

TRIVERS SMITH

24/8-05

Dated

19th April

2005

(1) BANK STORES HOLDINGS LIMITED

(2) BANK STORES FINANCING LIMITED

and

(3) THE LOAN NOTE HOLDERS

EXCHANGE AGREEMENT



THIS AGREEMENT is made on

19th April

2005

BETWEEN:-

- (1) **BANK STORES HOLDINGS LIMITED** incorporated in England and Wales with registered number 5418053 and whose registered office is at Unit 8, Bridge Street Mills, Union Street, Macclesfield, Cheshire, SK11 6QG) ("**Newco**");
- (2) **BANK STORES FINANCING LIMITED** incorporated in England and Wales with registered number 5418052 and whose registered office is at Unit 8, Bridge Street Mills, Union Street, Macclesfield, Cheshire, SK11 6QG) ("**Bidco**"); and
- (3) **THE SEVERAL PERSONS** whose names and addresses are set out in the Schedule (the "**Loan Note Holders**").

WHEREAS

- (A) Bidco has issued Bidco Loan Notes to the Loan Note Holders.
- (B) Newco has agreed to issue Newco Ordinary Shares and Newco Preference Shares to the Loan Note Holders in return for the Loan Note Holders transferring the Relevant Bidco Loan Notes (which are legally and beneficially owned by them in the numbers set against their respective names in column 2 in the Schedule) to Newco.

IT IS AGREED as follows:-

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following words and expressions where used in this Agreement have the meanings given to them below:-

Bidco Loan Notes

the £7,181,000 in nominal value of 10% unsecured subordinated A loan notes 2011 of Bidco created by an instrument executed by Bidco on or around the date of this Agreement;

Business Day

any day other than a Saturday, Sunday or English public or bank holiday;

Completion	the completion of the various transactions contemplated by this Agreement;
Newco Preference Shares	the preference shares of 1p each in the capital of Newco;
Newco Ordinary Shares	the ordinary shares of 1p each in the capital of Newco; and
Relevant Bidco Loan Notes	£1,823,753 in nominal value of the Bidco Loan Notes.

1.2 Interpretation

- 1.2.1** The headings used in this Agreement are for convenience only and shall not affect its meaning.
- 1.2.2** References to a clause or Schedule are (unless otherwise stated) to a clause of and Schedule to this Agreement.
- 1.2.3** Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa.

2. EXCHANGE OF LOAN NOTES

- 2.1** On Completion, each of the Loan Note Holders shall transfer to Newco the legal and beneficial title to that amount in nominal value of the Relevant Bidco Loan Notes as is set opposite his name in column (2) of the table in the Schedule free from all liens, charges, encumbrances and other third party rights of any other nature in consideration for the issue by Newco to them of the number of Newco Ordinary Shares set opposite his name in column (3) of the table in the Schedule (each paid up as to £1 per share) and the number of Newco Preference Shares set opposite his name in column (4) of the table in the Schedule (each paid up as to £1 per share).
- 2.2** On Completion:-
- 2.2.1** the Loan Note Holders shall each deliver to Newco duly executed transfers of the Relevant Bidco Loan Notes and the relevant loan note certificates;

2.2.2 a board meeting of Bidco shall be held to approve such transfers and to register Newco in the register of loan notes of Bidco as holder of the Relevant Bidco Loan Notes;

2.2.3 a board meeting of Newco shall be held to approve the allotment and issue of the Newco Ordinary Shares (each paid up as to £1 per share) and the Newco Preference Shares (each paid up as to £1 per share) and to register the Loan Note Holders in the register of members of the Newco as holder of the Newco Ordinary Shares and the Newco Preference Shares; and

2.2.4 Newco shall issue duly executed share certificates to each of the Loan Note Holders in respect of the Newco Ordinary Shares and the Newco Preference Shares held by him.

3. COMPLETION

3.1 Completion of the sale and purchase of the Relevant Bidco Loan Notes shall take place immediately following signing of this Agreement.

3.2 Newco shall not be obliged to complete the purchase of any of the Relevant Bidco Loan Notes unless the transfers of all the Relevant Bidco Loan Notes are completed simultaneously.

4. GENERAL

4.1 Each party agrees that it shall, at its own cost and expense, do or procure the doing of all such acts and/or execute or procure the execution of all such documents as may be required to give full effect to this Agreement.

4.2 This Agreement and the documents to be delivered pursuant to it constitute the entire and only legally binding agreement between the parties relating to its subject matter and no variation of this Agreement. shall be effective unless made in writing signed by or on behalf of all the parties and expressed to be such a variation.

4.3 This Agreement may be executed as two or more counterparts and execution by each of the parties of any one of such counterparts will constitute due execution of this Agreement.

4.4 Rights or benefits arising from, or in connection with, this Agreement may not be assigned.

4.5 Time shall be of the essence of this Agreement, both as regards the dates and periods specifically mentioned and as to any dates and periods which may, by agreement in writing between the parties, be substituted for any of them.

4.6 Obligations and undertakings expressed to be assumed or given by the Loan Note Holders shall in each case be construed as if expressed to be given severally by each of them.

4.7 This Agreement (together with any documents referred to herein) constitutes the whole agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement and any such document.

4.8 A person who is not party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

5. APPLICABLE LAW AND JURISDICTION

5.1 This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of England.

5.2 The parties irrevocably submit to the exclusive jurisdiction of the Courts of England and Wales in respect of any claim, dispute or difference arising out of or in connection with this Agreement.

THIS AGREEMENT has been duly executed as a deed on the date stated above.

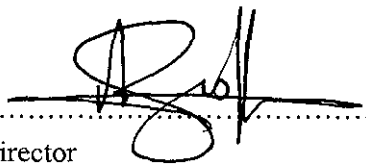
THE SCHEDULE


THE LOAN NOTE HOLDERS

(1) Name and address	(2) No of Relevant Bidco Loan Notes	(3) No of Newco Ordinary Shares	(4) No of Newco Preference Shares
Andrew G. Scott Hollies Cottage, Hollies Lane, Wilmslow, Cheshire, SK9 2BW	1,620,435	626,750	993,685
Damian Scarlett 33 Somerset Close, Congleton, Cheshire CW12 1SG	203,318	120,000	83,318

EXECUTED as a **DEED** by
BANK STORES HOLDINGS LIMITED
acting by:-

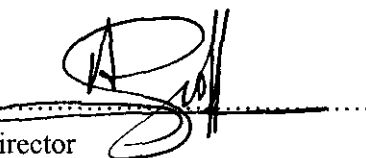
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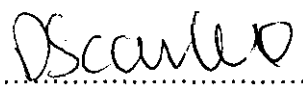

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Director


.....
Director/Secretary

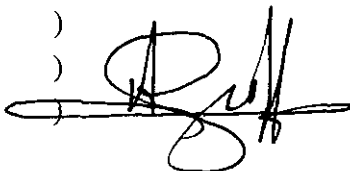
EXECUTED as a **DEED** by
BANK STORES FINANCING LIMITED
acting by:-

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Director


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Director/Secretary

EXECUTED as a **DEED** by
ANDREW SCOTT
in the presence of:-

)
)


Witness signature: D. A. Williams

Witness name: DAVID WILLIAMS

Witness address: 70 GREAT BRIDGEWATER ST

MANCHESTER

Witness occupation: SOLICITOR

EXECUTED as a **DEED** by
DAMIAN SCARLETT
in the presence of:-

)
) *DScarlett*
)

Witness signature: *D. J. Williams*

Witness name: *DAVID WILLIAMS*

Witness address: *70 GREAT BRIDGEWATER ST*

MANCHESTER

Witness occupation: *SOLICITOR*