation), 9 (Miscellaneous) and 11 (Governing Law) of this letter, which shall remain in full force and effect.

6. **REPRESENTATIONS AND WARRANTIES**

The Borrower and each Guarantor makes the Repeating Representations on the date that they sign this letter and on the Effective Date.

7. **CONFIRMATION BY THE BORROWER, EACH GUARANTOR AND THE CORPORATE GUARANTOR**

7.1 The Borrower, each Guarantor and the Corporate Guarantor confirm:-
(a) its knowledge and acceptance of this letter; and

(b) that the Facility Agreement, as amended or varied by the terms of this letter, is hereby ratified and shall continue in full force and effect.

7.2 The Borrower, each Guarantor and the Corporate Guarantor hereby confirm to the Lender on the date of this letter and on the Effective Date that:

(a) the guarantee and indemnity given by the Corporate Guarantor pursuant to the Corporate Guarantee dated 26 March 2015, the guarantee and indemnity given by each Guarantor pursuant to clause 15 of the Facility Agreement and all Security given by it pursuant to the Facility Agreement continues in full force and effect notwithstanding the Waiver and Amendments and shall extend to the Facility Agreement as so waived and amended in accordance with the terms of this letter; and

(b) its liabilities and obligations arising under the Facility Agreement as waived and amended by this letter shall form part of (but do not limit) the Secured Liabilities (as defined in each document pursuant to which a Security Interest is granted).

7.3 The Borrower, each Guarantor and the Corporate Guarantor shall at the request of the Lender and at their own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this letter.

8. RESERVATION OF RIGHTS

8.1 Save as specifically set out in this letter, nothing in this letter shall:

(a) constitute a waiver of any Default which is existing at the date of this letter; or

(b) prejudice or affect the Lender's rights under the Finance Documents.

8.2 Pursuant to Clause 29 (Remedies and waivers) of the Facility Agreement, the rights and remedies of the Lender under the Finance Documents:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under the general law; and

(c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

8.3 Accordingly, the Lender reserves any right or remedy it may have now or subsequently in connection with or arising from any Default, whether or not subsisting on the date of this letter.

9. MISCELLANEOUS

9.1 This letter shall be designated as a Finance Document.

9.2 Clause 14.2 (Amendment costs) and Clause 30 (Counterparts) of the Facility Agreement shall apply to this letter as if set out in full here, but with Clause 14.2 applying, in addition to in favour of the Lender, in favour of the Corporate Guarantor.
9.3 In favour of the Corporate Guarantor, each Guarantor irrevocably waives any rights (including without limitation any right of contribution or indemnity) that it may have or obtain against the Corporate Guarantor by reason of performance by that Guarantor of any of its obligations under the Finance Documents or otherwise.

10. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to this letter shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this letter.

11. **GOVERNING LAW**

11.1 This letter is governed by and shall be construed in accordance with English law.

11.2 Clause 31 (**Governing Law**) and Clause 32 (**Enforcement**) of the Facility Agreement shall apply to this letter as if set out in full here and as if reference in those provisions to this "Agreement" were a reference to this letter.

Please confirm your agreement with the contents of this letter by signing and returning to Elizabeth Davies at the above address the enclosed duplicate of this letter.
Signed by the parties to this letter on the date which first appears in this letter.

THE LENDER

SIGNED for and on behalf of

HSBC BANK plc

THE BORROWER

Signed by BHS GROUP LIMITED

) _______________________
) Signature

Name of director of BHS Group Limited

GUARANTORS

Signed by BHS PROPERTIES LIMITED

) _______________________
) Signature

Name of director of BHS Properties Limited

Signed by BHS LIMITED

) _______________________
) Signature

Name of director of BHS Limited
Signed by the parties to this letter on the date which first appears in this letter.

THE LENDER

)

SIGNED for and on behalf of

)

HSBC BANK plc

THE BORROWER

Signed by BHS GROUP LIMITED

)

) Signature

D. CHAPPELL
Name of director of BHS Group Limited

GUARANTORS

Signed by BHS PROPERTIES LIMITED

)

) Signature

D. CHAPPELL
Name of director of BHS Properties Limited

Signed by BHS LIMITED

)  ) Signature

D. CHAPPELL
Name of director of BHS Limited
Signed by **BHS (JERSEY) LIMITED**

)  
)  
) Signature

Name of director of BHS (Jersey) Limited

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Signed by **EPOCH PROPERTIES LIMITED**

)  
)  
) Signature

Name of director of Epoch Properties Limited

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**CORPORATE GUARANTOR**

Signed by **ARCADIA GROUP LIMITED**

)  
)  
) Signature

**Paul Budge**

Name of director of Arcadia Group Limited
Signed by **BHS (JERSEY) LIMITED**

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<table>
<thead>
<tr>
<th>Name of director of BHS (Jersey) Limited</th>
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<tbody>
<tr>
<td>D. CHAPPELL</td>
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Signed by **EPOCH PROPERTIES LIMITED**

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<table>
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<th>Name of director of Epoch Properties Limited</th>
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<td>D. CHAPPELL</td>
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**CORPORATE GUARANTOR**

Signed by **ARCADIA GROUP LIMITED**

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<th>Name of director of Arcadia Group Limited</th>
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SCHEDULE

Conditions Precedent

1. Finance Documents

Confirmation from the Lender that it has received a copy of this letter countersigned by you by which you acknowledge and agree to the terms of this letter in form and substance satisfactory to it.

2. Other documents and evidence

A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by this letter.