



**Term Sheet for £120,000,000
Loan Facility in connection with the acquisition of BHS**

Acquisition:	The proposed acquisition of BHS by Swiss Rock Ventures Limited or one of its affiliates (" Bidco ").
Overview:	<p>It is anticipated that the proposed capitalisation in connection with the Acquisition will be provided pursuant to:</p> <ul style="list-style-type: none">(i) a £120 million term loan facility provided by the Lender on terms described below ("Loan Facility"); and(ii) a £35 million equity financing of Bidco to be provided or arranged by Swiss Rock Ventures Limited (the "Equity Financing"). <p>It is assumed that all of the material real estate of the BHS group on the date of closing of the Acquisition will be legally and beneficially owned by one or more ring-fenced special purpose vehicles ("Propco"), which in turn will be held by a special purpose holding company ("Holdco").</p>
Total Loan Amount:	<p><i>Tranche 1: £40 million</i></p> <p><i>Tranche 2: £40 million</i></p> <p><i>Tranche 3: £40 million</i></p>
Borrower:	TBC (to be an entity incorporated in a jurisdiction satisfactory to the Lender).
Guarantors:	TBC, but to include Bidco, Propco and Holdco. Group structure post-Acquisition to be to the satisfaction of the Lender.
Lender:	One or more advisors or sub-advisors to the investment funds or accounts managed or advised by Farallon Capital Europe LLP, or any fund or account managed or advised by each of the foregoing or any person controlling, controlled by or under the common control of each of the foregoing (" Farallon ").
Availability Period:	From the date of the execution of the Loan Facility Agreement until the date which is 2 years following the date of the Loan Facility Agreement (subject to the satisfaction of conditions precedent to drawdown described below).
Tranche 1 Conditions to Utilisation:	<p>The Total Loan Amount under Tranche 1 shall be available for drawdown from the date on which the below conditions are satisfied:</p> <ul style="list-style-type: none">i. The Borrower and a purchaser satisfactory to the



Lender ("Marylebone Purchaser") have agreed a put option pursuant to which the Borrower may sell and the Marylebone Purchaser must purchase, for a total purchase price of not less than £30 million and on terms otherwise satisfactory to the Lender, the property known as "Northwest House" (the "**NW House Put Option**").;

- ii. The Lender has been granted security over or an assignment of the NW House Put Option such that it may exercise or cause the Borrower to exercise the NW House Put Option in the event that (a) a default has occurred under the Loan Facilities or (b) the NW House Put Option has not been exercised by the Borrower within 12 months from the date of the first utilisation of Tranche 1;
- iii. The Equity Financing is subordinated to the repayment of the Loan Facilities, on terms acceptable to the Lender; and
- iv. Other customary conditions precedent to drawdown including provision of security and collateral described in "Security" below.
See also "Conditions Precedent to Commitment" below.

Tranche 2 Conditions to Utilisation:

Utilisations of Tranche 2 shall be subject to the satisfaction of the below conditions precedent:

- i. Tranche 1 is repaid in full;
- ii. LVR (assuming the relevant amount of Tranche 2 is drawn) must be equal to or less than 50% on the date of drawdown. LVR shall be calculated based on certain Secured Properties (defined below but excluding Northwest House) to be agreed and a valuation methodology to be agreed during the due diligence phase. LVR shall be recalculated on the date of each drawdown; and
- iii. Other customary conditions precedent to drawdown including provision of security and collateral described in "Security" below.
See also "Conditions Precedent to Commitment" below.

Tranche 3 Conditions to Utilisation:

Utilisations of Tranche 3 shall be subject to the satisfaction of the below conditions precedent:

- i. Tranches 1 and 2 have been repaid in full;
- ii. LVR (assuming the relevant amount of Tranche 3 is drawn) must be equal to or less than 50% on the date of drawdown. LVR shall be calculated based on certain Secured Properties (defined below but excluding Northwest House) to be agreed and a valuation methodology to be agreed during the due



- diligence phase. LVR shall be recalculated on the date of each drawdown; and
- iii. Other customary conditions precedent to drawdown including provision of security and collateral described in "Security" below.
See also "Conditions Precedent to Commitment" below.

- Termination Date:** The Loan Facility shall be repayable in full on the date falling 36 months after the date of the Loan Facility.
- Facility Fee:** The Borrower shall pay to the Lender a fee equal to \square % of the Total Loan Amount of each of Tranche 1, Tranche 2 and Tranche 3 on the earlier of:
- (i) The date that the relevant Tranche is repaid or prepaid in full; and
 - (ii) The Termination Date.
- Interest Rate:** *Cash interest:* LIBOR plus \square per. cent per annum, subject to a \square % floor payable quarterly, and
PIK interest: \square per. cent per annum compounding quarterly and added to principal payable in accordance with the payment provisions in this Term Sheet.
- Repayment:** The Loan Facility shall be repaid in full on the Termination Date.
- Prepayment:** Tranche 1 shall be mandatorily prepaid immediately upon receipt of the proceeds of the sale of Northwest House.
The Loan Facility shall be mandatorily prepaid immediately upon receipt of the proceeds of the sale of any Secured Property (as defined below).
Any amounts repaid or prepaid may not be reborrowed.
- Prepayment/Termination fees:** The Borrower shall pay the Makewhole Amount to the Lender on the earlier of:
- (iii) The date that the Loan Facility is repaid or prepaid in full; and
 - (iv) The Termination Date.
- For the avoidance of doubt the Makewhole Amount in respect of the Loan Facility shall be payable regardless of whether the Loan Facility has been utilised in full or any undrawn portions of the relevant Facility have been cancelled.
All prepayments must also be made together with all accrued but unpaid interest on the amount prepaid as of the date of prepayment.
"Makewhole Amount" means an amount equal to interest that would have accrued on the total amount of the Loan



Facility available for drawing (ie £40m) assuming full drawdown on the date of the Loan Facility Agreement, until the date falling 18 months after the date of the Loan Facility Agreement, less any cash interest payments previously received and any PIK interest that has previously compounded and been added to the principal amount of the Loan Facility.

Ranking: The Loan Facility shall constitute senior secured obligations of the Borrower and each Guarantor and will rank at least *pari passu* with all other obligations of the Borrower and each Guarantor except those obligations which are mandatorily preferred by law.

Security: The Lender shall have the benefit of a security package to be agreed, which shall include:

- (i) first priority pledge from Holdco over the shares in Propco;
- (ii) first priority fixed and floating security over all of the assets of the Borrower and each Guarantor, to include without limitation legal mortgages over all properties owned by the Group (the "**Secured Properties**"); and
- (iii) Other security from Bidco and its subsidiaries (including all entities acquired as part of the Acquisition) to be agreed following due diligence.

Loan Facility Agreement: The Loan Facility shall be documented by a facility agreement in a form and substance satisfactory to the Lenders. It shall be based on a Loan Market Association form for leveraged financings, governed by English law, and shall include customary undertakings for a financing of this nature as well as certain representations, warranties, mandatory prepayment events, information undertakings, financial and other undertakings, events of default, tax gross-ups, indemnities, rights of set off and conditions precedent to drawdown.

Agent/Security Agent: TBC – to be an institution acceptable to the Lender.

Conditions Precedent to Commitment: The Lender's commitment to provide the Loan Facility shall be subject to conditions precedent, including:

- (i) Investment committee approvals;
- (ii) Satisfactory due diligence including diligence of all material leases and real properties;
- (iii) Agreed definitive long form Loan Facility Agreement, subordination agreement and/or intercreditor agreement, security documentation and ancillary documentation;



- (iv) Satisfactory resolution and consent of the pension regulator with respect to the BHS pension issues;
- (v) Satisfactory evidence that the Equity Financing will be provided in full on the date of the Loan Facility Agreement;
- (vi) Receipt of all documents and any consents or authorisations relating to the Acquisition; and
- (vii) No actual or prospective material adverse change occurring to the group or its financial condition, business, operations or assets,

in each case to the satisfaction of the Lender.

Governing Law and Jurisdiction:

This Term Sheet shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any disputes.

Confidentiality:

This Term Sheet and its contents are strictly confidential and must not be disclosed directly or indirectly to any person without the prior written consent of Farallon.

Exclusivity and Expenses:

As a condition of further progressing this proposal, the Borrower and Farallon shall enter into a legally binding written agreement on terms satisfactory to Farallon to (i) grant Farallon exclusivity in relation to any financing for a period of time to be agreed (which shall contemplate the payment of a break fee to Farallon in certain circumstances) and (ii) provide for coverage of Farallon's costs in relation to this Term Sheet, due diligence and the Loan Facility by the Borrower.

Non-Binding Intent:

This Term Sheet is subject to contract, due diligence and the approval of the investment committee of Farallon and nothing in this Term Sheet (other than under the paragraphs above entitled "Confidentiality", "Governing Law and Jurisdiction", "Exclusivity and Expenses" and this paragraph, "Non-Binding Intent") shall give rise to any legally binding obligation or constitute any binding representation or commitment whatsoever, including any obligation to continue negotiations.



SUBJECT TO CONTRACT

Agreed for an on behalf of **Farallon Capital Europe LLP**

A handwritten signature in blue ink, appearing to be "N. GIANQUE", written over a horizontal line.

By: **N. GIANQUE**

Agreed for an on behalf of **Swiss Rock Ventures Limited**

By: