

DATED

4 October

2021

(1) MIP HOLDINGS LTD

and

(2) KJR BROTHERS LTD

LOAN AGREEMENT

SH[∞]SMITHS

The XYZ Building
2 Hardman Boulevard
Manchester
M3 3AZ

Ref: M-00966037

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THIS AGREEMENT is made the 4 day of October 2021

BETWEEN

1. **MIP HOLDINGS LTD**, a private limited company registered in England and Wales under company registration number 12981062, whose registered office is at Units 1-10 116-118 Bury New Road, Manchester, United Kingdom, M8 8EB (the "**Borrower**"); and
2. **KJR BROTHERS LTD**, a private limited company registered in England and Wales under company registration number 13508065, whose registered office is at NJK House, Unit B1, Haslingden Road, Blackburn, Lancashire, BB1 2EE as Lender (the "**Lender**").

BACKGROUND

In order to support the general corporate purposes of the Borrower, the Lender has agreed to make available to the Borrower a term loan facility on the terms set out in this Agreement.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Acquisition**" means the recommended acquisition by the Borrower of the entire issued and to be issued ordinary share capital of FCG not currently owned by Apinder Ghura to be effected by means of the Scheme or by means of a Takeover Offer and, in either case, where the context admits, any subsequent variation, revision, extension or renewal thereof;

"**Acquisition Longstop Date**" means 6.00 pm on 28 February 2022, or such later date, if any, as the Borrower and FCG may agree and, if required, the Court and the Takeover Panel may allow;

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

"**Court**" means the High Court of Justice in England and Wales;

"**Effective**" means in the context of the Acquisition:

- (a) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective in accordance with its terms, upon the delivery of the Court Order to the Registrar of Companies;
- (b) if the Acquisition is implemented by way of a Takeover Offer, the Takeover Offer having been declared or become unconditional in all respects in accordance with the requirements of the Takeover Code;

"**Effective Date**" means the date on which the Acquisition becomes Effective;

"**Event of Default**" means the occurrence of any of the events detailed in Clause 11 of this Agreement;

"**FCG**" means French Connection Group PLC (CRN: 01410568);

“FCG Shares” means the 24,518,465 ordinary shares of £0.01 each in FCG proposed to be acquired by the Borrower from Apinder Ghura on or around the Effective Date;

“Facility Agreement” means the £25,000,000 term facility agreement dated on or around the date hereof between the Borrower, 1903 Partners, LLC and Aurelius Finance Company Limited (as lenders) and GB Europe Management Services Limited (as agent and security agent) in respect of the Senior Financing;

“Final Repayment Date” means the date 10 years from the date of this Agreement;

“Interest Rate” means:

- (a) ten (10) per cent. per annum; or
- (b) such other rate as the Lender may decide from time to time subject to obtaining Shareholder Consent;

“Listing” means

- (a) the admission by the UK Listing Authority to listing, together with admission by the London Stock Exchange to trading, on the Official List of any of the Shares, and such admission becoming effective; or
- (b) the admission by the London Stock Exchange of any of the Shares to trading on AIM, and such admission becoming effective; or
- (c) any equivalent admission to any other Recognised Investment Exchange becoming unconditionally effective in relation to any of the Shares

“Loan” means all monies owing by the Borrower to the Lender on the date of the Agreement and from time to time;

“Official List” means the official list of the London Stock Exchange;

“Party” means a party to this Agreement;

“Recognised Investment Exchange” means an investment exchange recognised by the Financial Conduct Authority under Part XVIII of the Financial Services and Markets Act 2000;

“Scheme” means the proposed scheme of arrangement under Part 26 of the Companies Act 2006 between FCG and FCG’s shareholders in connection with the Acquisition;

“Senior Financing” means the senior secured term loan of £25,000,000 made pursuant to the Facility Agreement;

“Shareholder Consent” means the written consent of the holder(s) for the time being of not less than 50% by nominal value of all Shares with voting rights held by Shareholders;

“Shareholder Loan” means all monies owing by the Borrower to a Shareholder pursuant to a Shareholder Loan Agreement on the date of such agreement and from time to time;

“Shareholder Loan Agreement” means any loan facility agreement made between a Shareholder and the Borrower on or around the Effective Date;

“**Shareholders**” means the holders of shares in the capital of the Borrower from time to time, and “**Shareholder**” shall mean any of them;

“**Shares**” means the shares in the capital of the Borrower held by the Lender from time to time;

“**Subsidiary**” means a subsidiary within the meaning of section 1159 of the Companies Act 2006;

“**Takeover Code**” means the City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Panel on Takeovers and Mergers;

“**Takeover Offer**” means a takeover offer as defined in section 974 of the Companies Act 2006;

“**Takeover Panel**” means the Panel on Takeovers and Mergers;

“**Tranche A Period**” has the meaning given to it in the Facility Agreement;

“**Transfer Date**” means the date on which a Transfer Event occurs;

“**Transfer Event**” means any event as a result of which the Lender ceases to hold any shares in the capital of the Company; and

“**UK Listing Authority**” means the Financial Conduct Authority in its capacity as the UK Listing Authority.

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

1.2.1 the “**Lender**”, the “**Borrower**”, any “**Party**” or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under this Agreement;

1.2.2 “**this Agreement**” or any other agreement or instrument is a reference to this Agreement or other agreement or instrument as amended, novated, supplemented, extended or restated;

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

1.2.4 a provision of law is a reference to that provision as amended or re-enacted.

1.3 Clause and Schedule headings are for ease of reference only.

2 THE LOAN

2.1 Subject to the terms of this Agreement, the Lender makes available to the Borrower a sterling loan facility on an unsecured basis.

2.2 The initial amount of the Loan made available by the Lender to the Borrower, and drawn down on and with effect from the date of this Agreement, shall be £5,171,428.60 (“**Initial Drawdown Amount**”).

2.3 The Borrower shall apply all amounts borrowed by way of the Loan towards its general corporate and working capital purposes.

3 LIMITATIONS ON LENDER RIGHTS DURING THE TRANCHE A PERIOD

3.1 During the Tranche A Period, the Lender shall not be entitled to:

- 3.1.1 cancel its commitment to make the Loan;
- 3.1.2 rescind, terminate or cancel this Agreement or exercise any similar right or remedy under this Agreement to the extent to do so would prevent or limit the making of the Loan for the full Initial Drawdown Amount;
- 3.1.3 refuse to participate in the making of the Loan for the full Initial Drawdown Amount;
- 3.1.4 exercise any right of set-off or counterclaim in respect of the Loan to the extent to do so would prevent or limit the making of the Loan for the full Initial Drawdown Amount; or
- 3.1.5 cancel, accelerate, demand or cause repayment or prepayment of any amounts owing under this Agreement,

provided that immediately upon the expiry of the Tranche A Period, all such rights, remedies and entitlements shall be available to the Lender in accordance with this Agreement notwithstanding that they may not have been used or been available for use during the Tranche A Period.

4 REPAYMENT

4.1 Notwithstanding any other provision of this Agreement save for Clause 4.5, no part of the Loan shall be repaid or prepaid before the Acquisition has become Effective and full payment has been made in respect of the Acquisition in accordance with paragraph 10 of Appendix 7 to the Takeover Code.

4.2 Subject always to the terms of the Senior Financing, the Borrower shall repay any amount of the Loan that remains outstanding together with all accrued but unpaid interest, and all other amounts accrued or outstanding under this Agreement on the earlier of:

- 4.2.1 the Final Repayment Date;
- 4.2.2 the date on which neither Amarjit Singh Grewal nor Apinder Ghura nor any of their connected persons or assignees hold any shares in the capital of the Company (the "**Leaving Date**"); or
- 4.2.3 on a Listing.

4.3 Subject always to the terms of the Senior Financing, the Borrower may prepay the whole or any part of the Loan (together with accrued interest) at any time on notice to the Lender, provided that the Borrower also prepays all other Shareholder Loans in proportionately the same amounts.

4.4 The Lender may, following the occurrence of an Event of Default, declare that all or part of the Loan made to the Borrower, together with accrued interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, at which time they shall become immediately due and payable.

4.5 The Lender may, where:

- 4.5.1 the Acquisition has not become Effective; and

4.5.2 the Borrower has not drawn down under Tranche A of the Facility Agreement,

each by the Acquisition Longstop Date, declare that all or part of the Loan made to the Borrower and all other amounts accrued or outstanding under this Agreement be immediately due and payable, at which time they shall become immediately due and payable.

4.6 On the Transfer Date, subject always to the terms of the Senior Financing, the Loan together with accrued interest, and all other amounts accrued or outstanding under this Agreement must be assigned to the purchaser or transferee of the Shares except where the Lender, with Shareholder Consent, requires that the Loan should remain between the Lender and the Borrower and continue under the terms of this Agreement.

5 INTEREST

5.1 Interest shall be charged at the Interest Rate from the Effective Date and shall be payable:

5.1.1 from time to time at the discretion of the Borrower; and

5.1.2 on the Final Repayment Date, Leaving Date or on Listing as applicable.

6 TAX GROSS UP

The Borrower shall make all payments to be made by it without any deduction for tax, unless required by law, in which case the amount of the payment due from the Borrower shall be increased to an amount which (after making any such deduction) leaves an amount equal to the payment which would have been due if no deduction had been required.

7 CHANGES TO THE PARTIES

No Party may assign any of its rights or transfer any of its rights or obligations under this Agreement without the prior written consent of the other Parties.

8 PAYMENT MECHANICS

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

8.2 All payments to be made by the Borrower under this Agreement shall be made in Sterling, calculated and made without any deduction, set-off or counterclaim.

8.3 Any interest, commission or fee accruing under this Agreement will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

9 UNDERTAKINGS

The undertakings in this Clause 9 remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

9.1 Compliance with laws

The Borrower shall comply in all respects with all laws to which it may be subject.

9.2 Negative pledge

The Borrower shall not create or permit to subsist any security over any of its assets other than that created in relation to the Senior Financing.

9.3 **Financial Indebtedness**

- a) The Borrower may not incur or permit to be outstanding any financial indebtedness.
- b) Paragraph a) above does not apply to:
 - i the Senior Financing;
 - ii any financial indebtedness incurred under this Agreement;
 - iii any financial indebtedness incurred under a Shareholder Loan Agreement; or
 - iv any financial indebtedness incurred in respect of the proposed purchase by the Borrower of the FCG Shares.

9.4 **Lending and guarantees**

The Borrower may not give or allow to be outstanding any guarantee or indemnity to or for the benefit of any person in respect of any obligation of any other person or enter into any document under which it assumes any liability of any other person other than any guarantee or indemnity given under the Senior Financing, this Agreement, or a Shareholder Loan Agreement.

9.5 **Merger**

The Borrower shall not enter into any amalgamation, demerger, merger or corporate reconstruction.

10 **REPRESENTATIONS**

The Borrower makes the representations and warranties set out in this Clause 10 to the Lender on the date of this Agreement.

- 10.1 The Borrower is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
- 10.2 The Borrower has the power to own its assets and carry on its business as it is currently being conducted.
- 10.3 The Borrower has the power to enter into, perform and deliver and has taken all necessary action to authorise its entry into, performance and delivery of this Agreement and the transactions contemplated by this Agreement.

11 **EVENTS OF DEFAULT**

- 11.1 Subject to Clause 3, the Loan and all interest on it will become due and payable or repayable forthwith on demand by the Lender if:

- 11.1.1 the Borrower fails to pay any sum under this Agreement when due or the Borrower is in breach of any other provision of this Agreement; or

- 11.1.2 the Borrower does not comply with any term of this Agreement; or

- 11.1.3 any representation or statement made or deemed to be made by the Borrower in this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made; or
- 11.1.4 the Borrower is in default under any other financial obligation to any person; or
- 11.1.5 an administrator or receiver or manager or administrative receiver is appointed of the Borrower or any of the Borrower's assets or the Borrower enters into liquidation; or
- 11.1.6 any petition is presented, any resolution is proposed or any other steps or proceedings are taken which may lead to any such occurrence referred to in Clause 11.1.5 above; or
- 11.1.7 any distress or execution is levied on or affects, or any enforcement power is exercised against, any of the Borrower's property or assets; or
- 11.1.8 the Borrower is or is deemed to be insolvent or unable to pay its debts; or
- 11.1.9 the Borrower ceases to carry on business.

12 NOTICES

- 12.1 Any communication to be made under or in connection with this Agreement shall be made in writing, in English and, unless otherwise stated, by letter to the Party's registered office or such other address as a Party may notify to each other Party by not less than five Business Days' notice.
- 12.2 Any communication or document which has been made or delivered in accordance with Clause 12.1 shall become effective when it is left at the address, or five Business Days after being deposited in the post in a postage prepaid envelope. If it becomes effective after 5.00 p.m. it will be deemed to become effective on the following day.

13 PARTIAL INVALIDITY

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

14 COUNTERPARTS

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

15 GOVERNING LAW AND ENFORCEMENT

- 15.1 This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
- 15.2 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) or any non-contractual obligation arising out of or in connection with it.

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

SIGNATURES

THE BORROWER

SIGNED by a director)

for and on behalf)

MIP HOLDINGS LTD)


Print name: Apinder Ghura

THE LENDER

SIGNED by a director)

for and on behalf)

KJR BROTHERS LTD)


Print name: Rafiq Patel