

Rt Hon Frank Field MP
Chair of Work and Pensions Committee
14 Tothill Street
London
SW1H 9NB

1 June 2016

Dear Mr Field

BHS

Thank you for your letter dated 25 May 2016.

As requested, I am responding to provide an "activity log" and to answer the six further questions. I have prepared my response with some assistance from colleagues.

To begin, I would like to address one point. You refer in the opening paragraph of your letter to "your five month period of informal assistance". As I hope I made clear in my evidence, we provided little assistance to Arcadia either prior to meeting River Rock, the advisers to Swiss Rock (which later became Retail Acquisitions), on 8 December 2014 or after discussing the initial proposals from Swiss Rock's potential lender, Farallon, with Mr Budge around 11 February 2015. Whilst the process as a whole may have been five months, my active involvement was confined to a period of approximately two months and, even within that two month period, was intermittent. Further, GS did not undertake the work of a financial adviser which would typically include: due diligence on buyer and seller; engaging with the management of the business being sold; participating in negotiations; and undertaking valuation work, financial analysis and assessment of funding arrangements (other than one call with Farallon as described below).

Log

I have attached the activity log to this letter.

I indicated in my answer to question 453 that I would consider how many hours I had worked on this matter and revert to the Committee. This was in response to a question asking about the difference between providing informal assistance and acting as an adviser under a formal mandate. As I explained in my evidence, I believe that I spent a very small amount of time on this matter and, as above, GS did not undertake the work of a financial adviser. I do not believe that I can provide the Committee with a reliable estimate of the number of hours I spent. However, I can use the log to provide some context. The log contains 95 entries from 22 October 2014 to 6 March 2015. There are 3 meetings and 13 calls. There are 79 emails of which I sent 21. By way of comparison, this level of activity might easily be seen over only a 1-2 day period where acting as an adviser under a formal mandate.

Response to further questions

I have set out my response to your six questions below:

1. Many clients choose to pursue transactions without a financial adviser. This can be for many reasons including their experience and expertise or the nature of the transaction. Whether or not a client engages an investment bank to advise it on a transaction is a decision for the client. Where GS is invited to act, but declines to do so, it may suggest a possible alternative or alternatives but this is certainly not the norm.
2. There is no single threshold above which GS will typically be prepared, and below which GS will typically not be prepared, to be engaged to provide advice. GS will consider the scale and complexity of a deal, the resources required of the role and the appropriate nature of its role, in the round and in the light of the particular circumstances of each deal. However, it is fair to say that GS generally focuses on larger transactions.
3. As set out in my evidence, these observations were made at an early stage of the transaction. It is not unusual for such early proposals to lack detail. Nor is it unusual for there to be risks attached to a proposal at that stage. To the best of my recollection, I did not make any further observations at that stage. I believe that the observations were communicated by me to Mr Budge in a telephone conversation on or around 12 December 2014.
4. Having reviewed the log, I note that the further proposal was sent to me by email by Mr Chappell on 8 January 2015 (rather than the end of January as I indicated in response to question 452). I do not recall providing any specific observations at this stage. I recall that I did provide further observations in early February 2015: see paragraph 5 below.
5. Beyond the observations described above, and although I understand that Mr Budge has indicated that the Farallon financing was not used, nonetheless for completeness, I made the following further observations to Arcadia after my call with Farallon on 3 February 2015:
 - In a call with Sir Philip Green on 3 February 2015, I offered my observation that whilst Farallon appeared a credible financing provider, it had not conducted due diligence and there was risk attaching to Swiss Rock's proposal.
 - In response to a request from Mr Budge, on 10 February 2015 I observed to Mr Budge that I was happy with Farallon's initial funding proposal but noted that it remained subject to due diligence. I noted that Farallon appeared to believe limited due diligence would be adequate as they could take security over BHS' property assets. I observed that may not be the case in practice. I also said that it was not clear that Farallon understood the existence of a pension deficit and that they needed to be clear on that before proceeding.

I do not recall providing any further observations.

6. No.

Yours sincerely



Anthony Gutman
Goldman Sachs International

ACTIVITY LOG

Individuals are referred to in the log by their initials, as follows:

Initials	Name	Company
AG	Anthony Gutman	Goldman Sachs
KF	Anthony Gutman's PA	Goldman Sachs
MC	Michael Casey	Goldman Sachs
MS	Michael Sherwood	Goldman Sachs
AdG	Adam Goldman	Arcadia
GH	Gillian Hague	Arcadia
CH	Chris Harris	Arcadia
KO	SPG's office	Arcadia
PB	Paul Budge	Arcadia
SPG	Sir Philip Green	Arcadia
JD	Joseph Dryer	River Rock
MP	Michael Peretie	River Rock
NH	Nicolaus Harnack	River Rock
DC	Dominic Chappell	Swiss Rock/RAL
SJ	Dominic Chappell's PA	Swiss Rock/RAL

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
1.	October 14		Calls	SPG and MS			SPG said that Arcadia were considering a sale of BHS. GS was offered and declined to be engaged as an adviser.
2.	22 Oct 14		Call	PB to AG			Initial contact from PB to AG in relation to Swiss Rock's interest. GS was asked to undertake some digging in relation to Swiss Rock.
3.	28 Oct 14	22:38	Email	AG	PB		AG asked PB if PB had received anything from Swiss Rock yet.
4.	29 Oct 14	07:37	Email	PB	AG		PB informed AG that Swiss Rock were finalising their advisers and so should be able to provide something in the next couple of days.
5.	29 Oct 14	09:11	Email (fwd)	PB	AG	GH	PB forwarded AG a text message he had received from DC. DC provided an update and sought a meeting with PB.
6.	30 Oct 14	15:20	Email	PB	AG	GH	PB reported on a meeting earlier that day (30 October) with DC and River Rock.
7.	3 Nov 14	08:39	Email (fwd)	PB	AG		PB forwarded AG an email exchange between DC and PB following their meeting on 30 October and internal emails within Arcadia.
8.	3 Nov 14	12:07	Email	AG	PB	MC	AG acknowledged email; noted that GS was doing some digging on Swiss Rock and asked if Swiss Rock had appointed advisers.
9.	3 Nov 14	13:47	Email	PB	AG	MC	PB said that Olswang had been appointed but full details were awaited.
10.	13 Nov	13:32	Email	PB	AG		PB forwarded AG an internal email within Arcadia

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
	14		(fwd)				reporting on discussions between Arcadia and Swiss Rock. It was noted that River Rock were to call GS.
11.	13 Nov 14	14:19	Email	AG	PB		AG noted that he awaited the call.
12.	13 Nov 14	16:19	Email (fwd)	PB	AG		PB forwarded AG an email exchange between AdG and DC identifying BHS' directors and operational board.
13.	15 Nov 14	09:54	Email (fwd)	PB	AG		PB forwarded AG an email exchange between GH and DC providing illustrative information on BHS bank borrowings.
14.	15 Nov 14	19:10	Email	AG	PB		AG asked when an actual proposal was expected.
15.	16 Nov 14	12:29	Email	PB	AG		PB said that he understood GS would be contacted the following Friday.
16.	17 Nov 14	08:29	Email (fwd)	PB	AG		PB re-forwarded to AG the email he had forwarded on 15 November 2014.
17.	17 Nov 14	17:21	Email (fwd)	PB	AG		PB forwarded AG an email from Swiss Rock containing a contact list for Swiss Rock and advisers.
18.	24 Nov 14	11:37	Email (fwd)	PG	AG		PB forwarded an email to AG from DC. DC confirmed they were ready to make a formal approach and sought to arrange a meeting between River Rock and GS on 8 December.
19.	24 Nov 14	12:48	Email	PB	DC, AdG, GH	SJ, AG	PB confirmed the meeting at 3.30 pm that day (8 December).
20.	24 Nov 14	13:26	Email	AG	PB, DC, AdG, GH	SJ, KF, MC	AG said that he and MC would attend.
21.	3 Dec 14	09:16	Email	PB	AG		Update from PB to AG on discussions between Arcadia, River Rock and Swiss Rock. PB said that he had informed River Rock and Swiss Rock that SPG was keen that GS vet the purchaser's funding plans and intentions. PB had asked Swiss Rock to summarise their business proposal to GS who would feed it back to SPG. PB reported that Swiss Rock and River Rock had provided some high level thoughts it made sense to share and suggested scheduling a call with GS.
22.	8 Dec 14	12:30	Call	AG/MC and PB			Call between Arcadia and GS prior to meeting between GS and River Rock.
23.	8 Dec 14	15:30	Meeting (GS)	GS (AG, MC) River Rock (MP, JD)			Meeting at GS' offices between GS and River Rock. No proposal provided at this meeting.

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
			office)				
24.	8 Dec 14	c. 16:30	Call	AG to PB			Call between AG and PB following meeting between GS and River Rock.
25.	8 Dec 14	16:46	Email (fwd)	PB	AG		PB forwarded to AG a text from PB to SPG reporting on meeting between GS and River Rock.
26.	8 Dec 14	20:41	Email (fwd)	PB	AG		PB forwarded to AG an exchange of text messages between PB and DC relating to the meeting between GS and River Rock and next steps.
27.	11 Dec 14	17:00	Meeting (GS office)	GS (MC, AG dialling-in) River Rock (MP, NH, JD)			Second meeting at GS' offices between GS and River Rock to discuss Swiss Rock's proposal. River Rock provided a copy of Swiss Rock's initial proposal.
28.	12 Dec 14	10:04	Email	JD	MC	NH, MP, other River Rock addressees	River Rock sent GS electronic copies of the documentation in relation to Swiss Rock's initial proposal.
29.	12 Dec 14	10:06	Email (fwd)	AG	PB	MC	AG forwarded the documentation to Arcadia.
30.	12 Dec 14	11:11	Email	NH	MC		River Rock provided GS with details of potential lenders.
31.	12 Dec 14		Call	AG and PB			AG and PB spoke to discuss Swiss Rock's proposal following the discussions with River Rock. AG informed PB that the potential buyer did not have retail experience; the proposal was preliminary and lacking in detail; and the bidder had a history of bankruptcy. PB asked AG to convey to River Rock that Arcadia did not want to proceed.
32.	12 Dec 14	c.12:45	Call	AG to JD			AG called River Rock to confirm that Arcadia did not want to proceed.
33.	12 Dec 14	12:54	Email	AG	PB	MC	AG confirmed to PB that he had informed River Rock that Arcadia had no interest in proceeding with the sale.
34.	12 Dec 14	14:09	Email	PB	AG	MC	PB acknowledged AG's email and anticipated Swiss Rock would be in touch.
35.	12 Dec 14	c.14:30	Call	DC to AG			DC called AG. AG rang DC back.
36.	12 Dec 14	15:00	Email	AG	PB	MC	AG reported to PB on call with DC: Swiss Rock continued to pursue their proposal hard.
37.	12 Dec 14	15:13	Email	PB	AG	MC	PB forwarded AG a text he had received from DC

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
			(fwd)				seeking guidance on what SPG wanted.
38.	12 Dec 14	15:16	Email	PB	AG	MC	PB said that he would inform DC that GS would review this and Swiss Rock would need to engage with GS to feedback to SPG and the Board.
39.	12 Dec 14	18:05	Email (fwd)	PB	AG		PB forwarded to AG an email from DC attaching a statutory declaration that Paul Sutton was to sign confirming he was not involved in the Swiss Rock proposal. PB said that SPG/BHS Board had been concerned that Paul Sutton was still involved.
40.	15 Dec 14	16:28	Email (fwd)	PB	AG	GH	PB forwarded to AG an email exchange between PB and DC regarding progress with Swiss Rock's proposal. PB informed AG that SPG would only consider the deal if Swiss Rock were putting in equity/cash themselves and had a prominent retailer, and that they should go through GS.
41.	15 Dec 14	16:34	Email (fwd)	PB	AG	GH	PB forwarded to AG an email from DC indicating that DC would run his proposal through GS.
42.	16 Dec 14	09:03	Email	JD	AG, MC	MP	River Rock informed GS that River Rock had resigned as advisers to Swiss Rock.
43.	23 Dec 14	10:55	Email	PB	AG		PB checked with AG whether Swiss Rock had progressed this with GS.
44.	5 Jan 15	11:42	Email	SJ	AG		Swiss Rock asked AG for a meeting or call between AG and DC.
45.	6 Jan 15	04:00	Email (fwd)	AG	PB	MC	AG forwarded the email to PB.
46.	6 Jan 15	17:32	Email (fwd)	PB	AG		PB forwarded email from DC. DC had said that he had put in place what was discussed before Christmas and was about to call AG to go through the details.
47.	6 Jan 15	20:08	Email	AG	PB		AG asked if he should call PB.
48.	6 Jan 15	21:47	Email	PB	AG		PB suggested that they speak the next day.
49.	7 Jan 15	17:10	Email	PB	AG		PB stated that he had appraised SPG of developments and SPG's view was to obtain Swiss Rock's proposal in writing first.
50.	8 Jan 15	11:11	Email	DC	AG		DC sent AG Swiss Rock's amended proposal.
51.	8 Jan 15		Call	AG and PB			Call in relation to Swiss Rock's amended proposal.
52.	8 Jan 15	22:51	Email (fwd)	AG	PB	MS, MC	AG forwarded the amended proposal to PB.
53.	9 Jan 15	07:25	Email	PB	AG	MC, MS	PB acknowledged new proposal; indicated he would discuss with SPG and noted Carmen appeared to be a new part of the proposal.

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
54.	9 Jan 15	07:38	Email	PB	PB, AG	MC, MS	PB noted that Carmen had in fact been in the proposal before and he would speak with SPG over the weekend about the proposal.
55.	9 Jan 15	08:31	Email	PB	AG	GH	PB provided further comments on proposal and said AG might feed these back to DC.
56.	12 Jan 15	07:27	Email	PB	AG	MS, MC	PB provided an update on discussions between SPG and PB regarding Swiss Rock's proposal.
57.	12 Jan 15	07:29	Email	AG	PB	MS, MC	AG acknowledged PB's email and indicated he would call DC once SPG and PB had spoken further.
58.	13 Jan 15	09:24	Email	PB	AG		PB provided an update on further discussions between SPG and PB regarding SPG's views on Swiss Rock's proposal.
59.	13 Jan 15	15:24	Email	SJ	AG		Personal Assistant to Swiss Rock Board asked (on behalf of DC) if there was any update.
60.	13 Jan 15	15:27	Email	AG	SJ		AG confirmed that he had no update for Swiss Rock at that point and would be in touch later that week.
61.	15 Jan 15	18:30	Email	PB	AG		PB reported to AG on SPG's views on Swiss Rock proposal. SPG did not consider the offer acceptable; was not prepared to do a deal on the amounts put forward; and the retail front person was "not creditable in SPG's eyes". PB informed AG that SPG had decided to market the BHS business.
62.	15 Jan 15	23:23	Email	AG	PB		AG informed PB he would call him in the morning.
63.	16 Jan 15	09:00	Email	PB	AG		PB reported to AG on a discussion between PB and DC that morning. PB reported that Swiss Rock remained serious about their proposal.
64.	16 Jan 15	12:02	Email	PB	KO	AG	AG was copied on internal Arcadia email regarding a request from DC for a potential meeting between DC and PB/SPG.
65.	19 Jan 15	08:25	Email	DC	AG	SJ	DC requested a call with AG.
66.	19 Jan 15	10:31	Email (fwd)	PB	AG		PB forwarded to AG the latest discussions between PB and SPG and between PB and DC. PB informed DC that there would be no further discussions with Swiss Rock and Arcadia would be issuing a sale document. DC re-iterated that Paul Sutton was not involved and they remained very interested in both BHS and Arcadia.
67.	19 Jan 15	11:34	Email	AG	DC		AG said he was in the US but would try to call DC.
68.	19 Jan 15	11:34	Email (fwd)	AG	PB		AG forwarded the email from DC to PB.
69.	19 Jan 15	12:23	Email	PB	AG		PB informed AG that he had spoken to DC that morning to inform him that there was no deal.
70.	19 Jan 15	13:42	Email	DC	AG		DC informed AG that there was nothing urgent.

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
71.	20 Jan 15	08:58	Email (fwd)	PB	AG		PB forwarded to AG an update to SPG where PB had reported on a further phone call between PB and DC in relation to Swiss Rock's offer. SPG had sought clarification of two points – relating to Carmen and the pension position – although this did not change the position PB had outlined to DC.
72.	22 Jan 15	12:24	Email (fwd)	PB	AG		PB forwarded an email to AG from DC to PB asking to undertake limited due diligence.
73.	26 Jan 15		Call	SPG to AG			Call between AG and SPG in which SPG confirmed that Arcadia was not going to appoint a financial adviser.
74.	27 Jan 15		Call	SPG to AG			Call between AG and SPG regarding the BHS process.
75.	28 Jan 15	09:23	Email	PB	AG		PB set out questions and SPG's views ahead of a meeting at GS offices with Swiss Rock.
76.	28 Jan 15	10:00	Meeting (GS office)	AG, PB and DC			Meeting with PB and DC to discuss Swiss Rock proposal.
77.	1 Feb 15	01:09	Email	DC	PB, AG	GH	DC sent AG and PB a list of Swiss Rock's directors, managers and senior advisers.
78.	1 Feb 15	09:21	Email (fwd)	PB	AG		PB forwarded AG an email exchange between PB and DC in relation to Swiss Rock's due diligence.
79.	1 Feb 15	10:01	Email	DC	AG, PB		DC sent AG and PB a list of potential candidates Swiss Rock might approach as executive chair.
80.	2 Feb 15	06:48	Email	PB	DC, AG		PB asked DC a question on his list of candidates for the role of executive chair.
81.	2 Feb 15	19:07	Email (fwd)	PB	GH	AG, AdG, CH, Deloitte	PB forwarded to GH a summary of the position in relation to discussions that he had sent to DC, copying AG.
82.	2 Feb 15	22:28	Email	AG	PB, GH	AdG, CH, Deloitte	AG confirmed that he would call Farallon the next day.
83.	3 Feb 15	07:07	Email	AG	DC	PB, KF	AG noted that he would call Farallon at 12.15.
84.	3 Feb 15	09:07	Email	PB	AG		PB acknowledged email and asked to be told how the call went.
85.	3 Feb 15	12:09	Email	SJ	AG		PA to Swiss Rock Board asked AG to contact DC. The call with Farallon was moved from 12.15 to 1 pm as there was one point that Swiss Rock's legal team were investigating.
86.	3 Feb 15	13:00	Call	AG and Farallon			Call between AG and Farallon, Swiss Rock's proposed lenders.
87.	3 Feb 15		Call	AG to SPG			AG informed SPG that whilst Farallon appeared a credible financing provider, it had not conducted

No.	Date	Time	Type	Parties			Nature and Purpose of Communication
				From	To	cc	
							due diligence and there was risk attaching to the Swiss Rock proposal.
88.	9 Feb 15	15:14	Email	PB	AG		PB suggested a call and asked AG if he was happy with Farallon's funding proposals as they were now progressing to a draft Heads of Terms.
89.	10 Feb 15	00:05	Email	AG	PB		AG indicated that he was happy but Farallon's initial funding proposal was subject to due diligence, documentation etc. AG suggested a call the next day.
90.	10 Feb 15	06:27	Email	PB	AG		PB proposed a call before 1 pm.
91.	10 Feb 15	14:31	Email	PB	AG		PB reported the funding proposals from Farallon as outlined to him by DC. PB asked if any other points came across in AG's discussion with Farallon.
92.	10 Feb 15	14:56	Email	AG	PB		AG informed PB that PB's understanding of the proposals was consistent with what he was told by Farallon. AG noted that Farallon appeared to believe limited due diligence would be adequate as they could take security over BHS' property assets. AG observed that may not be the case in practice. AG also said that it was not clear that Farallon understood the existence of a pension deficit and that they needed to be clear on that before proceeding.
93.	11 Feb 15	00:30	Email	AG	PB		AG suggested a call with PB to discuss his email.
94.	11 Feb 15	14:21	Email	PB	AG		PB asked if any documentation had been provided.
95.	6 Mar 15		Call	MS to SPG			Call from MS to SPG to establish status of sale process in light of media reports.

Please note the following:

- We have undertaken reasonable searches to identify communications relating to the informal assistance that was provided to the Arcadia Group in relation to Swiss Rock's proposals to buy BHS in the period from mid-October 2014 through to 12 March 2015 when the sale was announced.
- We have not recorded in the log any emails that were received or sent by GS of a non-substantive or administrative nature (such as communications in relation to arrangements for a meeting or acknowledging receipt of an email).
- We do not have the precise dates or times of each telephone call and so have indicated approximate dates or times where possible.
- You have requested that we identify the nature and purpose of communications. In order to do this, we have tried to provide an indication of the content of each communication. As you will see, this is a relatively short and high-level indication only. In some instances, this is inferred rather than obvious from the content.
- Where an email forwards a message or messages, this is indicated by "(fwd)".