


Points of principle Subject to Contract

1. Swiss Rock demonstrates that it has £35m of provisional funding at Olswang on shore to acquire Marylebone House in its lawyer's client account and produces a letter of comfort from Farallon Capital in respect of a three year £120m working capital facility.
2. Swiss Rock will undertake to use all reasonable endeavours to continue to trade the BHS Group for at least three years to effect the turn around and put in place a new business plan.
3. In return for the above, Arcadia Group shall enable Swiss Rock and its advisers and lenders to conduct focussed due diligence to enable them to complete the transaction as soon as possible.
4. At completion, Arcadia Group shall procure the sale and Swiss Rock shall purchase all the issued shares for £1.00 and deliver the BHS Group on a debt free basis (including assigning or cancelling all inter group loan between Arcadia Group and BHS or assigning such to Swiss Rock).
5. At completion, Swiss Rock (or its nominee) will acquire Marylebone House for £35m (unencumbered).
6. On Completion, Swiss Rock shall inject £10m of new equity into the BHS Group and shall, within 120 days, put in place a staff incentive bonus scheme for senior management on terms to be agreed.
7. Arcadia Group will make annual contributions for each of the next three years to the DB pension scheme of the BHS Group of £5m per annum.
8. Swiss Rock will use its reasonable endeavours to reach a settlement, as soon as reasonably practicable, with the pension scheme trustees as envisaged under Project Thor (or similar) following a favourable change in interest rates for instance. Arcadia Group shall contribute the balance of any unpaid contributions as referred to in paragraph 7 above to any settlement up to a maximum £15m.
9. All BHS dedicated staff employed outside the BHS Group (if any) shall be transferred to BHS Group.
10. Arcadia Group and BHS shall enter into a transitional services agreement under which Arcadia shall continue to provide the same services on an ordinary course (as is) basis to BHS following completion pending the parties agreeing a permanent solution to separate the two businesses. The parties shall use their reasonable endeavours to agree such a solution as soon as reasonably practicable following completion.
11. On completion, all inter-group agreements between the Arcadia Group and BHS Group shall terminate other than as outlined in the transitional services agreement. Dorothy Perkins, Evans and Wallis will continue to have concessions in BHS stores and BHS online for a period of three years on an ordinary course (as is) basis.

12. Swiss Rock and Arcadia Group will agree a method to ensure Arcadia Group is protected in terms of outstanding amounts for Shared Service costs and Concession sales income.
13. BHS will be debt free on completion and thus Arcadia Group will ensure that on completion, all debt owed by BHS is either capitalised, released or transferred to Swiss Rock.
14. BHS shall continue to trade and meet its obligations in the ordinary course of business with nil cash balance at 9th March 2015 and to be trued up by completion accounts.
15. Provided that post completion the BHS Group business performs to the business plan approved by Arcadia Group, Arcadia Group will grant Swiss Rock first refusal to enter discussions in respect of the Arcadia Group, excluding the Topshop and Topman brands, should Arcadia Group decide to put this on the market for sale.
16. Completion of the sale and purchase will be conditional upon the following matters:
 - Arcadia Group agrees to use its best endeavours to reorganise Carmen and Jerseyco so that: (i) Carmen is contributed to the BHS Group and that upon completion its balance sheet shall be restructured in a satisfactory manner for both parties and a relevant long term financing package will be put in place acceptable to Arcadia Group and Swiss Rock, as proposed by Arcadia Group and (ii) the balance sheet of Jerseyco shall also be restructured on the same basis;
 - In the event of Carmen not being contributed to BHS Group, a break fee to be agreed on lease of Marylebone House.
 - the parties agreeing the terms of a transitional services agreement referred to above, the aim being to ensure the Arcadia Group businesses and the BHS Group are separated as quickly and as effectively as possible;
 - the parties agreeing a detailed Separation Plan that defines the activities and responsibilities to fully extract and separate the Company and its business operations from the remaining Seller's business operations;
 - there being no material adverse change in the business, trading or financial position or prospects of the Company since 30 August 2014; and
 - Swiss Rock and Arcadia Group receiving the benefit of any tax or pensions clearances that they feel are necessary prior to completion, including where necessary by BHS taking such steps as are necessary to procure the agreement of the trustees of the DB Scheme.
17. The parties will work with each other to agree the most effective tax structure for the transaction.
18. The SPA will have standard provisions in relation to warranties, limitations, tax indemnities and non-solicitation of key staff

19. Swiss Rock to have time with senior management to develop cash flow projections and a new business plan for the business.
20. Arcadia Group and Swiss Rock agree that Swiss Rock will have exclusivity to complete the acquisition by 9 March 2015. The parties agree that they will enter into good faith discussions about extending the exclusivity period if everything is progressing as planned by 9 March 2015, but the sale has not completed by then..
21. Arcadia Group and Swiss Rock agree that the negotiations and all information provided in connection with them will be kept strictly confidential and will only be disclosed to advisers and lenders on a need to know basis.; BHS and Swiss Rock will be responsible to each other for ensuring their respective advisers and lenders maintain confidentiality. Swiss Rock will not directly approach any landlords in relation to any real estate and any such approaches will be made through Chris Harris, the Arcadia Group Property Director.
22. Swiss Rock undertakes to put in the proceeds (above the cost of acquiring Marylebone House) from the proposed sale of Marylebone House and North West House into the business.
23. If Arcadia Group pulls out of the deal during the exclusivity period and Swiss Rock have (i) demonstrated proof of funds for the £35m of Day 1 equity (ii) demonstrated proof of the £120m agreed or implemented facility with Farallon, (iii) agreed heads of terms; and (iv) Swiss Rock tables a business plan to Arcadia Group for the BHS Group post completion that is approved by Arcadia Group, Arcadia Group will pay a break fee of up to £3m to cover Swiss Rock's costs.
24. This document shall not create legally binding obligations between the parties, save for paragraphs 20, 21, 23 and 24, which shall be legally binding and shall be governed by English law. No person other than the parties shall have any rights under the Contracts (Rights of Third Parties) Act 1999.

Agreed by:

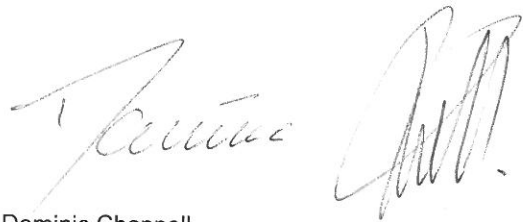


Sir Philip Green

For and on behalf of Arcadia Group Limited

Date:

16th February 2015



Dominic Chappell

For and on behalf of SwissRock Ventures Limited

Date

16/2/15

WITNESS




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C. HARRIS.

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