

## IMPORTANT NOTICE

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The attached Consent Solicitation Memorandum should not be forwarded or distributed to another person and should not be reproduced in any manner whatsoever, and any forwarding, distribution or reproduction of the Consent Solicitation Memorandum in whole or in part is unauthorised, except as expressly provided herein. Failure to comply with this direction may result in a violation of applicable laws and regulations.

### Confirmation of your representation:

You are reminded that you have been sent the Consent Solicitation Memorandum on the basis that you have confirmed to Deutsche and the Issuer that (i) you are a holder or custodian or intermediary acting on behalf of a beneficial owner or a beneficial owner of the £270,000,000 7.274 per cent. Class A1(R) Secured Notes due 2022 (ISIN: XS0085529757) (the "**Class A1(R) Notes**"), the £300,000,000 6.820 per cent. Class A2(R) Secured Notes due 2020 (ISIN: XS0179610125) (the "**Class A2(R) Notes**"), and together with the Class A1(R) Notes, the "**Class A Notes**", the £200,000,000 5.883 per cent. Class M1 Secured Notes due 2026 (ISIN: XS0179610471) (the "**Class M1 Notes**"), the £400,000,000 Class M2(N) Secured Floating Rate Notes due 2029 (ISIN: XS0308299998) (the "**Class M2(N) Notes**"), and together with the Class M1 Notes, the "**Class M Notes**", the £140,000,000 7.567 per cent. Class B1 Secured Notes due 2026 (ISIN: XS0085481371) (the "**Class B1 Notes**"), the £150,000,000 8.374 per cent. Class B2 Secured Notes due 2029 (ISIN: XS0179610638) (the "**Class B2 Notes**"), the £175,000,000 Class B3 Secured Floating Rate Notes due 2031 (ISIN: XS0308300671) (the "**Class B3 Notes**"), and together with the Class B1 Notes and the Class B2 Notes, the "**Class B Notes**", the £215,000,000 6.468 per cent. Class C(R) Secured Notes due 2033 (ISIN: XS0179610711) (the "**Class C(R) Notes**" or the "**Class C Notes**") and the £125,000,000 Class D1 Secured Floating Rate Notes due 2032 (ISIN: XS0308301489) (the "**Class D1 Notes**" or the "**Class D Notes**"), and together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Notes**"), each issued by Punch Taverns Finance plc, (ii) you are a person to whom it is lawful to send the Consent Solicitation Memorandum or make the proposal under all applicable laws and regulations, and (iii) you consent to the delivery of the Consent Solicitation Memorandum by electronic transmission.

The Consent Solicitation Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, Deutsche Trustee Company Limited in its capacity as Note Trustee and Security Trustee ("**DTCL**") or Deutsche nor any person who controls or is a director, officer, employee or agent of any of the Issuer, DTCL or Deutsche nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Consent Solicitation Memorandum distributed to you in electronic format and the hard copy version available for inspection by Noteholders at Jubilee House, Second Avenue, Burton upon Trent, Staffordshire DE14 2WF.

You are reminded that the Consent Solicitation Memorandum has been delivered to you on the basis that you are a person into whose possession the Consent Solicitation Memorandum may be lawfully delivered in

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Nothing in this electronic transmission constitutes an offer or recommendation to buy or the solicitation of an offer or recommendation to sell any securities in any jurisdiction.

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of the subject matter of this Consent Solicitation Memorandum and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 (if you are in the United Kingdom) or other appropriately authorised financial adviser.

If you have recently sold or otherwise transferred your entire holding(s) of Notes referred to below, you should immediately forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This Consent Solicitation Memorandum does not constitute an invitation to participate in the consent solicitation in or from any jurisdiction in or from which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws. The distribution of this Consent Solicitation Memorandum in certain jurisdictions may be restricted by law and persons into whose possession this Consent Solicitation Memorandum comes are requested to inform themselves about, and to observe, any such restrictions.

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### **Punch Taverns Finance plc**

*(incorporated with limited liability in England and Wales, under the Companies Act 2006, with registered number 03487780) (the "Issuer")*

**£270,000,000 7.274 per cent. Class A1(R) Secured Notes due 2022 (ISIN: XS0085529757)**  
(the "Class A1(R) Notes")

**£300,000,000 6.820 per cent. Class A2(R) Secured Notes due 2020 (ISIN: XS0179610125)**  
(the "Class A2(R) Notes", and together with the Class A1(R) Notes, the "Class A Notes")

**£200,000,000 5.883 per cent. Class M1 Secured Notes due 2026 (ISIN: XS0179610471)**  
(the "Class M1 Notes")

**£400,000,000 Class M2(N) Secured Floating Rate Notes due 2029 (ISIN: XS0308299998)**  
(the "Class M2(N) Notes", and together with the Class M1 Notes, the "Class M Notes")

**£140,000,000 7.567 per cent. Class B1 Secured Notes due 2026 (ISIN: XS0085481371)**  
(the "Class B1 Notes")

**£150,000,000 8.374 per cent. Class B2 Secured Notes due 2029 (ISIN: XS0179610638)**  
(the "Class B2 Notes")

**£175,000,000 Class B3 Secured Floating Rate Notes due 2031 (ISIN: XS0308300671)**  
(the "Class B3 Notes", and together with the Class B1 Notes and the Class B2 Notes, the "Class B Notes")

**£215,000,000 6.468 per cent. Class C(R) Secured Notes due 2033 (ISIN: XS0179610711)**  
(the "Class C(R) Notes" or the "Class C Notes")

**£125,000,000 Class D1 Secured Floating Rate Notes due 2032 (ISIN: XS0308301489)**  
(the "Class D1 Notes" or the "Class D Notes", and together with the Class A Notes, the Class B Notes and the Class C Notes, the "Notes")

## **CONSENT SOLICITATION MEMORANDUM**

in relation to a proposal for a short-term waiver in respect of:

- (1) the First PTF Issuer/Borrower Facility Agreement dated 26 March 1998 as amended and restated on 27 October 2000 and as further amended and restated on 3 November 2003 and on 5 July 2007 between, among others, the Issuer as lender and Punch Partnerships (PTL) Limited as Borrower (the "First Issuer/Borrower Facility Agreement"); and
- (2) the Second PTF Issuer/Borrower Facility Agreement dated 3 November 2003 as amended and restated on 5 July 2007 between, among others, the Issuer as lender and Punch Partnerships (PTL) Limited as Borrower (the "Second Issuer/Borrower Facility Agreement" and together, the "Issuer/Borrower Facility Agreements")

Notices (each a "**Notice of Meeting**") convening a meeting ("**Meeting**") of the holders of each class of Notes (together the "**Noteholders**") to be held at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, are set out in Appendix A (*Form of Notices of Meeting*). Further details on the times of the Meeting applicable to each class of Notes are set out in Appendix A (*Form of Notices of Meeting*) below. Each Notice of Meeting was published in accordance with the Terms and Conditions of the Notes (the "**Conditions**") and the Trust Deed dated 26 March 1998 between, among others, the Issuer and DTCL (as amended and restated on 27 October 2000 and as further supplemented, amended and restated on 3 November 2003 and 5 July 2007) (the "**Trust Deed**"), on the date of this Consent Solicitation Memorandum.

Each Notice of Meeting sets out an extraordinary resolution which will be proposed at the respective Meeting (each an "**Extraordinary Resolution**"). The Extraordinary Resolutions, if passed, will approve the implementation of the proposal described below.

The Issuer has appointed Deutsche Bank AG, London Branch to act as tabulation agent in respect of the matters described in this Consent Solicitation Memorandum (the "**Tabulation Agent**").

A Noteholder may, in accordance with the procedures set out in the Trust Deed, give instructions through the relevant Clearing System (as defined below) to the Tabulation Agent either: (i) to direct the Principal Paying Agent to appoint the Tabulation Agent as proxy to vote at the relevant Meeting on their behalf; or (ii) to request the Principal Paying Agent to issue a voting certificate to such Noteholder (or proxy) to attend and vote at the relevant Meeting in connection with the Extraordinary Resolutions applicable to their class (in each case, an "**Instruction**") (please see the section of this Consent Solicitation Memorandum entitled *Procedures relating to the Waiver Proposals* and Appendix A (*Notices of Meetings*) for further details on giving an Instruction).

A description of the action to be taken by Noteholders is set out in the Notice of Meeting applicable to the relevant class of Notes.

Capitalised terms used in this Consent Solicitation Memorandum, including the Appendices, but not otherwise defined herein shall have the meanings given to them in the master definitions and construction schedule dated 5 July 2007 (the "**Master Definitions and Construction Schedule**").

**In accordance with normal practice, neither Deutsche Trustee Company Limited (in its capacity as Note Trustee and Security Trustee, "DTCL") nor Deutsche Bank AG, London Branch (in its capacity as Principal Paying Agent and Tabulation Agent, "Deutsche") (or their respective advisers) has been involved in the formulation of the Waiver Proposals (as defined herein) outlined in this Consent Solicitation Memorandum, and neither DTCL nor Deutsche (or their respective advisers) expresses any opinion on (i) the merits of the Waiver Proposals or any of the Extraordinary Resolutions or (ii) whether Noteholders would be acting in their best interests voting for or against the Waiver Proposals or any of the Extraordinary Resolutions. DTCL has authorised it to be stated that, on the basis of the information contained in this Consent Solicitation Memorandum, it has no objection to the Extraordinary Resolutions being submitted to Noteholders for their consideration.**

**Noteholders should take their own independent advice on the merits and on the consequences of voting or not voting in favour of any of the Extraordinary Resolutions, including any tax consequences. Neither DTCL nor Deutsche (or their respective advisers) is responsible for the accuracy, completeness, validity, relevance, sufficiency or correctness of the statements made in this Consent Solicitation Memorandum or omissions herein and DTCL and Deutsche make no representation that all relevant information has been disclosed to the Noteholders in or pursuant to this Consent Solicitation Memorandum. Neither DTCL nor Deutsche (or their respective advisers) accepts any liability in relation to the Waiver Proposals or the matters set out in the Consent Solicitation Memorandum. Nothing in this Consent Solicitation Memorandum should be construed as a recommendation to the Noteholders from**

**DTCL or Deutsche to vote in favour of, or against, any of the Waiver Proposals or the Extraordinary Resolutions. No person has been authorised to make any recommendation on behalf of DTCL or Deutsche as to whether or how the Noteholders should vote pursuant to the Waiver Proposals. No person has been authorised to give any information, or to make any representation in connection therewith, other than those contained herein. If made or given, such recommendation or any such information or representation must not be relied upon as having been authorised by DTCL or Deutsche.**

No person has been authorised by Punch Taverns plc ("**Punch**") or any of its subsidiaries from time to time (including without limitation Punch Taverns Finance plc (the "**Issuer**") (together, the "**Punch Group**") to make any representations with respect to the proposals described in this Consent Solicitation Memorandum which are inconsistent with the statements contained in this Consent Solicitation Memorandum and, if made, such representations may not be relied upon as having been so authorised. Nothing in this Consent Solicitation Memorandum shall in any way limit any proposals which may hereafter be made with respect to the Notes.

The delivery or distribution of this Consent Solicitation Memorandum shall not under any circumstances constitute a representation or create any implication that the information contained in this Consent Solicitation Memorandum is correct as of any time subsequent to the date hereof, or that there has been no change in the information contained in this Consent Solicitation Memorandum or in the affairs of the Issuer or any other member of the Punch Group.

Neither Ambac Assurance UK Limited ("**Ambac**") nor its respective affiliates and advisers makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Consent Solicitation Memorandum, or as to the reasonableness of the assumptions on which such information is based, and nothing contained in this Consent Solicitation Memorandum is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Neither Ambac nor its respective affiliates and advisers has any responsibility for independent investigation or verification of any of the information contained in this Consent Solicitation Memorandum and none of them assumes responsibility for the accuracy or completeness of this Consent Solicitation Memorandum and accordingly Ambac (and its respective affiliates and advisers) disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Consent Solicitation Memorandum.

### **Restrictions on distribution**

This Consent Solicitation Memorandum does not constitute or form part of, and should not be construed as, an offer for sale, exchange or subscription of, or a solicitation of any offer to buy, exchange or subscribe for, any securities of the Issuer or any other entity (including the Notes). The distribution of this Consent Solicitation Memorandum may nonetheless be restricted by law in certain jurisdictions. The consent solicitation is not being made to, and no consents are being solicited from, holders of the Notes or beneficial owners of the Notes in any jurisdiction in which it is unlawful to make such consent solicitation or grant such consents. Persons into whose possession this Consent Solicitation Memorandum comes are required by the Issuer, DTCL and Deutsche to inform themselves about, and to observe, any such restrictions. This Consent Solicitation Memorandum does not constitute a solicitation in any circumstances in which such solicitation is unlawful. None of the Issuer, DTCL or Deutsche will incur any liability for its own failure or the failure of any other person or persons to comply with the provisions of any such restrictions.

### **Forward-Looking Statements**

Certain statements contained in this Consent Solicitation Memorandum, including any targets, forecasts, projections, descriptions or statements regarding the possible future results of operations, any statement preceded by, followed by or that includes the words "targets", "believes", "expects", "aims", "intends", "will",

"may", "anticipates" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements". Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (i) risks and uncertainties relating to the United Kingdom economy, the United Kingdom pub industry, consumer demand, beer consumption levels and government regulation and (ii) such other risks and uncertainties detailed herein. All written and oral forward-looking statements attributable to the Punch Group or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Noteholders are cautioned not to put undue reliance on such forward-looking statements. The Punch Group will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

### **Currency**

References in this document to "£", "pounds" or "sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**" or the "**UK**"). References in this document to \$ and dollars are to the lawful currency for the time being of the United States of America (the "**United States**" or the "**U.S.**").

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## BACKGROUND

In October 2012, the Borrower's ultimate parent, Punch, announced that it had completed a detailed review of the capital structure of the Punch Group's two whole-business securitisations comprising the business and assets of (i) Punch Taverns Holdings Limited and certain of its subsidiaries (the "**Punch A Securitisation**") and (ii) Punch Taverns (PMH) Limited and its subsidiaries (the "**Punch B Securitisation**"). The Board of Punch then concluded that:

- both securitisations were over-levered and unsustainable in their current form;
- significant amendments were necessary to the Punch A Securitisation and the Punch B Securitisation, including one or more of a material reduction in debt, an increase in the maturities of the debt and changes to the financial covenants;
- although both the Punch A Securitisation and the Punch B Securitisation needed to be restructured, given the differences in their stakeholder profiles, their legal and financial structures and the contractual linkages between them and the wider Punch Group, the optimal restructuring solution and implementation timetable could differ for each securitisation;
- proposed changes to the capital structure should be developed for both the Punch A Securitisation and the Punch B Securitisation to protect the material financial and operational benefits that both enjoy as being part of the wider Punch Group;
- operational covenant amendments would also be required to allow the securitised businesses to continue to maximise returns through further investment in the core estate and the ongoing disposal of non-core assets;
- it was likely that a covenant default would have a material adverse impact on the value of the underlying businesses; and
- it was preferable to work towards identifying a preferred solution as soon as practicable so that any uncertainty around potential changes to the legal and capital structure of the securitisations would not impact on the underlying performance of the business.

In the 14 months following the announcement of the capital structure review, Punch engaged extensively with stakeholders with the objective of reaching agreement on the terms of a consensual restructuring for both the Punch A Securitisation and the Punch B Securitisation. This included the announcement of restructuring proposals on 7 February 2013 and modified proposals on 10 June 2013.

After announcement of further revised proposals for the restructuring of the Punch A Securitisation and the Punch B Securitisation on 9 December 2013, the Issuer gave notice to Noteholders on 15 January 2014 convening Noteholder meetings to be held on 14 February 2014 for the purposes of passing Extraordinary Resolutions to approve the terms of a consensual restructuring for the Punch A Securitisation. However, Punch concluded that, in light of feedback received following the launch of those proposals, a further period of engagement would be required in order to reach agreement with stakeholders on the terms of a consensual restructuring. Following this conclusion, it was announced on 12 February 2014 that no Extraordinary Resolutions would be put to Noteholders for approval at the meetings convened on 14 February 2014.

In order to provide a stable footing for discussions on the terms of a consensual restructuring, the Issuer, on 12 April 2014, gave notice convening Meetings of the Noteholders for the purposes of considering and, if thought fit, approving resolutions to approve a temporary waiver of certain provisions of the Issuer/Borrower Facility



Agreements. At Meetings held on 29 April and 13 May 2014, the temporary waiver was approved by Noteholders, and the letter giving effect to such waivers (the "**Existing Waiver**") was entered into on 13 May 2014.

On 27 May 2014, Punch published short-form term sheets containing details of the restructuring terms proposed by a group of stakeholders in the Punch A and Punch B securitisations (the "**Proposals**"). Since the publication of the Proposals, Punch has continued to negotiate with a wider group of creditors and other stakeholders in order to finalise long-form term sheets (the "**Term Sheets**") containing significantly more detailed terms of the restructuring contemplated in the Proposals. The final long-form term sheet agreed in respect of the Punch A Securitisation is attached as the Appendix to the Waiver Letter (as defined below). As a consequence of this negotiation process, the terms of the Proposals as expressed in the Term Sheets are now supported by a broad range of stakeholders comprising the ABI Special Committee together with a number of individual funds or subsidiaries of such funds advised or managed by Alchemy Special Opportunities LLP, Avenue Europe International Management LP, Angelo, Gordon & Co LP, Glenview Capital Management LLC, Luxor Capital Group LP, Oaktree Capital Management LP, Seer Capital Management LP and Warwick Capital Partners LLP. The terms of the Term Sheet are subject to definitive long-form documentation. Following the agreement of the Term Sheets, discussions are currently being conducted between Punch and stakeholders to agree the definitive documentation needed to launch the restructuring described in the Term Sheets.

It is a condition of the Existing Waiver that a restructuring is launched on or before 30 June 2014. If a restructuring is not launched by 30 June 2014 then a three Business Day grace period will apply, following which the Existing Waiver will terminate on the first Business Day following a period of 30 calendar days thereafter.

Due to the complexity of the Proposals, the Borrower does not believe it is feasible to launch a restructuring prior to 30 June 2014, as required by the Existing Waiver. In the absence of an extension, the Existing Waiver will terminate on 4 August 2014 if a restructuring has not been launched on or before 3 July 2014. Termination of the Existing Waiver will result in the immediate occurrence of a Borrower Event of Default due to a breach of the Debt Service Cover Ratio covenants of the Issuer/Borrower Facility Agreements in the Punch A Securitisation, and is likely to lead to a similar default in the short term for the Punch B Securitisation.

In light of the extensive discussions outlined above and progress made to date, it is in the interest of all parties involved in agreeing and implementing the Proposals that no such default occurs. Accordingly, to ensure that there is adequate time for final negotiations and to agree the transaction documentation for the consensual restructuring in the Proposals, the Borrower and the Obligors are requesting an extension of the Existing Waiver on the terms and subject to the conditions set out in the Waiver Letter.

## BORROWER WAIVER PROPOSALS

To implement the consensual restructuring of the Punch A Securitisation contemplated in the Proposals, and to ensure that no Borrower Event of Default or Potential Borrower Event of Default occurs in the Punch A Securitisation during such period, Punch Partnerships (PTL) Limited (the "**Borrower**") has requested, for itself and as agent for the Obligors, that, among others, the Issuer and the Security Trustee (acting on the instructions of the Noteholders and Ambac in accordance with the provisions of the Relevant Documents) grant an extension to the Existing Waiver (the "**Waiver Proposals**") during the Waiver Period (as defined below) on the terms and subject to the conditions set out in the Waiver Letter (as defined below).

The terms of the Waiver Proposals are set out in a waiver request letter from the Borrower to the counterparties to the Issuer/Borrower Facility Agreements, a copy of which is attached at Appendix B (*Form of Borrower Waiver Letter*) to this Consent Solicitation Memorandum (the "**Waiver Letter**"). This Consent Solicitation Memorandum is intended to provide a summary of the Waiver Proposals and if there is any inconsistency between any description of the terms of the Waiver Proposals in this Consent Solicitation Memorandum and any terms of the Waiver Letter, the terms of the Waiver Letter shall prevail. Further information on each of the provisions in respect of which a waiver is sought, and the Borrower's reasons for requesting the waiver, are set out below.

### **Waiver of Potential Breaches of Debt Service Cover Ratio Covenant**

#### *Debt Service Cover Ratio Covenant*

Under clause 15.1(a) of each of the Issuer/Borrower Facility Agreements, each Obligor covenants and undertakes that it shall ensure that from and including the Third Closing Date (i.e. 3 November 2003), the ratio of EBITDA to Debt Service calculated as at each Financial Quarter Date (the "**DSCR**") shall not be less than D:1, both (i) for the period of two consecutive Financial Quarters ended on such Financial Quarter Date; and (ii) for the Relevant Period (i.e. four Financial Quarters) ended on such Financial Quarter Date. For this purpose, the currently applicable value of "D" is 1.25.

The DSCR is required to be tested after each Financial Quarter by reference to:

- (i) the unaudited financial statements of the Securitisation Group, copies of which must be provided within 45 days following the end of each Financial Quarter (extracts of which are reproduced in the Investor Reports); and
- (ii) the audited financial statements of the Securitisation Group, copies of which must be provided within 120 days following the end of each Financial Year.

If the DSCR falls below the required level in respect of any relevant period, a Financial Condition Event will occur under clause 17.1(b) of each of the Issuer/Borrower Facility Agreements, which will constitute a Potential Borrower Event of Default. Unless the relevant Financial Condition Event is remedied within 30 days in the manner provided in clause 17.5 of each of the Issuer/Borrower Facility Agreements, a Borrower Event of Default will occur (a "**Debt Service Cover Default**").

#### *Historic Compliance with Debt Service Cover Ratio Covenant*

The Borrower has been reliant on the provision of financial support by the wider Punch Group to remain in compliance with its DSCR covenant. During the 2011, 2012 and 2013 financial years, the Borrower has relied on financial support from the Punch Group.

On 28 February 2014, Punch announced that neither the Punch A Securitisation nor the Punch B Securitisation had acquired bonds nor benefitted from EBITDA support in respect of the Financial Quarter ending 1 March 2014.

On 15 April 2014, the Issuer published a compliance report which showed that the Punch A Securitisation had fallen below the default threshold in respect of the DSCR covenant. As such, absent the Existing Waiver which deems the DSCR covenant to be 1.36:1 for all purposes from 28 February 2014, the Borrower would currently be in default. As a consequence, on termination of the Existing Waiver on 4 August 2014, a Debt Service Cover Default would occur in the Punch A Securitisation due to a breach of clause 15.1(a) (*Debt Service Cover Ratio*) of both of the Issuer/Borrower Facility Agreements.

#### *Request for Waiver of Debt Service Cover Ratio Covenant*

To avoid any potential breach of its obligations under the Issuer/Borrower Facility Agreements, and thereby provide the additional time necessary to implement the proposed restructuring of the Punch A Securitisation, the Borrower has requested a further temporary waiver during the Waiver Period of any Potential Borrower Event of Default or Borrower Event of Default which may occur pursuant to clause 17.1(b) and/or clause 17.5 of either of the Issuer/Borrower Facility Agreements as a result of a breach of clause 15.1(a) of either of the Issuer/Borrower Facility Agreements.

To protect the stability of the underlying business of the Punch A Securitisation, and to avoid any disruption to the restructuring discussions which could arise from a fluctuation in the DSCR, the Borrower has further requested that the DSCR continues to be deemed to be 1.36:1 for all purposes, with the exception of Clause 16.12(b) of both the First Issuer/Borrower Facility Agreement and the Second Issuer/Borrower Facility Agreement (in order to prevent, for the avoidance of doubt, any Disposal Proceeds Account funds being used to make acquisitions or fund CapEx during the Waiver Period), during the period from 28 February 2014 until and including the last day of the Waiver Period.

#### **Waiver of Negotiation Default**

##### *Negotiation Default*

Clause 17.1(c) of each of the Issuer/Borrower Facility Agreements provide that an Insolvency Event will occur if (emphasis added):

"any Obligor ceases or suspends generally payment of its debts or announces an intention so to do or is (or is deemed for the purposes of any law applicable to it to be) unable or admits its inability to pay its debts as they fall due within the meaning of Section 123 of the Insolvency Act 1986, commences negotiations with, or makes a proposal to, its creditors generally or with any class of its creditors with a view to a readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors or a moratorium is declared in respect of any of the indebtedness of any Obligor"

(the underlined section being a "**Negotiation Default**").

##### *Request for Waiver of Negotiation Default*

The Borrower has not participated in any restructuring discussions to date that would constitute a breach of clause 17.1(c) of either of the Issuer/Borrower Facility Agreements, nor does it contemplate doing so. However, to enable the Borrower to participate as needed in the Issuer's restructuring discussions going forward (which is clearly in the interests of all stakeholders) without any risk of breaching clause 17.1(c), the Borrower has

requested a temporary waiver of any Potential Borrower Event of Default or Borrower Event of Default which may arise as a result of any Obligor commencing negotiations with, or making a proposal to, its creditors generally or with any class of its creditors with a view to a readjustment or rescheduling of its indebtedness during the Waiver Period.

### **Qualification of Repeating Representations**

#### *Relevant Repeating Representations*

Clause 13.1(g) of the Issuer/Borrower Facility Agreements contains a representation and warranty, which is deemed to be repeated on each Interest Payment Date by reference to the facts and circumstances then existing, that No Event of Default or Potential Event of Default has occurred (the "**Default Representation**").

#### *Request for Qualification to Repeating Representation*

In light of the waivers sought in respect of potential breaches of the Issuer/Borrower Facility Agreements set out above (the "**Specified Defaults**"), the Borrower has also sought a temporary waiver of the requirement to repeat the Default Representation at any time during the Waiver Period to the extent that it relates to such Specified Defaults.

### **Conditions to Disposals of Pubs**

#### *Relevant Condition*

Clause 16.5(c)(ii) of each of the Issuer/Borrower Facility Agreements contains a condition to the disposal of Punch Taverns Mortgaged Property, which requires that the Outlet EBITDA of any Pub (when aggregated with the Outlet EBITDA of all Pubs disposed of by the Borrower since 5 July 2007) proposed to be disposed of does not exceed 25 per cent. of the total Outlet EBITDA for all Pubs forming part of the Estate during such Financial Year in the Financial Year last ended prior to the Proposed Disposal Date.

The Outlet EBITDA of any Pub proposed to be disposed of shall be calculated in respect of the Relevant Period (i.e. four Financial Quarters) ending on the Financial Quarter Date immediately preceding the Proposed Disposal Date of such Pub.

#### *Request for Change to Condition*

To allow for disposals to be made during the Waiver Period without potential breach of its obligations under the Issuer/Borrower Facility Agreements, the Borrower has requested that notwithstanding clause 16.5(b) and clause 16.5(c), the First Issuer/Borrower Facility Agreement and the Second Issuer/Borrower Facility Agreement be amended from and including the date on which the Waiver Letter is countersigned by the Issuer, the Security Trustee and the Agent to and including the Waiver Termination Time to provide that the Security Trustee shall not unreasonably withhold or delay consent to the disposal of any Punch Taverns Mortgaged Property provided that the Outlet EBITDA of the Pub proposed to be disposed of, calculated in respect of the period of eight Financial Quarters ending on the Financial Quarter Date immediately preceding the Proposed Disposal Date and divided by two, when aggregated with the Outlet EBITDA of all Pubs disposed of (with the Outlet EBITDA of each such Pub also calculated in respect of the period of eight Financial Quarters ending on the Financial Quarter Date immediately preceding the date of the disposal of that Pub and divided by two) by the Borrower from the date on which the Waiver Letter is countersigned by the Issuer, the Security Trustee and the Agent, does not exceed £2,500,000.

## Duration of Waiver

The Borrower has requested that the temporary waivers and consents described above (the "**Waivers**") be deemed to take effect from 13 May 2014 following signature of the Existing Waiver and remain in effect until the earlier of the following (the "**Waiver Termination Time**"):

- (i) 7:00 a.m. on 19 November 2014;
  - (ii) 7:00 a.m. on the fourth Business Day following the date on which the Security Trustee (acting in accordance with the provisions of the Relevant Documents) gives written notice to the Borrower that either (i) a Borrower Event of Default, other than any Specified Default, has occurred; or (ii) any Obligor has failed to comply in a material way with its obligations under the Waiver Letter;
  - (iii) if the Issuer does not launch a restructuring on or before 11 August 2014 or within the subsequent 10 Business Day cure period in accordance with paragraph 18 of the Waiver Letter, there will be a further period of 30 clear calendar days, the next Business Day after which the Waiver Period will terminate;
  - (iv) if by 14 October 2014:
    - (A) the Noteholder meetings to approve a launched restructuring have not been held (following any necessary adjournment); or
    - (B) at those meetings such restructuring has not been approved by the requisite majorities of Noteholders of each class; or
    - (C) any other person whose consent is required in order to effect the restructuring has not given such consent,
- the Issuer shall notify that fact to the Borrower, the Agent and the Security Trustee and there will be a 10 Business Day "cure period". If by the end of the cure period any of the conditions in sub-paragraphs (A), (B) and (C) above have not been met, the Waiver Period shall terminate; and
- (v) a proposal is launched that does not have the broad agreement in principle of the key stakeholders at the time of launch and is not accepted by the required majorities of Noteholders, or by any other person whose consent is required in order to effect the proposal, the Waiver Termination Time shall occur at 7 a.m. on the second Business Day following the final meeting of Noteholders (allowing for permitted adjournments) at which the proposal is considered,

such period being the "**Waiver Period**".

After the Waiver Termination Time, if a Debt Service Cover Default would have occurred on any date during the Waiver Period if the Waivers had not been granted, that Debt Service Cover Default will be deemed to have occurred at the Waiver Termination Time.

The Waiver Proposals do not limit or otherwise amend any obligation of the Borrower or any other Obligor under the Issuer/Borrower Facility Agreements or any other Relevant Document, including the obligation to provide financial statements and/or any other information required to be delivered under or pursuant to the Issuer/Borrower Facility Agreements.

## **Borrower Obligations**

The Borrower will provide to the Issuer each fortnight (starting one week after the date that the Waiver Letter is countersigned by the Issuer, the Agent and the Security Trustee):

- (i) details of the disposals of any Punch Taverns Mortgaged Property that have been made by the Borrower during the Waiver Period including: (i) full details of the disposed property; (ii) the disposal price; (iii) the proposed use of the proceeds of those disposals; and (iv) such other information about such disposals as the Issuer may reasonably request; and
- (ii) such other information about the Borrower and the other Obligors as the Issuer may reasonably request.

The Borrower will use reasonable endeavours to meet the following milestones:

- (i) by 21 July 2014, circulation of draft transaction documentation reflecting the Term Sheet to advisers of particular Noteholders (namely the ABI Special Noteholder Committee and the funds managed by the following institutions: Alchemy Partners LLP, Avenue Europe Management LLP, Angelo Gordon Europe LLP, Glenview Capital Management LLP, Luxor Capital Group LP, Oaktree Capital Management (UK) LLP and Warwick Capital Partners LLP), Ambac Assurance UK Limited, Lloyds Bank plc, The Royal Bank of Scotland plc, the Security Trustee, the Note Trustee, and Punch Taverns plc (together, the "**Key Parties**");
- (ii) by 8 August 2014, final form transaction documentation agreed with the Key Parties; and
- (iii) by 11 August 2014, the Issuer to launch the restructuring with the final form transaction documentation described in (ii) above.

The Borrower also acknowledges that the Issuer will host weekly calls, which the various Noteholders' advisers and The Royal Bank of Scotland plc, Ambac and Lloyds Bank plc and their advisers (together, the "**Relevant Parties**") will be invited to attend, to:

- (i) update the Relevant Parties on the restructuring process and negotiations;
- (ii) provide the Relevant Parties with certain information that the Issuer has acquired as a result of the Borrower's obligations above; and
- (iii) provide such other information about the Borrower, the other Obligors, and the Issuer as the Relevant Parties may reasonably request.

Debt service shall continue throughout the Waiver Period, as well as prepayments and repayments required under the Issuer/Borrower Facility Agreements. No other prepayments or unscheduled repayments will be made.

No party will receive or accrue any waiver or consent fees from the Borrower or Issuer in connection with the Waivers.

During the Waiver Period the Borrower shall:

- (i) not make any Permitted Restricted Payments as defined in clause 16.4(b) of the Issuer/Borrower Facility Agreements and not make any payments of the nature referred to in clause 16.4(c) of the Issuer/Borrower Facility Agreements;

- (ii) not make any other payments other than in the ordinary course of trading;
- (iii) not use any cash to acquire any Notes;
- (iv) only make disposals to the extent that they are Permitted Disposals pursuant to clause 16.5 of the Issuer/Borrower Facility Agreements (as that clause is amended by the Waiver Letter as described above in *Conditions to Disposals of Pubs*); and
- (v) not make any Permitted Acquisitions, and not make any other acquisitions other than in the ordinary course of trading.

The Waiver Letter also states that it does not oblige the Borrower, any of the Obligors or the Issuer, or their respective directors, to do (or omit to do) anything which would require any of them to breach any applicable law or regulation or, in the case of the directors, act contrary to any statutory or common law duty or requirement.

## **ISSUER UNDERTAKINGS IN SUPPORT OF BORROWER WAIVER PROPOSALS**

If the Extraordinary Resolutions are passed by the Noteholders and the Waiver Letter is entered into, the Issuer will notify each of the Issuer Secured Creditors of which they are aware, on the date that the Waiver Letter has been entered into and becomes effective for the duration of the Waiver Period.

The Issuer agrees to use reasonable endeavours to meet the following milestones:

- (i) by 21 July 2014, circulation of draft transaction documentation reflecting the Term Sheet to advisers of the Key Parties;
- (ii) by 8 August 2014, final form transaction documentation agreed with the Key Parties; and
- (iii) by 11 August 2014, the Issuer to launch the restructuring with the final form transaction documentation described in (ii) above.

During the Waiver Period the Issuer shall not launch any restructuring unless on substantially similar terms to those contained in the Proposals or unless broad agreement to the terms of an alternative consensual restructuring proposal has been reached with key stakeholders.

The Issuer will host weekly calls, which the Relevant Parties will be invited to attend, to:

- (i) update the Relevant Parties on the restructuring process and negotiations;
- (ii) provide the Relevant Parties with certain information that the Issuer has acquired as a result of the above; and
- (iii) provide such other information about the Borrower, the other Obligors, and the Issuer as the Relevant Parties may reasonably request.

### **Launch formalities**

It is the intention of the Issuer that before the Issuer launches any restructuring proposals, there will already be broad agreement in principle to the terms of such proposals from key stakeholders.

If broad agreement in principle cannot be reached before a proposal has to be launched, the Issuer will only launch such proposal following a resolution of the board of directors of the Issuer, passed by at least two-thirds of the directors of the Issuer, and which board must have a majority of Non-Group Directors. It shall be a material breach of the terms of this waiver for a proposal to be launched without such a resolution of the directors. A "Non-Group Director" means a director of the Issuer who is neither an officer nor an employee of an Excluded Group Entity.



## NOTEHOLDER CONSENT TO BORROWER WAIVER PROPOSALS

The Issuer's rights under the Issuer/Borrower Facility Agreements have been charged in favour of the Security Trustee on behalf of the Issuer Secured Creditors pursuant to the Issuer Deed of Charge. The Issuer has covenanted in favour of the Security Trustee on behalf of the Issuer Secured Creditors, *inter alia*, that it will not, without the prior written consent of the Security Trustee, effect or agree to any amendment to, waiver of, or authorise any material breach of, or release any party under and pursuant to, any Relevant Document to which it is a party (including the Issuer/Borrower Facility Agreements).

Pursuant to the Conditions, the Trust Deed and the Issuer Deed of Charge, none of the Note Trustee or Security Trustee is obliged to consent to any modification, amendment or waiver of the Relevant Documents without the consent of, in the case of the Note Trustee, the Noteholders, and in the case of the Security Trustee, the Issuer Secured Creditors. Accordingly, the Issuer is convening the Meetings of the Noteholders for the purposes of passing Extraordinary Resolutions to:

- (i) approve the grant of the Waivers on the terms and subject to the conditions set out in the Waiver Letter;
- (ii) approve the entry into the Waiver Letter by, among others, the Issuer;
- (iii) authorise and direct the Note Trustee and the Security Trustee to take such steps as may be necessary to authorise and direct the Security Trustee to enter into the Waiver Letter; and
- (iv) exonerate each of the Note Trustee and Security Trustee from any and all liability which each of them may incur resulting from, or in connection with, the grant of the Waivers and the entry into the Waiver Letter.

## CONSEQUENCES OF FAILURE TO APPROVE THE WAIVER PROPOSALS

If the Extraordinary Resolutions are not passed by the requisite majority of the Holders of each Class of Notes, the Waiver Proposals will not be implemented, the Waivers will not be granted and the Waiver Letter will not be entered into.

On 15 April 2014, the Issuer published a compliance report which showed that the Punch A Securitisation had fallen below the default threshold in respect of the DSCR covenant. As such, absent the Existing Waiver which deems the DSCR covenant to be 1.36:1 for all purposes for the period from 28 February 2014, the Punch A Securitisation would currently be in default.

In the absence of an extension, the Existing Waiver will terminate on 4 August 2014 if a restructuring has not been launched on or before 3 July 2014. In this situation, a Borrower Event of Default would occur in the Punch A Securitisation due to a breach of Clause 15.1(a) (*Debt Service Cover Ratio*) of both of the Issuer/Borrower Facility Agreements.

While the potential implications of a Borrower Event of Default cannot be predicted with certainty, any default is likely to have a material negative impact for all stakeholders given the risk of material scale dis-synergies, administrative receivership costs and significant short-term disruption to the business of the Punch A Securitisation together with a negative impact on pub values. These factors would also be expected to have a negative impact on leverage and cash flows within the Punch A Securitisation.

## **RISK FACTORS AND SPECIAL CONSIDERATIONS**

### **Blocking of Notes**

Following the submission of an Instruction, the Notes which are the subject of such Instructions will be blocked from trading by the relevant Clearing System until the earliest of:

- (i) the date upon which a Holder becomes entitled to withdraw, and does withdraw, its Instruction; and
- (ii) the conclusion of the Meeting in relation to the relevant Notes.

Following the expiry of the Revocation Date (as defined herein), a Holder will only be able to withdraw its Instruction in respect of the relevant Extraordinary Resolution in the limited circumstances set out in the section of this Consent Solicitation Memorandum entitled "*Procedures with Respect to the Waiver Proposals*" under the heading "*Termination, Amendment and Variation prior to the Revocation Date*".

### **Responsibility to Consult Advisers**

Holders should consult their own tax, accounting, financial and legal advisers regarding the consequences (tax, accounting or otherwise) of participating in the Waiver Proposals.

### **Responsibility for Complying with the Procedures of the Consent Solicitation Memorandum**

Holders are solely responsible for complying with all of the procedures for submitting Instructions. None of the Issuer, DTCL or Deutsche assumes any responsibility for informing Holders of irregularities with respect to Instructions.

### **Responsibility for Information on the Issuer and the Notes**

Holders are responsible for independently investigating the position of the Issuer and the nature of the Notes and the temporary waivers and temporary amendment proposed to be granted in relation thereto. None of the Issuer, DTCL or Deutsche assumes any responsibility for informing Holders as to the position of the Issuer, and/or the nature of the Notes and the temporary waivers and temporary amendment proposed to be granted in relation thereto in connection with this Consent Solicitation Memorandum.

### **Extraordinary Resolutions Binding**

If an Extraordinary Resolution is passed, the same will be binding on all Holders of the relevant Class of Notes (whether or not they voted in respect of that Extraordinary Resolution) and the Noteholders of such Class shall hold their Notes subject to the relevant Conditions, subject to any waivers or consents granted following the implementation of the relevant Extraordinary Resolution.

### **Issuer Secured Creditor Consent**

Pursuant to the Conditions, the Trust Deed and the Issuer Deed of Charge, none of the Note Trustee or Security Trustee is obliged to consent to any modification, amendment or waiver of the Relevant Documents without the consent of, in the case of the Note Trustee, the Noteholders, and in the case of the Security Trustee, the Issuer Secured Creditors. As a result, even if Noteholders approve each of the Extraordinary Resolutions, the Note Trustee or Security Trustee will not be obliged to consent to the Waiver Proposals being implemented, the Waivers being granted and the Waiver Letter being entered into if the other Issuer Secured Creditors, including the Liquidity Facility Providers and the Hedge Provider, have not given their consent.

## **Rating of the Notes**

The Rating Agencies have not confirmed that the applicable ratings of the Notes will not be downgraded, withdrawn or qualified as a result of the Waiver Proposals.

## **Ambac Voting Rights in respect of Class A2(R) Notes, Class M2(N) and Class B3 Notes**

Pursuant to the Conditions and the Trust Deed, Ambac has the right to vote at meetings of the Noteholders as if it were the holder of 100 per cent. of the then aggregate Principal Amount Outstanding of the Class A2(R) Notes, Class M2(N) Notes and Class B3 Notes to the exclusion of any rights which the Class A2(R) Noteholders, Class M2(N) Noteholders and Class B3 Noteholders would otherwise have to vote or to direct the Note Trustee and/or the Security Trustee. As a result, the Consent Solicitation Memorandum is being sent to Class A2(R) Noteholders, Class M2(N) Noteholders and Class B3 Noteholders for information purposes only.

## EXPECTED TIMETABLE OF EVENTS

The expected timetable of events is set out in the table below<sup>(1)</sup>:

<b>Event</b>	<b>Date</b>	<b>Time (London time)</b>
Issue of Notice of Meetings and this Consent Solicitation Memorandum	26 June 2014	
Revocation date (the " <b>Revocation Date</b> ")	16 July 2014	<i>48 hours prior to the Meeting of the relevant Class of Notes<sup>(2)</sup></i>
Expiration date (the " <b>Expiration Date</b> ")		
Time and date of the Meetings:		
– Meeting of the Class A1(R) Notes	18 July 2014	9:00 a.m. <sup>(3)</sup>
– Meeting of the Class A2(R) Notes	18 July 2014	9:10 a.m. <sup>(3)</sup>
– Meeting of the Class M1 Notes	18 July 2014	9:20 a.m. <sup>(3)</sup>
– Meeting of the Class M2(N) Notes	18 July 2014	9:30 a.m. <sup>(3)</sup>
– Meeting of the Class B1 Notes	18 July 2014	9:40 a.m. <sup>(3)</sup>
– Meeting of the Class B2 Notes	18 July 2014	9:50 a.m. <sup>(3)</sup>
– Meeting of the Class B3 Notes	18 July 2014	10:00 a.m. <sup>(3)</sup>
– Meeting of the Class C(R) Notes	18 July 2014	10:10 a.m. <sup>(3)</sup>
– Meeting of the Class D1 Notes	18 July 2014	10:20 a.m. <sup>(3)</sup>
Result of the Extraordinary Resolutions published	18 July 2014	

Notes to the above table:

- (1) If the meeting is adjourned, the indicative dates set out in the table will change accordingly.
- (2) Instructions to be received by the Tabulation Agent by this time.
- (3) The meeting shall start at the time indicated or, if later, as soon as reasonably practicable following the conclusion of the immediately preceding meeting. If the required quorum for the relevant Meeting is not present at the time indicated then the commencement of the Meeting shall be delayed for a period not exceeding 30 minutes until the required quorum is present, and the start time of the succeeding meeting shall be adjusted accordingly.

**Noteholders are advised to check with any bank, securities broker or other intermediary through which they hold Notes when such intermediary would need to receive Instructions from a Noteholder in order for that Noteholder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their Instruction to participate in, the Meeting by the deadlines specified in this Consent Solicitation Memorandum. The deadlines set by any such intermediary and by Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking Société Anonyme ("Clearstream, Luxembourg" and together with Euroclear, each a "Clearing System") for the submission and withdrawal of Instructions will be earlier than the relevant deadlines specified in this Consent Solicitation Memorandum.**

Noteholders who are not direct accountholders in the relevant Clearing System ("**Direct Participants**") should refer to the provisions set out in the section entitled *Procedures Relating to the Proposal* below.

All references in the table above to times are to London time, unless otherwise stated. Times and dates are indicative only and will depend, among other matters, on timely receipt of Instructions (and non-revocation thereof).

The Issuer reserves the right to extend the Revocation Date (see the section entitled *Procedures Relating to the Proposal – Revocation of Instructions*). The Note Trustee may, but shall not be obliged to, in its sole discretion, agree to the extension of the Expiration Date.

## PROCEDURES RELATING TO THE WAIVER PROPOSALS

### Implementation of the Waiver Proposals

The Waiver Proposals will be implemented only if each of the Extraordinary Resolutions is approved by the relevant Class of Noteholders or, as the case may be, Ambac and also by any other relevant Issuer Secured Creditors, including the Liquidity Facility Providers and the Hedge Provider.

Noteholders are entitled to attend and vote at the relevant Meeting in accordance with the provisions of the Trust Deed by communicating their Instructions to the Tabulation Agent (see the section entitled *Procedures for Giving Instructions* below).

### Ambac Voting Rights in respect of Class A2(R) Notes, Class M2(N) and Class B3 Notes

Class A2(R) Noteholders, Class M2(N) Noteholders and Class B3 Noteholders are reminded that pursuant to the Conditions and the Trust Deed, Ambac has the right to vote at meetings of the Noteholders as if it were the holder of 100 per cent. of the then aggregate Principal Amount Outstanding of the Class A2(R) Notes, Class M2(N) Notes and Class B3 Notes respectively to the exclusion of any voting rights which the Class A2(R) Noteholders, Class M2(N) Noteholders or Class B3 Noteholders would otherwise have to vote or to direct the Note Trustee and/or the Security Trustee.

Ambac shall not be obliged to attend the Meeting of the Class A2(R) Noteholders, Class M2(N) Noteholders or Class B3 Noteholders, but may instead deliver written instructions to the Note Trustee and/or the Security Trustee as to its vote on each of the items in the Notice of Meeting within 10 Business Days of receipt of the Notice of Meeting.

### Procedures for Giving Instructions

- (A) A holder of the Notes (each a "**Holder**") or any beneficial owner of Notes (each a "**Beneficial Owner**") wishing to participate in the Waiver Proposals must submit, or arrange to have submitted on its behalf, at or before the Expiration Time and before the deadlines set by the relevant Clearing System, a duly completed Instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System and in the manner specified herein. Holders and Beneficial Owners (who are not Holders) should check with the bank, securities broker or any other intermediary through which they hold their Notes whether such intermediary will apply different deadlines for participation to those set out in this Consent Solicitation Memorandum and, if so, should follow those deadlines.
- (B) By submitting a duly completed Instruction in respect of the Waiver Proposals prior to the Expiration Time, each Holder or Beneficial Owner thereby agrees that such Instruction in respect of the Waiver Proposals shall form part of a block voting instruction to be issued by the Principal Paying Agent, appointing the Tabulation Agent as its proxy to attend, and to cast the votes corresponding to the Notes which are the subject of the Instruction in accordance therewith at, the relevant Meeting.
- (C) The receipt of such Instruction by the Tabulation Agent (via the Clearing Systems) will be acknowledged in accordance with the standard practices of such Clearing System and will result in the blocking of Notes in the relevant Clearing System so that no transfers may be effected in relation to such Notes. The Tabulation Agent will, as soon as practicable following the Expiration Time, notify the Principal Paying Agent of the Instructions received and the Principal Paying Agent will issue a block voting instruction appointing the Tabulation Agent as its proxy in accordance with paragraph (B) above.

- (D) Holders (who hold Notes either directly or on behalf of Beneficial Owners) and, if applicable, Beneficial Owners, must take the appropriate steps through the relevant Clearing System to ensure that no transfers may be effected in relation to such blocked Notes at any time after such date, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking its Notes in the relevant Clearing System, each Holder (who holds Notes either directly or on behalf of a Beneficial Owner) will be deemed to consent to the relevant Clearing System providing details concerning such Holder's or Beneficial Owner's identity to the Issuer, the Tabulation Agent and their respective advisers.
- (E) There are no guaranteed delivery procedures provided by the Issuer in connection with the Waiver Proposals.
- (F) Only Holders may submit Instructions. If a Beneficial Owner is not a Holder, it must arrange for the Holder through which it holds Notes to submit an Instruction on its behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System and the Expiration Time.
- (G) Beneficial Owners of Notes that are held in the name of a broker, dealer, bank, trust company or other nominee or custodian should contact such entity sufficiently in advance of the Expiration Time if they wish to submit Instructions and procure that the Notes are blocked in accordance with the normal procedures of the relevant Clearing System and the deadlines imposed by such Clearing System.
- (H) Instructions may be revoked by a Holder acting on its own account or on behalf of a Beneficial Owner prior to the Expiration Time on the Revocation Date by submitting an electronic withdrawal instruction to the relevant Clearing System.
- (I) By submitting (or, in the case of any Beneficial Owner, arranging for the submission of) a valid Instruction to the relevant Clearing System in accordance with the standard procedures of the relevant Clearing System, Holders and Beneficial Owners shall be deemed to make the acknowledgements, representations, warranties and undertakings set forth below to the Issuer, DTCL and Deutsche at the Expiration Time and on the date of the relevant Meeting. If the relevant Holder or Beneficial Owner is unable to give such representations, warranties and undertakings, such relevant Holder acting on its own account or on behalf of such Beneficial Owner should contact the Issuer or the Tabulation Agent immediately.

### **Acknowledgements, Representations, Warranties and Undertakings**

Each Holder and any Beneficial Owner acknowledges, represents, warrants and undertakes to the Issuer, DTCL and Deutsche that:

- (A) it has received, reviewed and accepts the terms of, this Consent Solicitation Memorandum;
- (B) it is assuming all the risks inherent in participating in the Waiver Proposals and has undertaken all the appropriate analyses of the implications of the Waiver Proposals without reliance on the Issuer, DTCL or Deutsche;
- (C) it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any vote in respect of the Waiver Proposals, in any jurisdiction and that it has not taken or omitted to take any action in breach of the representations or which will or may result in the Issuer or any other person acting in breach of



the legal or regulatory requirements of any such jurisdiction in connection with any votes in respect of the Waiver Proposals;

- (D) it has full power and authority to vote at the relevant Meeting;
- (E) any Instruction is made on the terms and conditions set out in this Consent Solicitation Memorandum;
- (F) any Instruction is being submitted in compliance with the applicable laws or regulations of the jurisdiction in which the Noteholder is located or in which it is resident and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with each such Instruction;
- (G) it agrees to ratify and confirm each and every act or thing that may be done or effected by the Issuer any of its directors or any person nominated by the Issuer in the proper exercise of his or her powers and/or authority hereunder;
- (H) it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the Issuer, DTCL or Deutsche to be desirable, in each case to perfect any of the authorities expressed to be given hereunder;
- (I) it will, upon request, execute and deliver any additional documents and/or do such other things deemed by the Issuer, DTCL or Deutsche to be necessary or desirable to give its consents to the Waiver Proposals or to evidence such power and authority;
- (J) it acknowledges that none of Ambac, DTCL or Deutsche or any of their respective affiliates, directors or employees has made any recommendation as to whether to vote in respect of the applicable Extraordinary Resolutions and it represents that it has made its own decision with regard to voting in respect of the applicable Extraordinary Resolutions, as the case may be, based on any legal, tax or financial advice that it has deemed necessary to seek;
- (K) it acknowledges that all authority conferred or agreed to be conferred pursuant to these acknowledgements, representations, warranties and undertakings and every obligation of the Noteholder offering to vote in respect of the relevant Extraordinary Resolutions shall to the extent permitted by applicable law be binding upon the successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives of the Holder or Beneficial Owner voting in respect of the relevant Extraordinary Resolutions and shall not be affected by, and shall survive, the death or incapacity of that Holder or Beneficial Owner voting in respect of the relevant Extraordinary Resolution, as the case may be;
- (L) it is not a person from whom it is unlawful to seek approval of the Waiver Proposals;
- (M) it has had access to such financial and other information concerning the relevant Invitation, and has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers, as it deems necessary or appropriate in order to make an informed decision with respect to the Waiver Proposals;
- (N) it is not relying on any communication (written or oral) made by any party involved in the Waiver Proposals or any such party's affiliates as constituting a recommendation to participate in the Waiver Proposals, and is able to bear the economic risks of participating in the Waiver Proposals; and

- (O) in the case of each Beneficial Owner, it will submit only one Instruction for its entire holding of a Class of Notes.

### **Revocation of Instructions**

Instructions may be revoked in the manner set out below at any time prior to the Expiration Time on the Revocation Date. Under the expected timetable, the Revocation Date will be 16 July 2014 and the Expiration Time will be 48 hours prior to the relevant meeting (see the section of the Consent Solicitation Memorandum entitled *Expected Timetable of Events* above).

To be effective, any notice of revocation (i) must be in a format customarily used by the relevant Clearing System, (ii) must indicate the relevant Instruction to be revoked and (iii) must be communicated to the Tabulation Agent through the relevant Clearing System and received by the Tabulation Agent prior to the Expiration Time on the Revocation Date in the same manner as the original Instruction.

Noteholders who are not Direct Participants must arrange either directly or through their broker, dealer bank, trust company, custodian or other nominee to contact the accountholder in the relevant Clearing System through which they hold the Notes to communicate notice of such revocation to the Tabulation Agent through the relevant Clearing System, which must be received by the Tabulation Agent prior to the Expiration Time on the Revocation Date. Such Noteholders should give such directions to their broker, dealer bank, trust company, custodian or other nominee sufficiently in advance to ensure receipt by the relevant Clearing System of any such notice of revocation prior to the Expiration Time on the Revocation Date, in the same manner as the original Instruction.

In the event of a valid revocation of an Instruction, the Tabulation Agent so far as practicable shall take such steps to rescind the blocking of the account in which the relevant Notes are held in accordance with the procedures of the relevant Clearing System. None of the Issuer, the Tabulation Agent, the Note Trustee or any other person will be under any duty to give notification of any defects or irregularities with respect to any revocations of Instructions nor shall any of them incur any liability for failure to give such notification.

Once revoked, subject to time limits, new Instructions may be given by a Noteholder in accordance with the procedures set out above.

### **Termination, Amendment and Variation prior to the Revocation Date**

At any time prior to the Expiration Time on the Revocation Date, the Issuer may, subject to applicable law and to the extent permitted by the Trust Deed:

- (i) withdraw, terminate or amend the terms of the Waiver Proposals; and
- (ii) amend or vary the procedures relating to the Waiver Proposals (including any changes to all relevant time limits and/or deadlines relating to Instructions), as set out in this Consent Solicitation Memorandum.

Any such withdrawal, termination, amendment, modification or variation will be followed as promptly as practicable by an announcement thereof through the relevant Clearing System and on Bloomberg (or such other electronic news service as may be approved by the Note Trustee).

Save as described above, the Issuer will not make any modifications, amendments or variations to the Waiver Proposals prior to the Meetings.

## **Responsibility for Delivery of Instructions**

- (A) None of the Issuer, DTCL or Deutsche will be responsible for the communication of Instructions by:
  - (i) Beneficial Owners to the Holders through which they hold Notes;
  - (ii) Holders to the relevant Clearing System; or
  - (iii) the Clearing Systems.
- (B) If a Beneficial Owner holds its Notes through another Holder, such Beneficial Owner should contact that Holder to discuss the manner in which transmission of the Instruction may be made on its behalf.
- (C) In the event that the Holder through which a Beneficial Owner holds its Notes is unable to submit an Instruction on its behalf, such Beneficial Owner should contact the Tabulation Agent for assistance.
- (D) Holders and Beneficial Owners are solely responsible for arranging the timely delivery of their Instructions.
- (E) If a Beneficial Owner submits Instructions in respect of its Notes through another Holder, such Beneficial Owner should consult with that Holder as to whether it will charge any service fees in connection with the participation in the Waiver Proposals.

## **Irregularities**

All questions as to the validity, form and eligibility (including the time of receipt) of any Instruction or revocation or revision thereof or delivery of Instructions will be determined by the Issuer in its sole discretion, which determination will be final and binding. The Issuer reserves the absolute right to reject any and all Instructions not in a form which is, in the opinion of the Issuer, lawful. The Issuer also reserves the absolute right to waive defects in Instructions with regard to any Notes. None of the Issuer, DTCL or Deutsche shall be under any duty to give notice to Holders or Beneficial Owners of any irregularities in Instructions; nor shall any of them incur any liability for failure to give notification of any material amendments to the terms and conditions of the Waiver Proposals.

## **Governing Law and Jurisdiction**

The terms of the Waiver Proposals, including without limitation each Instruction and any non-contractual obligations arising out of or in connection with the Waiver Proposals shall be governed by and construed in accordance with English law. By submitting an Instruction, a Noteholder (and, if applicable any beneficial owner of the Notes who holds such Notes through another Noteholder) irrevocably and unconditionally agrees for the benefit of the Issuer, DTCL and Deutsche that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Waiver Proposals or any of the documents referred to above or any non-contractual obligations arising out of or in connection with the Waiver Proposals or such documents and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

## **Miscellaneous**

Noteholders who need assistance with respect to the procedures for participating in the Waiver Proposals should contact the Tabulation Agent, the contact details for who appear on the back cover of this Consent Solicitation Memorandum.

## **TAXATION**

In view of the number of different jurisdictions in which tax laws may apply to a Noteholder, this Consent Solicitation Memorandum does not discuss the tax consequences to Noteholders of the Waiver Proposals. Each Noteholder is urged to consult its own professional advisers regarding any possible tax consequences under the laws of the jurisdictions that apply to it. Each Noteholder is liable for its own taxes and has no recourse to the Issuer, any member of the Punch Group, DTCL or Deutsche with respect to taxes arising in connection with the Waiver Proposals.

## APPENDIX A – FORM OF NOTICE OF MEETINGS

THIS NOTICE DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER FOR SALE, EXCHANGE OR SUBSCRIPTION OF, OR A SOLICITATION OF ANY OFFER TO BUY EXCHANGE OR SUBSCRIBE FOR, ANY SECURITIES OF THE ISSUER OR ANY OTHER ENTITY

### NOTICE OF MEETINGS

to each of the holders (the "Holders") of the

**£270,000,000 7.274 per cent. Class A1(R) Secured Notes due 2022 (ISIN: XS0085529757)**  
(the "Class A1(R) Notes")

**£300,000,000 6.820 per cent. Class A2(R) Secured Notes due 2020 (ISIN: XS0179610125)**  
(the "Class A2(R) Notes", and together with the Class A1(R) Notes, the "Class A Notes")

**£200,000,000 5.883 per cent. Class M1 Secured Notes due 2026 (ISIN: XS0179610471)**  
(the "Class M1 Notes")

**£400,000,000 Class M2(N) Secured Floating Rate Notes due 2029 (ISIN: XS0308299998)**  
(the "Class M2(N) Notes", and together with the Class M1 Notes, the "Class M Notes")

**£140,000,000 7.567 per cent. Class B1 Secured Notes due 2026 (ISIN: XS0085481371)**  
(the "Class B1 Notes")

**£150,000,000 8.374 per cent. Class B2 Secured Notes due 2029 (ISIN: XS0179610638)**  
(the "Class B2 Notes")

**£175,000,000 Class B3 Secured Floating Rate Notes due 2031 (ISIN: XS0308300671)**  
(the "Class B3 Notes", and together with the Class B1 Notes and the Class B2 Notes, the "Class B Notes")

**£215,000,000 6.468 per cent. Class C(R) Secured Notes due 2033 (ISIN: XS0179610711)**  
(the "Class C(R) Notes" or the "Class C Notes")

**£125,000,000 Class D1 Secured Floating Rate Notes due 2032 (ISIN: XS0308301489)**  
(the "Class D1 Notes" or the "Class D Notes", and together with the Class A Notes, the Class B Notes and the Class C Notes, the "Notes")

issued by

### **PUNCH TAVERNS FINANCE PLC**

*(incorporated with limited liability in England and Wales, under the Companies Act 2006, with registered number 03487780)*

(the "Issuer")

**NOTICE IS HEREBY GIVEN** that, pursuant to the provisions of the trust deed 26 March 1998 made between the Issuer and Deutsche Bank International Trust Co. (Jersey) Limited as trustee for the Holders for the time being of the Notes (as amended and restated on 27 October 2000, as further supplemented, amended and restated on 3 November 2003 and 5 July 2007) (the "**Trust Deed**") constituting the Notes and the terms and conditions of the Notes, separate meetings (each a "**Meeting**") of the Holders of each class of Notes are convened by the Issuer for the purpose of considering and, if thought fit, passing the extraordinary resolution set out below which be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "**Extraordinary Resolution**").

Further information concerning the Extraordinary Resolution, and the Waiver Proposals to which it relates, is contained in a consent solicitation memorandum to Holders dated 26 June 2014 (the "**Consent Solicitation Memorandum**"). Unless the context otherwise requires, capitalised terms used in this notice, and not otherwise defined herein, shall bear the meanings given to them in the Consent Solicitation Memorandum.

The Meetings will be held on 18 July 2014 at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, at the following times:

- the Meeting of the Class A1(R) Notes will be held at 9.00 a.m. (London time);
- the Meeting of the Class A2(R) Notes will be held at 9:10 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class A1 Notes);
- the Meeting of the Class M1 Notes will be held at 9:20 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class A2 Notes);
- the Meeting of the Class M2 Notes will be held at 9:30 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class M1 Notes);
- the Meeting of the Class B1 Notes will be held at 9:40 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class M2 Notes);
- the Meeting of the Class B2 Notes will be held at 9:50 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class B1 Notes);
- the Meeting of the Class B3 Notes will be held at 10:00 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class B2 Notes);
- the Meeting of the Class C(R) Notes will be held at 10:10 a.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class B3 Notes); and
- the Meeting of the Class D1 Notes will be held at 10:20 p.m. (London time) (or as soon as practicable thereafter following the conclusion of the Meeting of the holders of the Class C Notes).

If a quorum is not present within 30 minutes from the commencement of a Meeting, that meeting will be adjourned until such date, not less than 14 days nor more than 42 days later, as the chairman of the meeting decides. A notice reconvening the adjourned meeting will be given.

The Issuer will arrange for one or more reminder notices to be issued to Holders in advance of the Meetings.

The text of the Extraordinary Resolution applicable to each of the above Class of Notes is as follows:

**"THAT Holders by Extraordinary Resolution HEREBY:**

1. sanction and approve:
  - (A) the Waiver Proposals as more particularly described in the Consent Solicitation Memorandum;
  - (B) the grant of the Waivers on the terms and subject to the conditions set out in the Waiver Letter; and
  - (C) the entry into the Waiver Letter by the Issuer and the Security Trustee;
2. authorise, request and empower the Note Trustee:
  - (A) to concur in, consent to and execute all other documents, deeds and instruments, and to undertake all acts and things and to take all steps or actions which it considers, in its sole discretion, to be necessary, desirable or expedient to carry out and give effect to matters described in paragraph 1 of this Extraordinary Resolution; and
  - (B) to direct the Security Trustee to concur in, consent to, execute, approve and/or assent to the matters described in paragraph (A) above;
3. authorise, request and empower the Security Trustee:
  - (A) to enter into the Waiver Letter, together with any further document contemplated by, ancillary to, or which the Security Trustee may consider, in its sole discretion, to be necessary or desirable in connection with the Waiver Letter or otherwise contemplated by, ancillary to, or which the Security Trustee may consider, in its sole discretion, to be necessary or desirable to give effect to the matters described in paragraph 1 of this Extraordinary Resolution;
  - (B) to concur in, consent to and execute all other documents, deeds and instruments, and to undertake all acts and things and to take all steps or actions which the Security Trustee may consider, in its sole discretion, to be necessary, desirable or expedient to carry out and give effect to matters described in paragraph 1 of this Extraordinary Resolution; and
  - (C) to concur in and consent to any amendments to the Waiver Letter which the Security Trustee may consider, in its sole discretion, to be necessary, desirable or expedient to carry out and give effect to the matters described in paragraph 1 of this Extraordinary Resolution;
4. discharge, exonerate and hold harmless each of the Note Trustee and the Security Trustee from all liability for which any of them have become or might become liable under the Trust Deed, the Issuer Deed of Charge, the Punch Taverns Deeds of Charge, the Parent Guarantor Deed of Charge and the New Parent Guarantor Deed of Charge, any other Relevant Document or the Notes to which this Meeting relates, in respect of any act or omission including, without limitation, in connection with the furtherance of this Extraordinary Resolution or its implementation, the modifications referred to in this Extraordinary Resolution or the implementation of those modifications; and
5. agree and acknowledge that capitalised terms and expressions used in this Extraordinary Resolution but not otherwise defined herein shall have the meanings given to them in the Consent Solicitation Memorandum."

**The Issuer has convened the Meetings for the purpose of enabling Holders to consider the proposals set out in the Consent Solicitation Memorandum and, if they think fit, to pass the Extraordinary Resolution set out above in relation to the class of the Notes of which they are a holder.**

### **Documents Available for Inspection**

From the date falling three Business Days from the date of the Consent Solicitation Memorandum, Holders may, at any time during normal business hours on any weekday (Saturdays, Sundays and bank and other public holidays excepted) prior to the Meetings, obtain hard copies of this Consent Solicitation Memorandum at the specified office of the Note Trustee set out below and at the registered office of the Issuer being Jubilee House, Second Avenue, Burton-upon-Trent, Staffordshire, DE14 2WF.

### **General**

Approval of the Waiver Proposals is conditional upon holders of each Class of Notes in respect of which the Meetings have been called voting in favour of the Extraordinary Resolution. Accordingly, the Waiver Proposals will not be implemented unless the Extraordinary Resolution is approved in respect of each Class of Notes and are consented to by any other relevant Issuer Secured Creditors, including the Liquidity Facility Providers and the Hedge Provider.

The attention of the Holders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in the "*Voting and Quorum*" section below. Having regard to such requirements, Holders are strongly urged either to attend the Meeting or take steps to be represented at the Meeting, as referred to below, as soon as possible.

Holders of the Class A2(R) Notes, Class M2(N) Notes and Class B3 Notes are reminded that pursuant to the Conditions and the Trust Deed, Ambac has the right to vote at meetings of the Noteholders as if it were the holder of 100 per cent. of the then aggregate Principal Amount Outstanding of the Class A2(R) Notes, Class M2(N) Notes and Class B3 Notes to the exclusion of any voting rights which the Class A2(R) Noteholders, Class M2(N) Noteholders and Class B3 Noteholders would otherwise have.

Ambac shall not be obliged to attend the Meeting of the Class A2(R) Noteholders, Class M2(N) Noteholders and Class B3 Noteholders, but may instead deliver written instructions to the Note Trustee and/or the Security Trustee as to its vote on each of the items in the notice of meeting within 10 Business Days of receipt of notice of such meeting.

**In accordance with normal practice, none of the Note Trustee and the Security Trustee has been involved in the formulation of the Waiver Proposals outlined in the Consent Solicitation Memorandum and none of the Note Trustee and the Security Trustee expresses any opinion on the merits of the Waiver Proposals or the Extraordinary Resolution but on the basis of the information contained in the Consent Solicitation Memorandum have authorised it to be stated that they have no objection to the Extraordinary Resolution being submitted to Holders for their consideration. Holders should take their own independent advice on the merits and on the consequences of voting in favour of the Extraordinary Resolution, including any tax consequences. None of the Note Trustee and the Security Trustee is responsible for the accuracy, completeness, validity or correctness of the statements made in the Consent Solicitation Memorandum or omissions therefrom.**



## Voting and Quorum

1. **Noteholder Attendance:** A Noteholder wishing to attend and vote at the Meeting in person must produce at such Meeting his or her Notes in definitive form or a valid voting certificate(s) issued by the Tabulation Agent relating to such Note(s) in respect of which he or she wishes to vote.
2. **Appointment of Proxies:** A Noteholder not wishing to attend and vote at the Meeting in person may deliver his or her Notes(s) or voting certificate(s) to the person whom he or she wishes to attend on his or her behalf or give a block voting instruction (the form of which is issued by the Tabulation Agent) instructing the Principal Paying Agent to appoint a proxy to attend and vote at such Meeting in accordance with his instructions.
3. **Voting Certificates and Block Voting Instructions:** The Holder of Notes may obtain a voting certificate (as defined in the Trust Deed) from the Principal Paying Agent or require the Principal Paying Agent to issue a block voting instruction (as defined in the Trust Deed) by depositing such Notes with the Principal Paying Agent or arranging for such Notes to be held to its order or under its control or blocked by a depository, not less than 48 hours before the time fixed for the Meeting and shall be valid for so long as the relevant Notes continue to be so deposited, held or blocked. Notes so deposited or held will not be released:
  - (A) in the case of Notes in respect of which a voting certificate has been issued, until the earlier of (i) the conclusion of the Meeting or, if applicable, any adjourned such Meeting; and (ii) the surrender of such voting certificate to the Tabulation Agent; or
  - (B) in the case of Notes in respect of which a block voting instruction has been issued, until the earlier of (i) the conclusion of the Meeting or, if applicable, any adjourned such Meeting; and (ii) the surrender to the Principal Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by the Principal Paying Agent to the Issuer.
4. **Quorum Requirements:** The quorum at the Meeting shall be:
  - (A) in respect of Class A1(R) Notes and Class B1 Notes, at least two or more Holders present in person holding Notes of the relevant Class and/or persons present in person holding voting certificates and/or being proxies and being or representing in the aggregate not less than 75 per cent. in Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding; and
  - (B) in respect of all other Classes of Notes, at least one or more Holders present in person holding Notes of the relevant Class and/or persons present in person holding voting certificates and/or being proxies and being or representing in the aggregate not less than 75 per cent. in Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding.
5. **Adjournment for Want of Quorum:** If within half an hour after the time fixed for the Meeting a quorum is not present, then, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as may be appointed by the chairman of such Meeting.

At the relevant adjourned meeting, the quorum shall be two or more Holders present in person holding Notes of the relevant Class and/or persons present in person holding voting certificates and/or being

proxies and being or representing in the aggregate not less than 25 per cent. in Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding.

6. **Voting by Show of Hands:** Every question submitted to the Meeting shall be decided in the first instance by a show of hands. In the case of equality of votes the chairman shall, both on a show of hands and on a poll, have a casting vote in addition to any other vote or votes to which the chairman is entitled. Unless a poll is validly demanded before or at the time that the result is declared, the chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, such resolution.
7. **Voting by Poll:** A demand for a poll shall be valid if it is made by the chairman, the Issuer, or one or more Holders present in person holding Notes of the relevant Class and/or persons present in person holding voting certificates and/or being proxies and being or representing in aggregate not less than two per cent. of the Principal Amount Outstanding of the Notes of the relevant Class then outstanding. The poll may be taken immediately or after such adjournment as the chairman directs, but any poll demanded on the election of the chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business.
8. **Number of Votes:** At the Meeting:
  - (A) on a show of hands, every Holder (being an individual) who is present in person and produces a Note of the relevant Class or voting certificate or is a proxy shall have one vote; and
  - (B) on a poll, every person who is so present shall have one vote in respect of each £1 in principal amount of the Principal Amount Outstanding of Notes of the relevant Class so produced or represented by the voting certificate so produced or in respect of which that person is a proxy.
9. **Voting Majority Requirement:** To be passed at the Meeting, the Extraordinary Resolution requires a majority of not less than three-fourths of the votes cast, whether on a show of hands or a poll. If passed, each Extraordinary Resolution will be binding on all Holders of the relevant Class whether present or not present at such Meeting and whether or not voting and upon all Holders irrespective of its effect upon such Holders of such Class.
10. **Notices:** Notice of the result of the vote on the Extraordinary Resolution will be published in accordance with the Conditions within 14 days of such result being known.
11. This notice is given by the Issuer, whose registered office is Jubilee House, Second Avenue, Burton-upon-Trent, Staffordshire, DE14 2WF.
12. This notice, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, English law.

**For assistance with respect to the procedures for participating or to request a copy of the Consent Solicitation Memorandum, contact:**

**The Tabulation Agent with respect to the Notes is as follows:**

*Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB*

Email: [Xchange.offer@db.com](mailto:Xchange.offer@db.com)  
Telephone: +44 207 547 5000

**The Principal Paying Agent with respect to the Notes is as follows:**

*Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB*

**PUNCH TAVERNS FINANCE PLC**

26 June 2014

## APPENDIX B – FORM OF BORROWER WAIVER LETTER

To: (1) Punch Taverns Finance plc in its capacity as Issuer under the Facility Agreements (as defined below) (the "**Issuer**");

(2) Deutsche Bank AG, London Branch in its capacity as Agent Bank under the Facility Agreements (the "**Agent**"); and

(3) Deutsche Trustee Company Limited in its capacity as Security Trustee under the Facility Agreements (the "**Security Trustee**").

For the attention of:

[Date]

Dear Sirs

**(1) First PTF Issuer/Borrower Facility Agreement dated 26 March 1998 as amended and restated on 27 October 2000 and as further amended and restated on 3 November 2003 and on 5 July 2007 between Punch Taverns (PTL) Limited (as Borrower), Punch Taverns (VPR) Limited and others (as Guarantors), Punch Taverns Finance Plc (as Issuer), Deutsche Bank AG, London Branch (as Agent Bank), Deutsche Trustee Company Limited (as Security Trustee) (the "First Facility Agreement"); and**

**(2) Second PTF Issuer/Borrower Facility Agreement dated 3 November 2003 as amended and restated on 5 July 2007 between Punch Taverns (PTL) Limited (as Borrower), Punch Taverns (VPR) Limited and others (as Guarantors), Punch Taverns Finance Plc (as Issuer), Deutsche Bank AG, London Branch (as Agent Bank), Deutsche Trustee Company Limited (as Security Trustee) (the "Second Facility Agreement"),**

**(together the "Facility Agreements").**

We refer to the Facility Agreements. Unless otherwise indicated, terms defined in the Amended and Restated Master Definitions and Construction Schedule dated 5 July 2007 will have the same meaning when used in this letter, and:

**"Specified Default"** means a Debt Service Cover Default and/or a Negotiation Default, both as defined in paragraph 6 below.

**"Waiver Period"** means the period from and including 13 May 2014 following the signature of the Existing Waiver (as defined below) and ending on but excluding the Waiver Termination Time.

**"Waiver Termination Time"** means the earlier of:

(A) 7:00 a.m. on 19 November 2014;

- (B) 7:00 a.m. on the fourth Business Day following the date on which the Security Trustee (acting in accordance with the provisions of the Relevant Documents) gives written notice to the Borrower that either (i) a Borrower Event of Default, other than any Specified Default, has occurred; or (ii) any Obligor has failed to comply in a material way with its obligations under this letter; and
- (C) the time set out in paragraphs 18, 19, or 27 below, as applicable.

This letter is addressed to you in your respective capacities as Issuer, Agent Bank and Security Trustee in respect of the Facility Agreements.

### **Background**

1. Punch Taverns plc, the Issuer and various groups of Issuer Secured Creditors have been negotiating the potential terms of a restructuring of the capital structure of the Punch securitisations for some time.
2. Under a waiver letter entered into between the Borrower, the Issuer, the Agent and the Security Trustee (with the consent of, and acting on the instructions of, the Issuer Secured Creditors) on 13 May 2014 (the "**Existing Waiver**"), the Borrower obtained a temporary waiver of certain provisions of the Facility Agreements (including, inter alia, its debt service cover ratio covenants). It is a condition of the Existing Waiver that a restructuring is launched on or before 30 June 2014. If a restructuring is not launched by 30 June 2014 then a 3 Business Day grace period will apply, following which the Existing Waiver will terminate on the first Business Day following a period of 30 calendar days thereafter.
3. The Borrower and the Issuer have agreed outline terms for the restructuring of the Punch A securitisation with a number of senior and junior creditors (the "**Proposals**"). Detailed terms of the Proposals are set out in the term sheet attached to this letter as an Appendix (the "**Term Sheet**"). The terms of the Term Sheet are subject to definitive long-form documentation.
4. Due to the complexity of the Proposals, the Borrower does not believe it is feasible to launch a restructuring prior to 30 June 2014, as required by the Existing Waiver. In the absence of an extension, the Existing Waiver will terminate on 4 August 2014 if a restructuring has not been launched on or before 3 July 2014.
5. Termination of the Existing Waiver will result in the occurrence of a Borrower Event of Default due to a breach of Clause 15.1(a) (*Debt Service Cover Ratio*) of both Facility Agreements. To ensure that there is adequate time for final negotiations and to agree the transaction documentation for a consensual restructuring the Borrower and the Obligors wish to request an extension of the Existing Waiver on the terms and subject to the conditions set out in this letter.

### **Request for waivers**

6. As Borrower and in our capacity as agent of each of the Obligors pursuant to clause 23.12 of each of the Facility Agreements, we therefore request that, pursuant to clauses

23.2 and 23.8 of the Facility Agreements, the Issuer, the Agent and the Security Trustee, by countersigning this letter, consent to an extension of the existing temporary waivers of each and every Potential Borrower Event of Default and Borrower Event of Default which may occur pursuant to:

- (A) clauses 17.1(b) and/or 17.5 of the First Facility Agreement or the Second Facility Agreement as a result of a breach of clause 15.1(a) (*Debt Service Cover Ratio*) of the First Facility Agreement or the Second Facility Agreement (as applicable) (a "**Debt Service Cover Default**"); and
  - (B) clauses 17.1(c) and/or 17.6 of the First Facility Agreement or the Second Facility Agreement (as applicable) as a result of any Obligor commencing negotiations with, or making a proposal to, the Issuer, Security Trustee, or any of the Issuer Secured Creditors in their role as creditors of the Issuer, with a view to a readjustment or rescheduling of its indebtedness (a "**Negotiation Default**").
7. The temporary waivers set out in paragraphs 6(A) and 6(B) above will automatically cease to have effect at the Waiver Termination Time. The Borrower acknowledges that the waivers contained in this waiver letter represent a temporary suspension of the Issuer's and Security Trustee's rights under the Facility Agreements in relation to the Specified Defaults only.
  8. The Borrower also acknowledges that the Issuer and Security Trustee reserve their rights to take any action available to them at any time after the Waiver Termination Time, in connection with any Borrower Event of Default or Potential Borrower Event of Default that is a Specified Default that may have occurred during the Waiver Period.
  9. For the avoidance of doubt, paragraph 6(B) is not intended to (and shall not operate to) waive any Potential Borrower Event of Default or Borrower Event of Default which arises as a result of the occurrence of any other event or the existence of any other circumstance which is referred to in clause 17.1(c) of the First Facility Agreement or the Second Facility Agreement (as applicable), whether or not such event occurs or circumstance exists as a direct or indirect result of the Negotiation Default.
  10. We also request that each of the Issuer, the Agent and the Security Trustee agree that the Borrower shall not, until after the Waiver Termination Time, be required, pursuant to clause 13.3 of the First Facility Agreement or the Second Facility Agreement (as applicable), to repeat the representation and warranty set out in clause 13.1(g) of the Facility Agreements that no Borrower Event of Default has occurred and is subsisting in relation to a Specified Default.
  11. We request that each of the Issuer, the Agent and the Security Trustee agree that the DSCR on any Financial Quarter Date that occurs between 28 February 2014 and the Waiver Termination Time shall be deemed to be 1.36:1 for all purposes under the Facility Agreements with the exception of Clause 16.12(b) of both the First Facility Agreement and the Second Facility Agreement. After the Waiver Termination Time, the DSCR for any Financial Quarter Date that occurs on or after 28 February 2014 shall no longer be deemed to be 1.36:1 but instead will be the ratio set out in the Financial Ratio

Compliance Certificate provided to the Security Trustee in accordance with Clause 14.1(c)(ii) of the Facility Agreements.

12. For the avoidance of doubt, after the Waiver Termination Time, if a Debt Service Cover Default would have occurred on any date during the Waiver Period if the temporary waiver in paragraph 6(A) had not been granted, that Debt Service Cover Default will be deemed to have occurred at the Waiver Termination Time.
13. Nothing in this letter shall limit or otherwise amend any obligation of the Borrower or any other Obligor under the Facility Agreements or any other Relevant Document, including without limitation the obligation to provide financial statements and/or any other information required to be delivered under or pursuant to clauses 14 and 15 of the Facility Agreements.

#### **Request for amendment**

14. We also request that, notwithstanding clause 16.5(b) and clause 16.5(c), the First Facility Agreement and the Second Facility Agreement be amended from and including the date on which this letter is countersigned by the Issuer, the Security Trustee and the Agent to and including the Waiver Termination Time to provide that the Security Trustee shall not unreasonably withhold or delay consent to the disposal of any Punch Taverns Mortgaged Property provided that the Outlet EBITDA of the Pub proposed to be disposed of, calculated in respect of the period of eight Financial Quarters ending on the Financial Quarter Date immediately preceding the Proposed Disposal Date and divided by two, when aggregated with the Outlet EBITDA of all Pubs disposed of (with the Outlet EBITDA of each such Pub also calculated in respect of the period of eight Financial Quarters ending on the Financial Quarter Date immediately preceding the date of the disposal of that Pub and divided by two) by the Borrower from the date on which this letter is countersigned by the Issuer, the Security Trustee and the Agent, does not exceed £2,500,000.

#### **Borrower and Issuer undertakings**

15. The Issuer agrees on the date that this letter is countersigned by the Issuer, the Agent and the Security Trustee to notify each of the Issuer Secured Creditors of which it is aware, that this letter has been entered into and is effective for the duration of the Waiver Period.
16. In consideration for the temporary waivers set out in paragraphs 6(A) and 6(B) above and the temporary amendment set out in paragraph 14 above, the Borrower agrees to provide to the Issuer each fortnight (starting one week after the signing of this letter):
  - (A) details of the disposals of any Punch Taverns Mortgaged Property that have been made by the Borrower during the Waiver Period including without limitation: (i) full details of the disposed property; (ii) the disposal price; (iii) the proposed use of the proceeds of those disposals; and (iv) such other information about such disposals as the Issuer may reasonably request; and

- (B) such other information about the Borrower and the other Obligors as the Issuer may reasonably request.
17. The Borrower and the Issuer agree to use reasonable endeavours to meet the following milestones:
- (A) by 21 July 2014, circulation of draft transaction documentation reflecting the Term Sheet to advisers of particular Noteholders (namely the ABI Special Noteholder Committee and to the funds managed by the following institutions: Alchemy Partners LLP, Avenue Europe Management LLP, Angelo Gordon Europe LLP, Glenview Capital Management LLP, Luxor Capital Group LP, Oaktree Capital Management (UK) LLP and Warwick Capital Partners LLP), Ambac Assurance UK Limited, Lloyds Bank plc, The Royal Bank of Scotland plc, the Security Trustee, the Note Trustee, and Punch Taverns plc (together, the "**Key Parties**");
- (B) by 8 August 2014, final form transaction documentation agreed with the Key Parties; and
- (C) by 11 August 2014, the Issuer to launch the restructuring with the final form transaction documentation described in paragraph 17(B) above.
18. The Borrower and the Issuer agree that if the Issuer has not launched a restructuring on or before 11 August 2014, the Issuer shall notify that fact to the Borrower, the Agent and the Security Trustee and there will be a 10 Business Day "cure period". If by the end of the cure period the Issuer has not launched the restructuring, there will be a further period of 30 clear calendar days, the next business day after which the Waiver Period will terminate. For the avoidance of doubt, after the end of the 10 Business Day cure period there shall be no ability to cure, and the Waiver Period shall terminate in accordance with this paragraph.
19. The Borrower and the Issuer agree that if by 14 October 2014:
- (A) the Noteholder meetings to approve a launched restructuring have not been held (following any necessary adjournment); or
- (B) at those meetings such restructuring has not been approved by the requisite majorities of Noteholders of each class; or
- (C) any other person whose consent is required in order to effect the restructuring has not given such consent,
- the Issuer shall notify that fact to the Borrower, the Agent and the Security Trustee and there will be a 10 Business Day "cure period". If by the end of the cure period any of the conditions in sub-paragraphs (A), (B) and (C) above have not been met, the Waiver Period shall terminate in accordance with this paragraph.
20. The Borrower also acknowledges that the Issuer will host weekly calls, which the various Noteholders' advisors and The Royal Bank of Scotland plc, Ambac Assurance



UK Limited and Lloyds Bank plc and their advisors (together, the "**Relevant Parties**") will be invited to attend, to:

- (A) update the Relevant Parties on the restructuring process and negotiations;
  - (B) provide the Relevant Parties with certain information that the Issuer has acquired as a result of paragraph 16 above; and
  - (C) provide such other information about the Borrower, the other Obligors and the Issuer as the Relevant Parties may reasonably request.
21. For the avoidance of doubt, any information provided pursuant to paragraph 20 will be provided to the Relevant Parties only. Neither the Borrower nor the Issuer shall be required to announce publicly any information provided by Relevant Parties to Noteholders.
22. Debt service shall continue throughout the Waiver Period, as well as prepayments and repayments required under the Facility Agreements. No other prepayments or unscheduled repayments will be made.
23. No party will receive or accrue any waiver or consent fees from the Borrower or Issuer in connection with this waiver request.
24. During the Waiver Period the Borrower shall:
- (A) not make any Permitted Restricted Payments as defined in clause 16.4(b) of the Facility Agreements and not make any payments of the nature referred to in clause 16.4(c) of the Facility Agreements;
  - (B) not make any other payments other than in the ordinary course of trading;
  - (C) not use any cash to acquire any Notes;
  - (D) only make disposals to the extent that they are Permitted Disposals pursuant to clause 16.5 of the Facility Agreements (as amended by paragraph 14 above); and
  - (E) not make any Permitted Acquisitions, and not make any other acquisitions other than in the ordinary course of trading.

#### **Launch formalities**

25. It is the intention of the Issuer that before the Issuer launches any restructuring proposals, there will already be broad agreement in principle to the terms of such proposals from key stakeholders.
26. If broad agreement in principle cannot be reached before a proposal has to be launched, the Issuer will only launch such proposal following a resolution of the board of directors of the Issuer, passed by at least two thirds of the directors of the Issuer, and

which board must have a majority of Non Group Directors. It shall be a material breach of the terms of this waiver for a proposal to be launched without such a resolution of the directors. A “**Non Group Director**” means a director of the Issuer who is neither an officer nor an employee of an Excluded Group Entity.

27. If a proposal is launched in accordance with paragraph 26 above, and the proposal is not accepted by the required majorities of Noteholders, and by any other person whose consent is required in order to effect the proposal, the Waiver Termination Time shall occur at 7.a.m. on the second Business Day following the final meeting of Noteholders (allowing for permitted adjournments) at which the proposal is considered.

#### **Miscellaneous**

28. Nothing in this letter shall oblige the Borrower, any of the Obligors or the Issuer, or their respective directors, to do (or omit to do) anything which would require any of them to breach any applicable law or regulation or, in the case of the directors, act contrary to any statutory or common law duty or requirement.
29. The Borrower confirms that there are currently no Borrower Events of Default or Potential Borrower Events of Default pursuant to the Facility Agreements other than in relation to the Specified Defaults.
30. Save as expressly provided in this letter, the Facility Agreements (and each other Relevant Document) shall remain in full force and effect in accordance with their terms and nothing in this letter other than those matters set out expressly herein shall operate as any waiver or amendment of the Facility Agreements (or any other Relevant Document).
31. In accordance with the Facility Agreements, each of the Issuer, the Borrower and the Security Trustee designate this letter a Relevant Document.
32. Where there is any inconsistency between the terms of this letter and the Facility Agreements, this letter will apply.
33. A person who is not a party to this letter and who is not an Issuer Secured Creditor has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the provisions of this letter.
34. This letter, and any dispute or claim arising out of or in connection with it or its subject matter, shall be governed by and construed in accordance with English law.
35. This letter may be signed in separate counterparts all of which will, when read together, constitute one and the same document.

Yours faithfully

**Punch Partnerships (PTL) Limited** (on behalf of itself and as agent for each of the Obligors pursuant to clause 23.12 of each of the Facility Agreements)

**Acknowledged and agreed:**

Signed: .....

By: .....

For: Punch Taverns Finance plc in its capacity as Issuer under the Facility Agreements

Date: .....

Signed: .....

By: .....

For: Deutsche Bank AG, London Branch in its capacity as Agent Bank under the Facility Agreements

Date: .....

Signed: .....

By: .....

For: Deutsche Trustee Company Limited in its capacity as Security Trustee under the Facility Agreements

Date: .....

**APPENDIX**

**PUNCH A TERM SHEET**

25 June 2014

**SUBJECT TO CONTRACT**

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**TERM SHEET  
RELATING TO THE**

**£270,000,000 7.274 per cent. Class A1(R) Notes due 2022  
(ISIN: XS0085529757)**

**£300,000,000 6.820 per cent. Class A2(R) Notes due 2020  
(ISIN: XS0179610125)**

**£200,000,000 5.883 per cent. Class M1 Notes due 2026  
(ISIN: XS0179610471)**

**£400,000,000 Class M2(N) floating rate Notes due 2029  
(ISIN: XS0308299998)**

**£140,000,000 7.567 per cent. Class B1 Notes due 2026  
(ISIN: XS0085481371)**

**£150,000,000 8.374 per cent. Class B2 Notes due 2029  
(ISIN: XS0179610638)**

**£175,000,000 Class B3 floating rate Notes due 2031  
(ISIN: XS0308300671)**

**£215,000,000 6.468 per cent. Class C(R) Notes due 2033  
(ISIN: XS0179610711)**

**£125,000,000 Class D1 floating rate Notes due 2032  
(ISIN: XS0308301489)**

**(together the “Notes”)**

**ISSUED BY PUNCH TAVERNS FINANCE PLC**

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*Please note that the terms set out in this term sheet are indicative only and do not form part of any offer to sell or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the restructuring proposals set out herein or otherwise, nor shall it (or the fact of its distribution) form the basis of, or be relied on in connection with, any contract therefor or be considered a recommendation that any investor should subscribe for or purchase or invest in any securities.*

*The securities referred to herein (including those proposed to be issued pursuant to the restructuring proposals set out herein) have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the “Securities Act”) or under any U.S. state securities laws and may not be offered or sold within the United States unless any such securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and any applicable state laws is available.*

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## **SCHEDULES**

SCHEDULE 1 – SCHEDULED REDEMPTION

SCHEDULE 2 – EBITDA INTEREST COVER RATIO

SCHEDULE 3 – LEVERAGE RATIOS



## TERM SHEET RELATING TO THE PROPOSED RESTRUCTURING OF THE PUNCH A SECURITISATION

### 1. INTRODUCTION

#### 1.1 Background

- (a) This term sheet relates to a possible restructuring of the whole business securitisation of Punch Taverns Holdings Limited and its subsidiaries (the “**Punch A Securitisation**”). A separate term sheet relates to a possible restructuring of the whole business securitisation of Punch Taverns (PMH) Limited and its subsidiaries (the “**Punch B Securitisation**”).
- (b) Punch Taverns plc (“**Punch**”) and its subsidiaries from time to time (including without limitation Punch Taverns Finance plc (the “**Issuer**” or the “**Punch A Issuer**”) and Punch Taverns Finance B Limited (the “**Punch B Issuer**” and, together with the Punch A Issuer, the “**Issuers**”) (together, the “**Punch Group**”) have raised cash by issuing listed notes under two securitisations, the repayment obligations relating to which are secured over various assets of the Punch Group. Under the Punch A Securitisation, a series of fixed and floating rate notes issued by Punch Taverns Finance plc with an aggregate principal value of £1,408,366,000 were outstanding as at 26 June 2014, whose maturity dates range from 2020 to 2033. Under the Punch B Securitisation a series of fixed and floating rate notes issued by Punch Taverns Finance B Limited with an aggregate principal value of £853,429,000 were outstanding as at 26 June 2014, whose maturity dates range from 2022 to 2035.
- (c) Under the terms of the Punch A Securitisation and the Punch B Securitisation (together, the “**Punch Securitisations**”), amounts outstanding in respect of the notes issued by the Issuers in each of the Punch Securitisations have been loaned by the relevant Issuer to the pub-owning companies in each Punch Securitisation pursuant to facility agreements (the “**Issuer/Borrower Facility Agreements**”), under which the obligations of the Obligors are secured by way of fixed and floating charges over all of the assets and undertakings in the companies within each of the Punch Securitisations. As at 26 June 2014, 2,231 Pubs (as defined below) were within the Punch A Securitisation and 1,575 Pubs were within the Punch B Securitisation.
- (d) The indebtedness owing in respect of the Punch Securitisations is required to be repaid in accordance with agreed amortisation schedules up to, and including, the final maturity of the respective notes.
- (e) The interest payable on the floating rate notes has been hedged to fixed rates. The contractual documentation governing the Punch Securitisations includes provisions that set out the payments to be made under the relevant Issuer/Borrower Facility Agreement and under the relevant notes on each interest payment date using available cash at the relevant time, including without limitation in respect of the cash available to the relevant Notes pursuant to the liquidity facilities.
- (f) Under the terms of the contractual documentation governing the Punch Securitisations, the operating companies in each of the Punch Securitisations are subject to certain financial and other covenants that restrict their business and operations and, indirectly, those of the Punch Group.
- (g) The proposed restructuring of the Punch A Securitisation, including the exchange, re-designation and extinguishment of Notes, the amendments to Relevant Documents, the execution of Amendment Documents and the other steps and arrangements described or referred to in this term sheet are referred to as the “**Proposed Transaction**”.
- (h) The settlement date (the “**Fifth Closing Date**”) in respect of the Proposed Transaction is expected to be on or around 14 October 2014.
- (i) The Proposed Transaction does not involve any changes to the corporate structure of the Punch A Securitisation other than the introduction of a new holding company (“**New Holdco 1**”) for Punch Taverns Holdings Limited (“**PTH**”), a second new holding company (“**New**

**Holdco 2**”), as the holding company for New Holdco 1, and a reorganisation of existing subordinated debt. PTH will remain the holding company of the Punch A Securitisation, New Holdco 1 will become the holding company of PTH, and New Holdco 2 will become the holding company of New Holdco 1.

## 1.2 Overview of the proposed exchange, re-designation and extinguishment of Notes

- (a) The Class A1(R) Notes and the Class A2(R) Notes are referred to herein as the “**Existing Senior Notes**”. The Class M1 Notes, the Class M2(N) Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C(R) Notes and the Class D1 Notes are referred to herein as the “**Existing Junior Notes**” and, together with the Existing Senior Notes, the “**Existing Notes**”.
- (b) It is proposed that holders of the existing Class A1(R) Notes and Class A2(R) Notes will, by way of Extraordinary Resolution, consent to and direct the Note Trustee to effect the extinguishment in full of 25 per cent. of the principal amount of the Existing Senior Notes outstanding in consideration for the issue by the Issuer to holders of such Existing Senior Notes of the applicable New Notes Entitlement (the “**Exchanged Senior Notes**”) (the “**Senior Note Exchange**”).
- (c) It is proposed that holders of the existing Class A1(R) Notes and Class A2(R) Notes will, by way of Extraordinary Resolution, consent to and direct the Note Trustee to agree to amend the Relevant Documents to give effect to the redesignation of the remaining 75 per cent. of the principal amount outstanding of Existing Senior Notes (the “**Redesignated Senior Notes**”) as Class A1(F) Notes and Class A2(F) Notes respectively (the “**Senior Note Redesignation**”).
- (d) It is proposed that holders of the existing Class M1(N) Notes, Class M2(N) Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C(R) Notes and Class D1 Notes (the “**Exchanged Junior Notes**” and, together with the Exchanged Senior Notes, the “**Exchanged Notes**”) will, by way of Extraordinary Resolution, consent to and direct the Note Trustee to effect the extinguishment in full of the Exchanged Junior Notes in consideration for a combination (described in further detail below) of: (i) the payment by the Issuer to all holders of such Exchanged Junior Notes of the applicable Cash Entitlement (as specified herein); (ii) the issue by the Issuer to certain holders of such Exchanged Junior Notes of the applicable New Notes Entitlement (as specified herein) (the “**Junior Note Exchange**” and, together with the Senior Notes Exchange, the “**Note Exchange**”); and/or (iii) the receipt by certain holders of such Exchanged Junior Notes of the applicable New Shares Entitlement (as specified herein) (the “**Junior Note Share Exchange**”) (in each case as more fully described in this Term Sheet).
- (e) The applicable “**New Notes Entitlement**” with respect to each class of Exchanged Notes is as specified in Parts 2.1 (*Amendments to the Existing Senior Notes*) and 2.2 (*Amendments to the Existing Junior Notes*) below. The applicable “**Cash Entitlement**” and the applicable “**New Shares Entitlement**” with respect to each class of Exchanged Junior Notes is as specified in Part 2.2 (*Amendments to the Existing Junior Notes*) below.

## 1.3 Structure of the Term Sheet

- (a) A summary of the proposed amendments to the commercial terms of the Punch A Securitisation, including the proposed changes to the covenants in respect of the Punch A Securitisation, is set out below. However, this term sheet does not purport to be exhaustive and is subject to definitive documentation.
- (b) The remainder of this term sheet is set out as follows:
  - (i) Part 2 (*Summary of the Proposed Transaction*) below provides a summary of the key aspects of the proposed terms of the restructuring of the Punch A Securitisation.

- (ii) Part 3 (*Key Characteristics of the Notes*) summarises the key characteristics of the Notes that will remain outstanding following implementation of the Proposed Transaction.
- (iii) Part 4 (*Overview of the proposed modifications to the Principal Documents*) below provides further details regarding the proposed modifications to the contractual documentation governing the Punch A Securitisation, including the Terms and Conditions of the Notes set out in the Trust Deed (the “**Conditions**”).
- (iv) Part 5 (*Additional Terms*) below summarises certain additional terms of the Proposed Transaction.
- (v) Part 6 (*Conditions Precedent to the Implementation of the Proposed Transaction*) below summarises the conditions that must be met in order for the proposed restructuring of the Punch A Securitisation to occur.

## 2. SUMMARY OF THE PROPOSED TRANSACTION

### 2.1 Amendments to the Existing Senior Notes

#### *Repayment, Exchange and Redesignation of Class A1(R) Notes and Class A2(R) Notes*

- Summary:**
- 25 per cent. of the existing Class A1(R) Notes will be extinguished in full in consideration for the issue by the Issuer of an equivalent principal amount (subject to rounding for Stubs and Fractional Entitlements) of Class A1(V) Notes.
  - 25 per cent. of existing Class A2(R) Notes will be extinguished in full in consideration for the issue by the Issuer of an equivalent principal amount (subject to rounding for Stubs and Fractional Entitlements) of Class A2(V) Notes (together with the Class A1(V) Notes, the “**Class A Variable Notes**”).
  - The Conditions of the remaining 75 per cent. (subject to rounding for Stubs and Fractional Entitlements) of Class A1(R) Notes will be amended to reflect revised commercial terms and the Class A1(R) Notes will be re-designated as Class A1(F) Notes.
  - The Conditions of the remaining 75 per cent. (subject to rounding for Stubs and Fractional Entitlements) of Class A2(R) Notes will be amended to reflect revised commercial terms and the Class A2(R) Notes will be re-designated as Class A2(F) Notes (together with the Class A1(F) Notes, the “**Class A Fixed Notes**”).
- Entitlement to New Class A Variable Notes:**
- Holders of Class A1(R) and Class A2(R) Notes will be entitled to the following principal amount (subject to rounding for Stubs and Fractional Entitlements) of new Class A1(V) Notes and new Class A2(V) Notes per £10,000 in principal amount of outstanding Class A1(R) Notes and Class A2(R) Notes respectively:
    - Class A1(V) Notes: £2,500
    - Class A2(V) Notes: £2,500
- Please refer to the restrictions set out in Part 5.3 (*Treatment of Stubs and Fractional Entitlements*) below.
- Redesignation of remaining Class A1(R) and Class A2(R) Notes:**
- The principal amount outstanding of the 75 per cent. (subject to rounding for Stubs and Fractional Entitlements) of the Class A1(R) Notes remaining following the issue of the Class A1(V) Notes will be redesignated as Class A1(F) Notes.
  - The principal amount outstanding of the 75 per cent. (subject to rounding for Stubs and Fractional Entitlements) of the Class A2(R) Notes remaining following the issue of the Class A2(V) Notes will be redesignated as Class A2(F) Notes.
- Accrued interest entitlement:**
- Interest accrued on the existing Class A1(R) Notes and the existing Class A2(R) Notes prior to the Fifth Closing Date will be paid in cash on the Fifth Closing Date. If the Fifth Closing Date occurs after 15 October 2014, it shall nonetheless be deemed to have occurred on

15 October 2014 for the purposes of calculating entitlements to accrued interest and guarantee fees.

- If, on the Interest Payment Date falling on 15 October 2014, the restructuring has been approved but the Fifth Closing Date has not occurred, no scheduled payments of principal shall be made on the Class A Notes or the Class M Notes. If the restructuring is not subsequently implemented prior to the expiry of the covenant waivers obtained by the Borrower, the entitlement of Class A Noteholders and Class M Noteholders to the principal payments otherwise due on the Interest Payment Date falling on 15 October 2014 shall be reinstated and shall be due and payable.

***Redesignated Class A1(F) Notes and Class A2(F) Notes***

**Aggregate Nominal Amount:**

- Class A1(F) Notes: £202,500,000
- Class A2(F) Notes: £137,366,250

The precise issuance amount on Fifth Closing Date to be adjusted to reflect roundings of holdings as part of exchange process - see Parts 5.3 (*Treatment of Stubs and Fractional Entitlements*) and 5.4 (*Calculation of Entitlements for Eligible Holders*) below.

**Maturity:**

- Class A1(F) Notes: [October 2026]
- Class A2(F) Notes: [October 2025]

New Notes may be issued to refinance any class of the Class A Notes (in whole but not in part) at maturity, provided that: (i) such New Notes will have the same rank as the class of Notes being refinanced; (ii) the aggregate principal amount of such New Notes does not exceed the aggregate outstanding principal amount of the class of Notes being refinanced; (iii) the total annual debt service costs to be paid by the Punch A Securitisation following the issuance of such New Notes is no higher than the pre-issuance annual debt service costs (excluding the costs of issuance of the New Notes); (iv) such New Notes are subject to the same conditions as the class of Notes being refinanced (save in respect of maturity and coupon) or are otherwise not on materially worse terms from the perspective of a Liquidity Facility Provider, a Super Senior Hedge Noteholder, a Hedge Provider, a Class A Noteholder, a Class M3 Noteholder and a Class B4 Noteholder than the terms of the class of Notes being refinanced; and (v) the issuance of such New Notes will not result in any “ratings negative event” (i.e., a downgrade of the Liquidity Facility, the Super Senior Hedge Note, the Class A Notes or the Class M3 Notes or the placement of the Super Senior Hedge Note, the Class A Notes or the Class M3 Notes on credit watch with negative outlook).

The transaction documents shall provide for any amendments necessary as a result of the issuance of such New Notes to be permitted, and will ensure such necessary amendments shall be made without the need for the exercise of discretion by the Security Trustee or the consent of any other party (save to the extent that they are a signatory to the document to be amended).

For the avoidance of doubt, such New Notes or any other indebtedness arising from or in connection with or incurred for the purposes of a refinancing of the Class A Notes would not be covered by the Liquidity

Facility Agreement, unless agreed by the Liquidity Facility Providers.

<b>Up-front Cash Payment:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Cash Coupon:</b>	<ul style="list-style-type: none"> <li>• Class A1(F) Notes: 7.274 per cent. per annum</li> <li>• Class A2(F) Notes: 7.32 per cent. per annum (including an amount equal to the current Ambac financial guarantee fee of 0.5 per cent. per annum)</li> </ul>
<b>PIK Coupon:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Scheduled Redemption:</b>	<ul style="list-style-type: none"> <li>• Fixed contractual amortisation profile calculated to target a free cash flow debt service cover ratio (“<b>DSCR</b>”) of 1.3x in financial years 2015, 2016 and 2017, and a DSCR of 1.2 thereafter, all as set out in Part 1 (<i>Class A1(F) Note Scheduled Redemption</i>) and Part 2 (<i>Class A2(F) Note Scheduled Redemption</i>) of Schedule 1 (<i>Scheduled Redemption</i>) hereto</li> </ul>
<b>Mandatory Redemption:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Optional Redemption:</b>	<ul style="list-style-type: none"> <li>• At the option of the Issuer at the Optional Redemption Amount</li> <li>• Optional redemption may only be applied to the Class A Fixed Notes after the Super Senior Hedge Note and the Class A Variable Notes have been paid in full.</li> </ul>
<b>Optional Redemption for tax, etc.:</b>	<ul style="list-style-type: none"> <li>• Tax call: the Principal Amount Outstanding plus accrued interest</li> </ul>
<b>Expected WAL:</b>	<ul style="list-style-type: none"> <li>• Class A1(F) Notes: 8.1 years</li> <li>• Class A2(F) Notes: 6.9 years</li> </ul>
<b>Listing:</b>	<ul style="list-style-type: none"> <li>• Unchanged - Luxembourg Stock Exchange</li> </ul>
<b>Rating:</b>	<ul style="list-style-type: none"> <li>• Each of the Class A Fixed Notes will be rated by each of Fitch<sup>1</sup>, Moody’s and Standard &amp; Poor’s.</li> </ul>
<b>Liquidity Facility Coverage:</b>	<ul style="list-style-type: none"> <li>• Yes – 18 months’ peak interest and scheduled principal (excluding the final payment at maturity) – see Part 2.5 (<i>Liquidity Facility</i>) below</li> </ul>
<b>Security:</b>	<ul style="list-style-type: none"> <li>• Security over all of the Issuer’s assets and undertakings, all first-ranking, including a first-ranking fixed charge granted by New Holdco 1 over the entire issued share capital of PTH (the “<b>PTH Shares</b>”) securing the obligations of both the Issuer and the Borrower/Obligors.</li> </ul>
<b>Covenants:</b>	<ul style="list-style-type: none"> <li>• Unchanged, save as described in Parts 2.7 (<i>Financial Covenants</i>) and 2.8 (<i>Operational Covenants</i>) below</li> </ul>

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<sup>1</sup> Fitch rating will be a new issue rating and will be obtained on or about the Fifth Closing Date without a RES/RAS.

- The Issuer may not incur any new indebtedness except as specified elsewhere in this Term Sheet.

***New Class A1(V) Notes and Class A2(V) Notes***

**Aggregate Nominal Amount:**

- Class A1(V) Notes: £67,500,000
- Class A2(V) Notes: £45,788,750

The precise issuance amount on Fifth Closing Date to be adjusted to reflect roundings of holdings as part of exchange process – see Parts 5.3 (*Treatment of Stubs and Fractional Entitlements*) and 5.4 (*Calculation of Entitlements for Eligible Holders*) below.

**Maturity:**

- Class A1(V) Notes: [October 2026]
- Class A2(V) Notes: [October 2025]

New Notes may be issued to refinance any class of the Class A Notes (in whole but not in part) at maturity, provided that: (i) such New Notes will have the same rank as the class of Notes being refinanced; (ii) the aggregate principal amount of such New Notes does not exceed the aggregate outstanding principal amount of the class of Notes being refinanced; (iii) the total annual debt service costs to be paid by the Punch A Securitisation following the issuance of such New Notes is no higher than the pre-issuance annual debt service costs (excluding the costs of issuance of the New Notes); (iv) such New Notes are subject to the same conditions as the class of Notes being refinanced (save in respect of maturity and coupon) or are otherwise not on materially worse terms from the perspective of a Liquidity Facility Provider, a Super Senior Hedge Noteholder, a Hedge Provider, a Class A Noteholder, a Class M3 Noteholder and a Class B4 Noteholder than the terms of the class of Notes being refinanced; and (v) the issuance of such New Notes will not result in any “ratings negative event” (i.e., a downgrade of the Liquidity Facility, the Super Senior Hedge Note, the Class A Notes or the Class M3 Notes or the placement of the Super Senior Hedge Note, the Class A Notes or the Class M3 Notes on credit watch with negative outlook).

The transaction documents shall provide for any amendments necessary as a result of the issuance of such New Notes to be permitted, and will ensure such necessary amendments shall be made without the need for the exercise of discretion by the Security Trustee or the consent of any other party (save to the extent that they are a signatory to the document to be amended).

For the avoidance of doubt, such New Notes or any other indebtedness arising from or in connection with or incurred for the purposes of a refinancing of the Class A Notes would not be covered by the Liquidity Facility Agreement, unless agreed by the Liquidity Facility Providers.

**Up-front Cash Payment:**

- None

**Cash Coupon:**

- Class A1(V) Notes: 7.274 per cent. per annum
- Class A2(V) Notes: 7.32 per cent. per annum (including an amount equal to the current Ambac financial guarantee fee of 0.5 per cent. per annum)

- PIK Coupon:**
- None
- Scheduled Redemption:**
- None
- Mandatory Redemption:**
- On each Interest Payment Date, all Excess Cash (as defined below) generated during the prior financial quarter will be applied in part toward mandatory repayment of the Super Senior Hedge Note and in part for deposit into a new segregated account (the “**Debt Service Reserve Account**”) and a new segregated account (the “**Excess Cash Account**”) as follows:
    - from (and including) financial year 2015 to (and including) financial year 2017, until a cumulative aggregate total of £20,000,000 has been deposited into the Debt Service Reserve Account (without any obligation to top up such account from any source whatsoever) (A) Excess Cash up to a maximum cumulative limit of £12,500,000 in any one financial year shall be deposited in the Debt Service Reserve Account, and (B) the remaining Excess Cash shall be applied in repayment of the Super Senior Hedge Note until repaid in full; and
    - once a cumulative aggregate total of, in the case of the 12 month period commencing on the Fifth Closing Date, £12,500,000 of Excess Cash has been deposited into the Debt Service Reserve Account, or, in the case of the period commencing 12 months after the Fifth Closing Date until the end of financial year 2017, £20,000,000 has been deposited into the Debt Service Reserve Account, and in any event from (and including) financial year 2018 onwards, 100 per cent. of Excess Cash shall be applied in repayment of the Super Senior Hedge Note until repaid in full, and thereafter shall be deposited into the Excess Cash Account.
  - Funds standing to the credit of the Debt Service Reserve Account shall be applied on any Interest Payment Date to meet any shortfall in funds available to pay debt service on the Super Senior Hedge Note and the Class A Notes.
  - Any amounts standing to the credit of the Debt Service Reserve Account for which the Borrower has taken credit on a testing date for the purposes of complying with the Free Cash Flow Debt Service Ratio Covenant (as set out in *Testing Period* in Part 2.7 (*Financial Covenants*) below), but which are not withdrawn to meet debt service on the next Interest Payment Date shall, on such Interest Payment Date, be deposited in the Excess Cash Account.
  - Following repayment in full of the Super Senior Hedge Note and the Class A Notes, all amounts on deposit in the Debt Service Reserve Account will be transferred to the Excess Cash Account and the Debt Service Reserve Account will be closed.
  - The Borrower Security Trustee shall have sole signing rights over the Debt Service Reserve Account and the Excess Cash Account.
  - Following repayment in full of the Super Senior Hedge Note, amounts on deposit in the Excess Cash Account shall be applied toward: (i) the mandatory repayment of the Class A Variable Notes until paid in full at the Mandatory Redemption Amount; and/or (if the Borrower so elects) (ii) repurchases of Class A Variable Notes in the market at their then fair market value (being no more than the



relevant Redemption Amount) in accordance with the Issuer/Borrower Facility Agreement.

- Following repayment in full of the Super Senior Hedge Note and the Class A Variable Notes, all Excess Cash will be held in the Excess Cash Account for application, at the option of the Issuer or the Borrower (as the case may be), (in the priorities set out in the next bullet point) toward: (i) the scheduled redemption of the Class A Fixed Notes; (ii) the optional redemption of Notes at the relevant Redemption Amount; and/or (iii) the optional repurchases of Notes in the market at their then fair market value (being no more than the relevant Redemption Amount) in accordance with the Issuer/Borrower Facility Agreement (as defined below).
- Following repayment in full of the Super Senior Hedge Note and the Class A Variable Notes, funds from time to time on deposit in the Excess Cash Account may only be applied in the following order of priority:
  - *first*, in respect of the redemption of the Class A Fixed Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);
  - *second*, in respect of the redemption of the Class M3 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount); and
  - *third*, in respect of the redemption of the Class B4 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount).
- Any Notes acquired by way of market purchase shall be immediately surrendered to the Issuer for cancellation and cancelled.
- “**Redemption Amount**” means, as applicable, the Optional Redemption Amount or Mandatory Redemption Amount.
- “**Optional Redemption Amount**” means the amount calculated in accordance with the Optional Redemption Condition and, in the case of the Class A Notes, shall include modified spens (reference gilt plus 1 per cent.).
- “**Mandatory Redemption Amount**” means the amount calculated in accordance with the Mandatory Redemption Condition and shall be made at the Amortisation Amount specified therein, and in the case of the Class A Variable Notes, shall include modified spens (reference gilt plus 1 per cent.).
- “**Excess Cash**” is defined as the balance standing to the credit of the Collection Account less (i) the balance of the Operating Account, (ii) £15,000,000 and (iii) amounts payable under the Borrower Priority of Payments waterfall on the next Interest Payment Date (other than any surplus amounts and, for the avoidance of doubt, any amounts

payable as a result of the cash sweep mechanism).

- “**Core Disposal Proceeds**” is defined as all proceeds of disposals of Core Pubs net of the costs of such disposals.
  - “**Core Pubs**” is defined as those pubs listed in a schedule to be agreed as at 26 June 2014.
- “**Non-Core Disposal Proceeds**” is defined as all proceeds of disposals of Non-Core Pubs net of the costs of such disposals.
  - “**Non-Core Pubs**” is defined as those pubs listed in a schedule to be agreed as at 26 June 2014 (the Core Pubs and Non-Core Pubs being together the “**Pubs**”, and each a “**Pub**”).
  - Pubs may be swapped between the Core and Non-Core estate as set out in Part 2.8 (*Operational Covenants*) below.
- All Core Disposal Proceeds shall be deposited in the Disposal Proceeds Account and shall be applied as set out in Part 2.8 (*Operational Covenants*) below.
- All Non-Core Disposal Proceeds shall be deposited in the Collection Account.
- All mandatory redemptions shall reduce scheduled redemptions in reverse order, with the last such scheduled redemption being reduced first, etc.

**Optional Redemption:**

- At the option of the Issuer, at the Optional Redemption Amount
- Optional redemptions (except as otherwise specified herein using the proceeds of the issuance of New Notes) may only occur following repayment in full of the Super Senior Hedge Note and must occur in the following order of priority:
  - *first*, in respect of the redemption of the Class A Variable Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);
  - *second*, in respect of the redemption of the Class A Fixed Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);
  - *third*, in respect of the redemption of the Class M3 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount); and
  - *fourth*, in respect of the redemption of the Class B4 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount).
- All optional redemptions shall reduce scheduled redemptions in reverse order, with the last such scheduled redemption being reduced

first, etc.

- Optional Redemption for tax, etc.:**
- Tax call: the Principal Amount Outstanding plus accrued interest
- Expected WAL:**
- Class A1(V) Notes: 8.9 years
  - Class A2(V) Notes: 8.7 years
- Listing:**
- Main Market of the Irish Stock Exchange
- Rating:**
- Each of the Class A Variable Notes will be rated by each of Fitch<sup>2</sup>, Moody's and Standard & Poor's.
- Liquidity Facility Coverage:**
- Yes – 18 months' peak interest – see Part 2.5 (*Liquidity Facility*) below
- Security:**
- Security over all of the Issuer's assets and undertakings, all first-ranking, and a first-ranking fixed charge granted by New Holdco 1 over the PTH Shares securing the obligations of both the Issuer and the Borrower/Obligors.
- Covenants:**
- Unchanged, save as described in Parts 2.7 (*Financial Covenants*) and 2.8 (*Operational Covenants*) below
  - The Issuer may not incur any new indebtedness except as specified elsewhere in this Term Sheet.
- Subordination:**
- The Class A Variable Notes will in the circumstances specified in the Issuer Priorities of Payment be subordinated in right of repayment to the Class A Fixed Notes.
- Further Information:**
- For further information please see Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below

## 2.2 Amendments to the Existing Junior Notes

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### *Redemption and Exchange of the Existing Junior Notes*

- Extinguishment:**
- The Existing Junior Notes will be extinguished in full in consideration for a combination of cash, new Class M3 Notes, new Class B4 Notes and new Punch Shares in an aggregate amount equal to the product of the relevant percentage and the Principal Amount Outstanding of the Existing Junior Notes, as specified below.

Class of Notes	Cash	Class M3 Note	Class B4 Note	New Punch Share	Percentage of Principal
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<sup>2</sup> Fitch rating will be a new issue rating and will be obtained on or about the Fifth Closing Date without a RES/RAS.

	<b>Entitlement</b>	<b>Entitlement</b>	<b>Entitlement</b>	<b>Entitlement</b>	<b>Amount Outstanding</b>
<b>(as a percentage of the consideration payable for the exchange)</b>					
Class M1 Notes:	22.4 per cent.	45.1 per cent.	12.0 per cent.	20.5 per cent.	100 per cent.
Class M2(N) Notes:	40.6 per cent.	45.1 per cent.	14.3 per cent.	-	90 per cent.
Class B1 Notes:	22.4 per cent.	45.1 per cent.	12.0 per cent.	20.5 per cent.	62.5 per cent.
Class B2 Notes:	22.4 per cent.	45.1 per cent.	12.0 per cent.	20.5 per cent.	62.5 per cent.
Class B3 Notes:	40.6 per cent.	45.1 per cent.	14.3 per cent.	-	57.5 per cent.
Class C(R) Notes:	22.4 per cent.	45.1 per cent.	12.0 per cent.	20.5 per cent.	25.0 per cent.
Class D1 Notes:	40.6 per cent.	45.1 per cent.	14.3 per cent.	-	12.0 per cent.

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- For further information please see Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.
  - The new Punch Shares will be issued fully paid.
  - Entitlement to the new Class M3 Notes, the new Class B4 Notes and the new Punch Shares will be subject to rounding for Stubs and Fractional Entitlements. Please refer to the restrictions set out in Part 5.3 (*Treatment of Stubs and Fractional Entitlements*) below.

**Accrued interest entitlement:**

- Interest accrued on the Existing Junior Notes prior to the Fifth Closing Date will be paid in cash on the Fifth Closing Date. If the Fifth Closing Date occurs after 15 October 2014, it shall nonetheless be deemed to have occurred on 15 October 2014 for the purposes of calculating entitlements to accrued interest and guarantee fees.
- If, on the Interest Payment Date falling on 15 October 2014, the restructuring has been approved but the Fifth Closing Date has not occurred, no scheduled payments of principal shall be made on the Class A Notes or the Class M Notes. If the restructuring is not subsequently implemented prior to the expiry of the covenant waivers obtained by the Borrower, the entitlement of Class A Noteholders and Class M Noteholders to the principal payments otherwise due on the Interest Payment Date falling on 15 October 2014 shall be reinstated and shall be due and payable.

***New Class M3 Notes***

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<b>Aggregate Nominal Amount:</b>	<ul style="list-style-type: none"> <li>• £300,000,000</li> <li>• The precise issuance amount on Fifth Closing Date will be adjusted to reflect roundings of holdings as part of exchange process - see Parts 5.3 (<i>Treatment of Stubs and Fractional Entitlements</i>) and 5.4 (<i>Calculation of Entitlements for Eligible Holders</i>) below</li> </ul>
<b>Maturity:</b>	<ul style="list-style-type: none"> <li>• [October 2027]</li> </ul>
<b>Cash Coupon:</b>	<ul style="list-style-type: none"> <li>• LIBOR + 5.50 per cent. per annum</li> </ul>
<b>PIK Coupon:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Scheduled Redemption:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Mandatory Redemption:</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Optional Redemption:</b>	<ul style="list-style-type: none"> <li>• Non-call period of two years from the Fifth Closing Date</li> <li>• Following the non-call period, optional redemptions of the Class M3 Notes may occur at par plus accrued interest only (i.e. without spens): <ul style="list-style-type: none"> <li>○ (in whole or in part) once the Super Senior Hedge Note, the Class A Variable Notes and the Class A Fixed Notes have been repaid in full; or</li> <li>○ (in whole or in part) with the proceeds of an equity contribution and/or Fully Subordinated Debt (as defined below); or</li> <li>○ (in whole or in part) with the proceeds of New Notes issued by the Issuer, provided that: (a) the aggregate principal amount of the New Notes issued does not exceed the aggregate principal amount of the Class M3 Notes being refinanced; (b) such New Notes will have the same rank as or rank junior to the Class M3 Notes for so long as the Class M3 Notes are outstanding; (c) no cash from any Punch A Securitisation group company can be used for repayment of principal in respect of such an optional redemption until the Super Senior Hedge Notes and the Class A Notes are repaid in full; (d) the New Notes are subject to the same terms and conditions as the class of Notes being redeemed (save in respect of maturity and coupon), or are otherwise on terms which are not worse in any material respect from the perspective of a Liquidity Facility Provider, a Super Senior Hedge Noteholder, a Class A Noteholder and Class M3 Noteholder than the terms of the class of Notes being redeemed (subject to limb (f) below); (e) the issuance of such New Notes will not result in any “ratings negative event” (i.e., a downgrade of any Super Senior Hedge Notes, Class A Notes or Class M3 Notes or the placement of any Super Senior Hedge Notes, Class A Notes or Class M3 Notes on credit watch with negative outlook); and (f) the aggregate annual cash debt service costs incurred by the Punch A Securitisation group companies following the issuance of such New Notes (excluding the cost of issuance of the New Notes, to the extent that such costs are customary and unrelated to the economics of the New Notes (e.g. any original issue discount would not constitute a cost of issuance)) are:</li> </ul> </li> </ul>

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- where Net Senior Leverage is greater than 4.0x, taking into account the annual cash debt service costs in respect of any other New Notes issued to refinance the Class M3 Notes and/or the Class B4 Notes (taking into account any original issue discount on an annualised basis), no higher than the aggregate annual cash debt service costs of the Punch A Securitisation group companies immediately prior to the issuance of such New Notes (the “**High Leverage Cash Cap**”); and
  - where Net Senior Leverage is 4.0x or lower, and taking into account the annual cash debt service costs in respect of any other New Notes issued to refinance the Class M3 Notes and/or the Class B4 Notes (taking into account any original issue discount on an annualised basis) (“**Refinancing Notes**”), no higher than an annual amount (such amount being the “**Cash Cap**”) equal to the aggregate of:
    - (i) the aggregate annual cash debt service costs in respect of the Class M3 Notes and Class B4 Notes immediately prior to the first issuance of any Refinancing Notes; plus
    - (ii) an amount equal to the lower of (a) 2.25 per cent. of EBITDA in respect of the four Financial Quarters immediately preceding the date of the refinancing, and (b) £2,750,000 per annum.
- Annual cash debt service costs calculations shall take into account any applicable swaps.
  - Where the Class M3 Notes and/or Class B4 Notes are refinanced using funds received as an equity contribution or as Fully Subordinated Debt, the Borrower shall, notwithstanding any other restriction on making such payments, including, but not limited to, the Restricted Payments Condition, be permitted to distribute funds (whether by dividends, payments on Fully Subordinated Debt or otherwise) in an amount not in excess of (i) where Net Senior Leverage is 4.0x or lower, the Cash Cap or (ii) where Net Senior Leverage is greater than 4.0x, the High Leverage Cash Cap, in each case less the aggregate annual cash debt service costs in respect of any Refinancing Notes, directly or indirectly to an entity outside of the Punch A Securitisation that has issued notes or incurred indebtedness used to fund such equity contribution or Fully Subordinated Debt, to be applied by that entity solely for the purpose of paying interest on such notes or indebtedness.
  - “**Fully Subordinated Debt**” means new subordinated debt incurred by the Borrower upon which no payments of interest or any other repayments shall be permitted (other than as described in the preceding paragraph or to facilitate the extraction of the Service Fee (as defined below)) until repayment in full of all secured amounts (including, for the avoidance of doubt, the Class M3 Notes) and the Class B4 Notes.

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- The transaction documents shall provide for any amendments necessary as a result of the issuance of such New Notes to be permitted, and will ensure such necessary amendments shall be made without the need for the exercise of discretion by the Security Trustee or the consent of any other party (save to the extent that they are a signatory to the document to be amended).
  - The Liquidity Facility shall be available to cover any Notes issued to refinance the Class M3 Notes on the basis of the existing Liquidity Facility profile. Amounts available to be drawn under the facility in respect of any such Notes shall not exceed the amounts which would have been available to be drawn in respect of the Class M3 Notes.
- Optional Redemption for tax, etc.:**
- Tax call: the Principal Amount Outstanding plus accrued interest
- M3 Hedge on a refinance:**
- M3 Hedge to transferable to any new floating rate notes issued to refinance the Class M3 Notes, provided that the hedge may only be transferred if the M3 Hedge as transferred is on no worse terms than the M3 Hedge as at the Fifth Closing Date (in particular, but not exclusively, in respect of tenor (which shall not extend beyond the scheduled legal maturity of the Class M3 Notes in 2027) seniority, security and rights) and the cash flows under the new hedge are identical to the cash flows under the M3 Hedge (or, if different, the resulting Mark to Market Value is paid in full on transfer).
- Expected WAL:**
- 12.5 years
- Listing:**
- Main Market of Irish Stock Exchange
- Rating:**
- To be rated by Fitch, Moody's and Standard & Poor's at closing
- Liquidity Facility Coverage:**
- Yes – 18 months' peak interest and associated hedge payments (excluding any termination payment)– see Part 2.5 (*Liquidity Facility*) below
- Security:**
- Benefits from same security package as the Class A Notes
- Class M3 Purchase Right:**
- The holders of the Class M3 Notes will have the right to elect to purchase/fund the redemption of the Class A Notes on the terms set out below.
  - Upon the Note Trustee's receipt from at least 25 per cent. of the Class A Noteholders of an instruction to deliver a Borrower Enforcement Notice or an Issuer Enforcement Notice, it shall notify the holders of the Class M3 Notes and the Class B4 Notes in writing that such notice has been delivered to it (the "**Note Trustee Notification**").
  - Any one or more (including all) of the holders of the Class M3 Notes may (but shall not be obliged to) elect to purchase/fund the redemption of all (but not less than all) of the Class A Notes at par only if, following receipt of the Note Trustee Notification:
    - no holder of a Class B4 Note has notified the Note Trustee on or prior to the 15th day following the Note Trustee Notification that it intends to exercise its purchase right in

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respect of the Class A Notes and the Class M3 Notes (a “**Class B4 Election Notice**”); or

- one or more holders of the Class B4 Notes has delivered a valid Class B4 Election Notice, but has not put the Note Trustee in funds on or prior to the 21st day following the Note Trustee Notification.
- Subject to the timing milestones set out in the foregoing bullet point, following receipt of the Note Trustee Notification, any one or more holders of the Class M3 Notes may, on or before the 25th day following the Note Trustee Notification, notify the Note Trustee that it intends to exercise its purchase right in respect of the Class A Notes (a “**Class M3 Election Notice**”, together with the Class B4 Election Notice, an “**Election Notice**”).
- Any Class M3 Election Notice received by the Note Trustee (i) after (A) the 15th day following the Note Trustee Notification (if no Class B4 Election Notice has been delivered) or (B) the 21st day following the Note Trustee Notification (if a Class B4 Election Notice has been delivered, but the relevant holders of the Class B4 Notes have not put the Note Trustee in funds) and (ii) on or prior to the 25th day following the Note Trustee Notification shall be valid and binding. Any Class M3 Election Notice received (i) on or before (A) the 15th day following the Note Trustee Notification (if a Class B4 Election Notice has been or is delivered on or before the 15th day following Note Trustee Notification) or (B) the 21st day following the Note Trustee Notification (if a Class B4 Election Notice has been or is delivered on or before the 15th day following Note Trustee Notification and the relevant holders of the Class B4 Notes have put the Note Trustee in funds on or before the 21st day following Note Trustee Notification) or (ii) after the 25th day following the Note Trustee Notification shall be invalid and ineffective.
- In the event that one or more holders of Class M3 Notes validly delivers a Class M3 Election Notice, on or before the 25th day following the Note Trustee Notification (or the next business day if such 25th day is not a business day):
  - the electing Class M3 Noteholders shall be obliged to (A) purchase/fund the redemption of (pro rata amongst themselves according to their principal amount outstanding, unless otherwise agreed amongst all of them) all but not less than all of the Class A Notes for a purchase/redemption price payable to the Class A Noteholders in cash on such purchase date equal to the outstanding principal amount thereof plus accrued (but unpaid) interest and (B) put the Note Trustee in funds prior to the 28<sup>th</sup> day following the Note Trustee Notification; and
  - if (A) and (B) above occur, then the Note Trustee shall submit an irrevocable redemption notice to the clearing systems in respect of the Class A Notes on the 28th day following the Note Trustee Notification (or the next business day if such 28th day is not a business day).
- The Note Trustee may not act on any instruction to deliver a Borrower Enforcement Notice or an Issuer Enforcement Notice until the completion of the 25-day period (being the latest day on



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which an Election Notice can be given), or the day following the 25<sup>th</sup> day following the Note Trustee Notification if no valid Election Notices have been delivered.

- There shall be no requirement for any holder of a Class M3 Note to provide an indemnity in connection with the exercise of the purchase right.
- The Liquidity Facility shall not be available to meet shortfalls in respect of any indebtedness incurred by the Issuer to finance the purchase right in respect of the Class A Notes.

**Covenants:**

- Benefits from same covenant package as Class A Notes, save that the leverage covenant which applies to the Class M3 Notes is higher than the leverage covenant which applies to the Class A Notes – see Part 4.4 (*Proposed modifications to the Issuer/Borrower Facility Agreements*).
- For as long as any of the Class A Notes are outstanding, the holders of the Class M3 Notes will not be entitled to declare an Issuer Event of Default as a result of any non-payment of any amount in respect of the Class M3 Notes or any of them.
- The Issuer may not incur any new indebtedness except as specified elsewhere in this Term Sheet.

**Subordination:**

- The Class M3 Notes will be subordinated in right of repayment to the Super Senior Hedge Note and the Class A Notes

*New Class B4 Notes*

**Aggregate Nominal Amount:**

- £90,000,000
- The precise issuance amount on Fifth Closing Date will be adjusted to reflect roundings of holdings as part of exchange process - see Parts 5.3 (*Treatment of Stubs and Fractional Entitlements*) and 5.4 (*Calculation of Entitlements for Eligible Holders*) below.

**Maturity:**

- [October 2028]

**Cash Coupon:**

- 1.50 per cent. per annum, subject to the reduction of the cash coupon to nil upon delivery of a default stop notice as provided below
- Following a Borrower Event of Default, which is continuing, at least 25 per cent. of the most senior class of Notes then outstanding may, by written notice to the Issuer and the Note Trustee, block further payment of cash interest on the Class B4 Notes, such default stop notice to take effect from the date of such stop notice.

**PIK Coupon:**

- 13.50 per cent. effective interest rate per annum, calculated for each Interest Payment Date by reference to a compounding formula, provided that in the event a default stop notice is delivered as described above, the PIK coupon will increase to an effective interest rate of 15.00 per cent. per annum, calculated for each Interest Payment Date by reference to a compounding formula, to take effect from the date of such stop notice

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- PIK Interest to be capitalised on each Interest Payment Date
- Scheduled Redemption:**
- None
- Mandatory Redemption:**
- None
- Optional Redemption:**
- Non-call period of two years from the Fifth Closing Date
  - Following the non-call period, optional redemptions of the Class B4 Notes may occur at par plus accrued interest only:
    - (in whole or in part) once the Super Senior Hedge Note, the Class A Variable Notes, the Class A Fixed Notes and the Class M3 Notes have been repaid in full; or
    - (in whole or in part) with the proceeds of an equity contribution and/or Fully Subordinated Debt (as defined below); or
    - (in whole or in part) with the proceeds of New Notes issued by the Issuer, provided that: (a) such New Notes will have the same rank as or rank junior to the Class B4 Notes for so long as the Class B4 Notes are outstanding; (b) no cash from any Punch A Securitisation group company can be used for repayment of principal in respect of such an optional redemption until the Super Senior Hedge Notes, the Class A Notes and the Class M3 Notes are repaid in full; (c) the New Notes are subject to the same terms and conditions as the class of Notes being redeemed (save in respect of maturity and coupon), or are otherwise on terms which are not worse in any material respect from the perspective of a Liquidity Facility Provider, a Super Senior Hedge Noteholder, a Class A Noteholder and a Class M3 Noteholder than the terms of the class of Notes being redeemed (subject to limb (e) below); (d) the issuance of such New Notes will not result in any “ratings negative event” (i.e., a downgrade of any Super Senior Hedge Notes, Class A Notes, Class M3 Notes or Class B4 Notes or the placement of any Super Senior Hedge Notes, Class A Notes, Class M3 Notes or Class B4 Notes on credit watch with negative outlook); and (e) the aggregate annual cash debt service costs incurred by the Punch A Securitisation group companies following the issuance of such New Notes (excluding the cost of issuance of the New Notes, to the extent that such costs are customary and unrelated to the economics of the New Notes (e.g. any original issue discount would not constitute a cost of issuance)) are:
      - where Net Senior Leverage is greater than 4.0x, no higher than the High Leverage Cash Cap; and
      - where Net Senior Leverage is 4.0x or lower, and taking into account the annual cash debt service costs in respect of any Refinancing Notes, no higher than the Cash Cap.
  - Annual cash debt service costs calculations shall take into account any applicable swaps.
  - Where the Class M3 Notes and/or Class B4 Notes are refinanced using funds received as an equity contribution or as Fully Subordinated Debt, the Borrower shall, notwithstanding any other restriction on making such payments, including, but not limited to,

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the Restricted Payments Condition, be permitted to distribute funds (whether by dividends, payments on Fully Subordinated Debt or otherwise) in an amount not in excess of (i) where Net Senior Leverage is 4.0x or lower, the Cash Cap or (ii) where Net Senior Leverage is greater than 4.0x, the High Leverage Cash Cap, in each case less the aggregate annual cash debt service costs in respect of any Refinancing Notes, directly or indirectly to an entity outside of the Punch A Securitisation that has issued notes or incurred indebtedness used to fund such equity contribution or Fully Subordinated Debt, to be applied by that entity solely for the purpose of paying interest on such notes or indebtedness.

- The transaction documents shall provide for any amendments necessary as a result of the issuance of such New Notes to be permitted, and will ensure such necessary amendments shall be made without the need for the exercise of discretion by the Security Trustee or the consent of any other party (save to the extent that they are a signatory to the document to be amended).

**Optional Redemption for tax, etc.:**

- Tax call: the Principal Amount Outstanding (including capitalised interest) plus accrued cash interest and accrued PIK Interest

**Noteholder Put:**

- No

**Expected WAL:**

- 13.5 years

**Listing:**

- Main Market of Irish Stock Exchange

**Rating**

- None

**Liquidity Facility Coverage:**

- None

**Security:**

- The Class B4 Notes will not have the benefit of any of the Issuer Security.
- The Class B4 Notes will have the benefit of a first-ranking fixed charge over the entire issued share capital of New Holdco 1 and a first-ranking floating charge over all other assets of New Holdco 2 (the “**Class B4 Security**”) with the following terms:
  - The Class B4 Security may only be enforced upon a breach of the Free Cash Flow Debt Service Coverage Ratio, the Net Senior Leverage covenant, the occurrence of an Insolvency Event with respect to the Borrower or the Issuer (including cashflow and balance sheet test) or an acceleration of the Class A Notes or the Class M3 Notes (a “**Class B4 Enforcement Event**”), subject to the following paragraph.
  - Deutsche Trustee Company Limited as security trustee (the “**New Holdco 2 Security Trustee**”) may enforce the Class B4 Security only in the event that: (a) holders of at least 25 per cent. of principal amount outstanding of the Class B4 Notes have directed the Note Trustee, or an Extraordinary Resolution of the holders of the Class B4 Notes is passed to direct the New Holdco 2 Security Trustee to enforce the Class B4 Security during the continuation of a Class B4 Enforcement Event; and (b) either: (i) a Class B4 Enforcement Event remains outstanding for a period of at

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least 180 days after the notice described in paragraph (a) above; or (ii) an acceleration of the Class A Notes has occurred.

- Enforcement of the Class B4 Security will not be conditional upon any de-grouping charge threshold.

**Class B4 Purchase Right:**

- The holders of the Class B4 Notes will have the right to elect to purchase/fund the redemption of the Class A Notes and the Class M3 Notes on the terms set out below.
- Upon the Note Trustee's receipt from at least 25 per cent. of the Class A Noteholders of an instruction to deliver a Borrower Enforcement Notice or an Issuer Enforcement Notice, it shall deliver a Note Trustee Notification to the holders of the Class B4 Notes.
- Upon receipt of the Note Trustee Notification as set out above, any one or more (including all) of the holders of the Class B4 Notes may (but shall not be obliged to) elect to purchase/fund the redemption of all (but not less than all) of the Class A Notes and the Class M3 Notes at par by delivery of a Class B4 Election Notice to the Note Trustee on or prior to the 15<sup>th</sup> day following the Note Trustee Notification.
- Any Class B4 Election Notice received by the Note Trustee on or prior to the 15<sup>th</sup> day following the Note Trustee Notification shall be valid and binding provided that the Note Trustee is put in funds prior to the 21<sup>st</sup> day following the Note Trustee Notification (as contemplated in (B) below), and any Class B4 Election Notice received after that date shall be invalid and ineffective.
- In the event that one or more holders of Class B4 Notes validly delivers a Class B4 Election Notice on or before the 15<sup>th</sup> day following the Note Trustee Notification (or the next business day if such 15<sup>th</sup> day is not a business day):
  - the electing Class B4 Noteholders shall be obliged to (A) purchase/fund the redemption of (pro rata amongst themselves according to their principal amount outstanding, unless otherwise agreed amongst all of them) all but not less than all of the Class A Notes and the Class M3 Notes for a purchase/redemption price payable to the Class A Noteholders and the Class M3 Noteholders in cash on such purchase date equal to the outstanding principal amount thereof plus accrued (but unpaid) interest, and (B) put the Note Trustee in funds on or prior to the 21<sup>st</sup> day following the Note Trustee Notification; and
  - if (A) and (B) above occur, then the Note Trustee shall submit an irrevocable redemption notice to the clearing systems in respect of the Class A Notes and the Class M3 Notes.
- The Note Trustee may not act on any instruction to deliver a Borrower Enforcement Notice or an Issuer Enforcement Notice until the completion of such a 25-day period, or the day following such 25<sup>th</sup> day following the Note Trustee Notification if no valid

Election Notices have been delivered.

- There shall be no requirement for any holder of a Class B4 Note to provide an indemnity in connection with the exercise of the purchase right.
- The Liquidity Facility shall not be available to meet shortfalls in respect of any indebtedness incurred by the Issuer to finance the purchase right in respect of the Class A Notes or the Class M3 Notes.

**Covenants:**

- None save as described in the description of Class B4 Security in Part 4.8 (*Proposed Class B4 Security*) below
- The Issuer may not incur any new indebtedness except as specified elsewhere in this Term Sheet.
- As long as any of the Class A Notes or the Class M3 Notes are outstanding, the holders of the Class B4 Notes will not be entitled to declare an Issuer Event of Default as a result of any non-payment of any amount in respect of the Class B4 Notes or any of them.

**Subordination:**

- The Class B4 Notes will be subordinated in right of repayment to the Super Senior Hedge Note, the Class A Notes and the Class M3 Notes.

**Further Information:**

- For further information please see Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.

**2.3 New Punch Shares**

**Share Entitlement Shares:**

- On the Fifth Closing Date, Punch will issue 585,000,000 ordinary shares (the “**Punch Shares**”) to, or to the order of, the holders of Exchanged Junior Notes who are entitled to receive Punch Shares at a fixed price of 7.75 pence per share (the “**Share Entitlement Shares**”).

**Firm Placing Shares:**

- On the Fifth Closing Date, Punch will issue by way of a firm placing of £50,000,000 of Punch Shares at 3.88 pence per share (the “**Firm Placing Shares**”) to be allocated between funds managed by the following institutions:

<b>Institution</b>	<b>Percentage of Firm Placing Shares</b>	<b>No. of Punch Shares</b>
Alchemy Partners LLP	3.0 per cent.	38,700,000
Avenue Europe Management LLP	28.4 per cent.	366,900,000
Angelo, Gordon & Co	4.8 per cent.	61,300,000

LP			
	Glenview Capital Management LLC	37.1 per cent.	478,800,000
	Luxor Capital Group LP	19.9 per cent.	257,200,000
	Oaktree Capital Management L.P.	4.8 per cent.	61,300,000
	Warwick Capital Partners LLP	2.0 per cent.	25,800,000
<b>Use of Proceeds of Firm Placing:</b>	•	The proceeds of the Firm Placing will be applied in full toward payment of the Cash Entitlement in respect of the Junior Exchanged Notes.	
<b>Shareholder Reallocation:</b>	•	On the Fifth Closing Date, funds managed by the following institutions will, in aggregate, purchase 26,149,000 Punch Shares (allocated as set out in the table below) from funds managed by Avenue Europe Management LLP at 7.75 pence per share:	
		<b>Institution</b>	<b>Percentage of Punch Shares (fully-diluted)</b>
			<b>No. of Punch Shares</b>
		Angelo, Gordon & Co LP	0.043 per cent.
			1,895,000
		Glenview Capital Management LLC	0.324 per cent.
			14,401,000
		Luxor Capital Group LP	0.179 per cent.
			7,958,000
		Oaktree Capital Management L.P.	0.043 per cent.
			1,895,000
<b>Punch Equity after Proposed Transaction:</b>	•	Following implementation of the Proposed Transaction, the issued share capital of Punch will be divided approximately as follows:	
		<b>Shareholder Group</b>	<b>Percentage of Punch Shares (fully-diluted)</b>
			<b>No. of Punch Shares</b>
		Existing Shareholders	15.0 per cent.
			666,000,000

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Former holders of Exchanged Junior Notes in Punch A Securitisation	13.2 per cent	585,000,000
Former holders of Exchanged Junior Notes in Punch B Securitisation	42.8 per cent	1,898,000,000
Firm Placing purchasers	29.0 per cent	1,290,000,000
Total:	100.0 per cent.	4,439,000,000

## 2.4 Ambac Guarantees

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### Overview:

- On the Third Closing Date, Ambac issued a financial guarantee in respect of the Class A2(R) Notes pursuant to, and in accordance with, the terms of a guarantee and reimbursement agreement made between, among others, the Issuer, the Note Trustee and Ambac (the “**Class A2(R) Guarantee**”).
- On the Fourth Closing Date, Ambac issued two financial guarantees in respect of the Class M2(N) Notes and the Class B3 Notes pursuant to, and in accordance with, the terms of a guarantee and reimbursement agreement made between, among others, the Issuer, the Note Trustee and Ambac (together with the Class A2(R) Guarantee, the “**Ambac Guarantees**”).
- As part of the completion of the Proposed Transaction, with effect from the Fifth Closing Date:
  - Ambac will contribute £20,000,000 in cash which will be applied to fund in part the Junior Note Exchange (as defined below) and will confirm that it is not entitled to any contractual make-whole payment (which would otherwise amount to c.£3,100,000) in respect of the early termination of the financial guarantee on the Class A2(R) Notes; and
  - the Ambac Guarantees will be released.

### Further Information:

- For further information please refer to Part 4.13 (*Proposed Termination and Release of the Guarantee and Reimbursement Agreements*) below.

## 2.5 Liquidity Facility

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**Overview:**

- Total liquidity commitment resized to £134,700,000 on the Fifth Closing Date to cover the aggregate of the following amounts:
  - 18 months' peak interest (calculated on the assumption that the shadow amortisation profile set out in Table 1 in Part 2.6 (*Hedge Contracts*) below is not met, and that the rate of interest payable is LIBOR + 140bps) in respect of the Super Senior Hedge Note;
  - 18 months' peak interest and scheduled redemption (excluding the final payment at maturity) in respect of the Class A Fixed Notes;
  - 18 months' peak interest in respect of the Class A Variable Notes; and
  - 18 months' peak interest and associated hedge payments (excluding any termination payment) in respect of the Class M3 Notes,

(together, the "**Liquidity Amount**"), with a sub-limit for the Class M3 Notes equal to a maximum amount of £41,700,000 (the "**Class M3 Sub-Limit**").

- Amount available to be drawn under the facility at any time to be equal to the lower of:
  - 18 months' interest charges in respect of the Super Senior Hedge Note, 18 months' interest and scheduled redemption charges (excluding the final payment at maturity) in respect of the Class A Fixed Notes, 18 months' interest charges in respect of the Class A Variable Notes, and 18 months' interest charges in respect of the Class M3 Notes and associated hedge payments (excluding any termination payment), in each case as most recently re-calculated; and
  - the then current available Liquidity Amount,

subject to a sub-limit for the Class M3 Notes equal to the lower of (a) 18 months' interest charges in respect of the Class M3 Notes as most recently re-calculated, and (b) the Class M3 Sub-Limit.

- The Liquidity Facility shall be available to cover any Notes issued to refinance the Class M3 Notes in accordance with *Optional Redemptions* in Part 2.2 (*Amendments to the Existing Junior Notes*) on the basis of the existing Liquidity Facility profile. Amounts available to be drawn under the facility in respect of any such Notes shall not exceed the amounts which would have been available to be drawn in respect of the Class M3 Notes.
- Liquidity advances shall be conditional upon, *inter alia*, receipt of a certificate signed by a director of the Issuer confirming that, based upon the Issuer's forecasts, such liquidity advances are projected to be repaid in full on or prior to the latest occurring final maturity date of the Notes and the Issuer (or the Servicer or the Security Trustee, if making a drawing on behalf of the Issuer, procuring that the Issuer) confirming in the relevant Liquidity Drawing Notice that, having taken appropriate advice, it is satisfied that the Issuer will be able to repay the liquidity advance requested



in full, pursuant to the terms of the Liquidity Facility Agreement.

- On and from the maturity date of the Super Senior Hedge Note, the Issuer shall not be entitled to make any drawing under the Liquidity Facility unless and until all amounts outstanding under the Super Senior Hedge Note are repaid in full.
- Notwithstanding the previous bullet point, the Issuer shall, on the maturity date of the Super Senior Hedge Note, be entitled to make drawings under the Liquidity Facility if the Super Senior Hedge Note has been repaid in full and any payments due under the Hedge have been made on such Interest Payment Date.
- Following repayment in full of the Super Senior Hedge Note and all amounts due to the Hedge Provider (and assuming that the Issuer remains solvent and that no enforcement action has been taken by Noteholders), the draw-stop on the Liquidity Facility will be remedied and the Liquidity Facility will again be capable of being drawn.
- The Liquidity Facility shall not be available to meet shortfalls in respect of any indebtedness incurred by the Issuer to (i) finance the purchase of the Class A Notes and/or the Class M3 Notes in accordance with *Class M3 Purchase Right* and *Class B4 Purchase Right* in Part 2.2 (*Amendments to the Existing Junior Notes*) above or (ii) redeem the Super Senior Hedge Note in accordance with *Purchase Right* in Part 2.6 (*Hedge Contracts*) below.
- To the extent that, following repayment of the Super Senior Hedge Note and the Hedge, the Issuer has insufficient funds to repay arrears of principal and interest due in respect of the Class A Notes and arrears of interest in respect of the Class M3 Notes, the Liquidity Facility may be drawn to the extent required to repay such arrears (subject to all applicable drawstops). Existing sub-limits (which may have been recalculated in the intervening period) will, however, continue to apply, but shall in no way be adjusted to take account of any arrears.
- The Liquidity Amount, the amounts available to be drawn and the sub-limit for the Class M3 Notes to be resized quarterly to take account of Note redemptions.
- The ratings test permitting standby drawing of the facility will be reduced to at least BBB by Standard & Poor's, BBB by Fitch, and Baa2 by Moody's, and the existing standby drawing will be repaid to the Liquidity Provider on the Fifth Closing Date.
- The liquidity facility will expire upon the latest of the repayment in full of the Super Senior Hedge Note, the Class A Notes, the Class M3 Notes and any New Notes which have been issued to refinance the Class M3 Notes. No amounts shall be permitted to remain outstanding under the Liquidity Facility past the expiry date.
- The commitment fee, the liquidity drawn margin and the standby drawn margin of the liquidity facility shall be increased as and from the Fifth Closing Date based upon a rating by Moody's of the liquidity facility as at the Fifth Closing Date to each of the amounts set out opposite such Moody's rating as applicable:

Liquidity Facility Rating	Commitment Fee	Liquidity Drawn Margin (bps)	Standby Drawn Margin (bps)
Aa	87	197	87
A	100	210	100
Baa1	112	222	112
Baa2	135	245	135

- Pricing grid to apply only to calculate pricing on day 1, and will not give rise to pricing adjustments following the Fifth Closing Date as a result of any change in rating following such date. Existing increased costs provisions in the Liquidity Facility will continue to apply.
- The Liquidity Facility Providers may assign, novate or otherwise transfer their rights and/or obligations under the Liquidity Facility Agreement to any financial institution with a long-term credit rating of at least A- from Standard & Poor's, A- from Fitch and A3 from Moody's.
- All other terms to remain unchanged
- For further information please see Part 4.12 (*Proposed modifications to the Liquidity Facility Agreement*) below.

#### Further Information:

## 2.6 Hedge Contracts

#### Overview:

- The existing swaps will be restructured as follows:
  - the existing Hedges relating to the Class M2(N) Notes under the Hedge Agreement and the existing Hedges relating to the Term M2(N) Advances under the Issuer/Borrower Swap Agreement (i) will each be reallocated to the Class M3 Notes and the Term M3 Advances, respectively, such that the Class M3 Notes will be fully hedged until maturity; (ii) the notional profile and tenor of such Hedges will be aligned with the notional profile and tenor of the Class M3 Notes and the Term M3 Advances, respectively; and (iii) following such re-profiling, the Mark to Market Value (as defined in, and calculated in accordance with, the relevant confirmation) crystallised as a result of the re-profiling will be settled by the issuance of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan, respectively, on the terms provided below; and
  - the existing Hedges relating to the Class B3 Notes and the Class D1 Notes and the Issuer/Borrower Swap Agreement relating to the Term B3 Advances and the Term D1 Advances will each be terminated with the resultant Mark to Market Value represented by the Super Senior Hedge Note and the Issuer/Borrower Super Senior Hedge Note, respectively, on the terms provided below.

#### Super Senior Hedge Note:

- The resultant Mark to Market Value crystallised as a result of the re-profiling of the existing Hedges relating to the Class M2(N) Notes and the termination of the Hedges relating to the Class B3

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	<p>Notes and the Class D1 Notes and owing by the Issuer under the existing Hedge Agreement will be settled by the issuance of a new note to be a Listed Eurobond in global form with the same Terms and Conditions as the Class A Notes save for interest and principal provisions (to be paid as set out herein) and control rights in relation to service of an Issuer Enforcement Notice) (the “<b>Super Senior Hedge Note</b>”) and the resultant Mark to Market Value owing by the Borrower under the existing Issuer/Borrower Swap Agreement will be represented by a new advance under the Issuer/Borrower Facility Agreement (the “<b>Issuer/Borrower Hedge Loan</b>”).</p>
<i>Aggregate Nominal Amount</i>	<ul style="list-style-type: none"> <li>• Each of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will have an estimated notional amount of £99,065,046.</li> </ul>
<i>Maturity</i>	<ul style="list-style-type: none"> <li>• [July 2021]</li> </ul>
<i>Form</i>	<ul style="list-style-type: none"> <li>• The Super Senior Hedge Note will be structured as a listed Eurobond, in global form.</li> </ul>
<i>Calculation of principal amount</i>	<ul style="list-style-type: none"> <li>• The Royal Bank of Scotland plc (the “<b>Hedge Provider</b>”) will calculate the principal amount of the Super Senior Hedge Note on the Fifth Closing Date in consultation with the Issuer on the basis of a market quotation based on a fixed-floating rate swap and verified by an independent third party.</li> <li>• The principal amount of the Super Senior Hedge Note will be the difference between: <ul style="list-style-type: none"> <li>○ the sum of: (i) the mark to market of the Hedges relating to the Class M2(N) Notes; (ii) the mark to market of the Hedge relating to the Class B3 Notes; and (iii) the mark to market of the Hedge relating to the Class D1 Notes; and</li> <li>○ the mark to market of the new Hedge relating to the nominal principal amount of Class M3 Notes.</li> </ul> </li> <li>• All mark to market calculations used in calculating the principal amount of the Super Senior Hedge Note shall be undertaken as at the Fifth Closing Date.</li> </ul>
<i>Conditions</i>	<ul style="list-style-type: none"> <li>• The Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will have the same terms, as follows. <ul style="list-style-type: none"> <li>○ The new Super Senior Hedge Note will rank senior to the Notes and the new Issuer/Borrower Hedge Loan will rank <i>pari passu</i> with the Term A Fixed Advances.</li> <li>○ Each of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will bear interest, payable quarterly in cash in arrear: <ul style="list-style-type: none"> <li>• from (and including) the Fifth Closing Date to (and including) 20 August 2015, at floating rate of 3 month GBP-LIBOR-BBA; and</li> <li>• in the financial year beginning 21 August 2015, and in each subsequent financial year, the rate of interest</li> </ul> </li> </ul> </li> </ul>

payable in that financial year will be LIBOR plus a margin to be determined (as set out in Table 1 below) by testing the actual amount of cumulative repayments of the Super Senior Hedge Note in the immediately preceding financial year versus an accumulated shadow amortisation profile for the immediately preceding financial year set out in Table 2 below.

<b>Table 1 Super Senior Hedge Note Margin</b>	
<b>Level of underperformance versus Shadow Amortisation profile</b>	<b>Margin (bps)</b>
≥ 25%	40
≥ 50%	90
≥ 75%	140

- If, on a testing date, the actual amount of cumulative repayments under the Super Senior Hedge Note is equal to the amounts set out in the accumulated shadow amortisation profile (set out in Table 2 below), the interest rate for the next financial year will be 3 month GBP-LIBOR-BBA.
- There will be a default coupon of LIBOR + 190bps.

<b>Table 2 Accumulated Shadow Amortisation profile</b>	
<b>Year ending c. 20 August</b>	<b>Accumulated Shadow Amortisation (£m)</b>
2015	5
2016	15
2017	30
2018	45
2019	65
2020	85
2021	[99]

*Listing*

- To be listed on the Main Market of the Irish Stock Exchange.

- Transferability*
- The Super Senior Hedge Note will be freely transferable (in whole or in part).
- Rating*
- Issuer to seek rating of the Super Senior Hedge Note, such cost to be borne by the Hedge Provider.
- Purchase Right*
- Any one or more holders of the most senior class of Notes then outstanding shall have a right to fund the redemption of the Super Senior Hedge Note (at par plus accrued interest) to prevent or cure a draw stop of the Liquidity Facility. Any indebtedness incurred by the Issuer through the exercise of the purchase right shall rank junior to the Liquidity Facility and the Hedge.
- Tax Gross-up*
- All sums payable by the Issuer under the Super Senior Hedge Note will be paid without any withholding or deduction whatsoever unless required by law. Save as provided in the next bullet point, if any withholding or deduction from a payment is required by law, the Issuer shall increase the amount of the payment so that the Hedge Provider will be entitled to receive the same amount as it would have received if there had been no withholding or deduction.
  - Customary exclusions from the tax gross-up obligation, including FATCA withholding.
- Mandatory Prepayment*
- The outstanding principal amount of each of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will also be mandatorily repayable each quarter as follows:
    - from (and including) financial year 2015 to (and including) financial year 2017, until a cumulative aggregate total of £20,000,000 has been deposited into the Debt Service Reserve Account: (A) Excess Cash up to a maximum cumulative limit of £12,500,000 in any one financial year shall be deposited in the Debt Service Reserve Account; and (B) the remaining Excess Cash shall be applied in repayment of the Super Senior Hedge Note until repaid in full, and
    - once a cumulative aggregate total of, in the case of the 12 month period commencing on the Fifth Closing Date, £12,500,000 of Excess Cash has been deposited into the Debt Service Reserve Account, or, in the case of the period commencing 12 months after the Fifth Closing Date until the end of financial year 2017, £20,000,000 has been deposited into the Debt Service Reserve Account, and in any event from financial year 2018 onwards, 100 per cent. of Excess Cash shall be applied in repayment of the Super Senior Hedge Note until repaid in full.
  - On any Interest Payment Date on which Adjusted Net Senior Leverage is equal to or greater than 3.00 and below 3.50, all amounts above £10,000,000 standing to the credit of the Debt Service Reserve Account shall be applied towards mandatory repayment of the outstanding principal amount of the Super Senior Hedge Note.
  - On any Interest Payment Date on which Adjusted Net Senior Leverage is lower than 3.00, all amounts standing to the credit of the Debt Service Reserve Account shall be applied towards

mandatory repayment of the outstanding principal amount of the Super Senior Hedge Note.

- To the extent not repaid prior to its final maturity date, each of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will be repaid in full on the seventh anniversary of the Fifth Closing Date.
  - “**Adjusted Net Senior Leverage**” for any financial quarter is defined as the ratio of the sum of Net Senior Debt plus or minus any hedge mark-to-market for such quarter to EBITDA.
  - Except as described above, the modified confirmations between the Hedge Counterparty and the Issuer in respect of the Class M3 Notes, and between the Issuer and the Borrower in respect of the Term M3 Advances, shall not change the notional amount, the amortisation profile or the pricing terms of the existing Hedges.
  - Hedge Provider credit support and on-going ratings test will be replaced with a requirement for the Hedge Provider to have ratings for its long-term unsecured, unsubordinated and unguaranteed debt of at least BBB+ from Standard & Poor’s, BBB+ from Fitch and Baa1 from Moody’s on the Fifth Closing Date or, if applicable, on the date on which any new hedge is entered into.
  - The Hedge Provider may assign, novate or otherwise transfer its rights and/or obligations under the Class M3 Hedge to any financial institution with a long-term credit rating of at least A- from Standard & Poor’s, A- from Fitch and A3 from Moody’s.
  - Should any overhedging occur as a result of any scheduled redemption, mandatory redemption, or optional redemption of the Class M3 Notes or any of them, the reallocated hedges will be terminated in the same proportion as the amount of the redemption and the crystallised mark-to-market amount will be paid in cash at the time of such redemption.
  - Entry into new hedges will only be permitted to the extent of any underhedging of any Notes.
  - Each new hedge must at its trade date not require any payment by the Issuer and must have a mark-to-market amount of zero.
  - Any new hedges must rank pari passu with or subordinate to the existing hedges.
  - Except as provided herein, the Super Senior Hedge Note will not benefit from additional rights, covenants, security or protections beyond those afforded to the Hedge Providers under the existing documentation.
- Liquidity Facility Coverage:**
- Liquidity Facility Coverage: Yes - 18 months’ peak payments on M3 Hedge and 18 months’ peak interest (calculated on the assumption that the shadow amortisation profile set out in Table 1 in this Part 2.6 (*Hedge Contracts*) is not met, and that the rate of interest payable is LIBOR + 140bps) in respect of the Super Senior Hedge Note

**Further Information:**

- For further information please see Part 4.14 (*Proposed modifications to Hedging Arrangements*) below.

**2.7 Financial Covenants****Financial Covenants**

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- **EBITDA Interest Cover Ratio:**

The ratio of EBITDA to Interest Charges shall not be less than 1.25:1.0 as and from the Fifth Closing Date and shall ratchet up each Financial Quarter Date to 1.70:1.0 on the Financial Quarter Date falling in August 2022, and shall thereafter remain at 1.70:1.0 until the maturity of the Class A Notes

The EBITDA Interest Cover Ratio covenant shall cease to apply upon the final maturity of the Class M3 Notes October 2027.

The exact ratio required on each Financial Quarter Date is set out on Schedule 2 (*EBITDA Interest Cover Ratio*) hereto.
  - **Free Cash Flow Debt Service Cover Ratio:**

The ratio of Free Cash Flow to Debt Service shall be not less than 1.0:1.0.
  - **Net Senior Leverage:**

The ratio of the sum of Net Senior Debt (i.e., Super Senior Hedge Note and Class A Notes, excluding the hedge mark-to-market) plus all amounts outstanding under the Liquidity Facility to EBITDA shall, on each Interest Payment Date, be set at the higher of (i) 3.0:1.0 and (ii) 20 per cent. headroom to the business plan in financial years 2014 and 2015, 17.5 per cent. headroom to the business plan in financial year 2016, and 15 per cent. headroom to the business plan thereafter, reflecting a requirement for Net Senior Leverage to decrease over time.

Once the permitted ratio of Net Senior Debt plus all amounts outstanding under the Liquidity Facility to EBITDA on any Interest Payment Date has decreased to 3.0:1.0, Net Senior

Leverage shall not on any Interest Payment Date be greater than 3.0:1.0.

The Net Senior Leverage covenant shall cease to apply upon the final maturity of the Class A1(F) Notes and the Class A1(V) Notes in October 2026.

- Net Total Leverage:

The ratio of Net Total Debt (i.e., Super Senior Hedge Note, Class A Notes and Class M3 Notes, excluding the hedge mark-to-market) to EBITDA shall, on each Interest Payment Date, be set at the higher of (i) 4.5:1.0 and (ii) 25 per cent. headroom to the business plan, reflecting a requirement for Net Total Leverage to decrease over time.

Once the permitted ratio of Net Total Debt to EBITDA on any Interest Payment Date has decreased to 4.5:1.0, Net Senior Leverage shall not on any Interest Payment Date be greater than 4.5:1.0.

The Net Total Leverage covenant shall cease to apply upon the final maturity of the Class M3 Notes October 2027.

- Minimum Net Worth:

£50,000,000

**Testing Period:**

- The EBITDA Interest Cover Ratio and Free Cash Flow Debt Service Cover Ratio covenants will be tested quarterly on a rolling four quarter basis by reference to the previous four quarters (save that, when calculating Debt Service, scheduled redemption shall be calculated with respect to the previous three quarters and the forthcoming quarter and will exclude any final balloon or bullet repayment at maturity of the Super Senior Hedge Note and the Notes).
- During the first four quarters following the Fifth Closing Date, the EBITDA Interest Cover Ratio and Free Cash Flow Debt Service Cover Ratio covenants will be tested on a *pro forma* basis based on debt service on the Fifth Closing Date immediately following the completion of the Proposed Transaction.
- If, on a testing date, the Borrower would otherwise be in breach of the Free Cash Flow Debt Service Cover Ratio Covenant, the Borrower may, for the purposes of calculating compliance with the Free Cash Flow Debt Service Cover Ratio Covenant, include within Free Cash Flow for the Relevant Period, amounts standing to the credit of the Debt Service Reserve Account, provided that such amounts do not exceed the lowest of:



- (i) the sum of (a) the aggregate of all amounts deposited into the Debt Service Reserve Account since the Fifth Closing Date less (b) the aggregate of all amounts standing to the credit of the Debt Service Reserve Account which the Borrower has elected to include within Free Cash Flow since the Fifth Closing Date for the purposes of determining compliance with the Free Cash Flow Debt Service Cover Ratio Covenant (whether or not such amounts were, in fact, withdrawn from the Debt Service Reserve Account on any Interest Payment Date);
- (ii) such amounts as are required to make the ratio of Free Cash Flow to Debt Service not less than 1.0:1.0; and
- (iii) the credit balance of the Debt Service Reserve Account on such testing date.

- Any amounts standing to the credit of the Debt Service Reserve Account for which the Borrower has taken credit on a testing date for the purposes of complying with the Free Cash Flow Debt Service Ratio Covenant, but which are not withdrawn to meet debt service on the next Interest Payment Date shall, on such Interest Payment Date, be deposited in the Excess Cash Account.

- Net Senior Leverage and Net Total Leverage covenants will be tested quarterly on the basis of the quarter then ended. For the avoidance of doubt, funds withdrawn from the DSRA may not be included within EBITDA.

- Minimum Net Worth applies at all times.

**Equity Cure:**

- Each of the Net Senior Leverage covenant, the Net Total Leverage covenant and the EBITDA Interest Cover Ratio may be cured as provided below.
- Breach of a financial covenant may be cured by way of new cash invested in the Borrower or the Issuer by way of an equity contribution or Fully Subordinated Debt being deposited in a Cure Account established by the Borrower (which shall be a fixed charge account over which the Security Trustee will have sole signing rights) in an amount which, if applied to repay outstanding debt, would cure the relevant breach (an “**equity cure**”). For the avoidance of doubt, where the equity cure is applied to cure a breach of the EBITDA Interest Cover Ratio, new cash invested in the Borrower may only be used to repay debt and shall not be included within EBITDA.
- Any amounts deposited in the Cure Account shall be applied on the next Interest Payment Date following the equity cure to redeem the Super Senior Hedge Note and the Notes strictly in the order of priority provided elsewhere herein and in accordance with the relevant Redemption Condition, together with, as applicable, modified spens.
- Without prejudice to the rights of redemption contained elsewhere in this Term Sheet, no equity cure may reduce the outstanding principal amount of any Notes by more than the amount necessary to pass the Net Senior Leverage covenant, the Net Total Leverage covenant and the EBITDA Interest Cover Ratio on the

immediately preceding determination date.

- Cash invested in the Borrower to effect an equity cure shall not be included within EBITDA for the purposes of determining EBITDA or Free Cash Flow.
- No more than three equity cures may be made until the Super Senior Hedge Note and all of the Class A Notes have been paid in full, and thereafter no more than two additional equity cures may be made until all of the Class M3 Notes have been paid in full. No attempted equity cure shall be effective in any financial quarter immediately following the financial quarter in which an equity cure has occurred, but without prejudice to the Issuer's rights to make optional redemptions of Notes as set out in this Term Sheet.

**Further Information:**

- For further information please see Part 4.4 (*Proposed modifications to the Issuer/Borrower Facility Agreements*) below.

## 2.8 Operational Covenants

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**General:**

- Existing covenants to remain in place, subject to amendments described below

**Disposals:**

- The existing disposals regime will be modified to provide that:
  - there is no restriction on the number of Non-Core Pubs which may be disposed of;
  - up to 4 per cent. of all Core Pubs may be disposed of in any financial year (to be tested by reference to Trading Outlet EBITDA<sup>3</sup> but resetting the cumulative limits on the Fifth Closing Date); and
  - up to 20 per cent. of all Core Pubs may be disposed of cumulatively (to be tested by reference to Trading Outlet EBITDA, but resetting the cumulative limits on the Fifth Closing Date).
- Pubs may be swapped between the Core and Non-Core Estate subject to the following conditions:
  - the last 24 month trailing Trading Outlet EBITDA of the incoming Non-Core Pub is greater than the last 24 month trailing Trading Outlet EBITDA of the outgoing Core Pub;
  - the value of the incoming Non-Core Pub is greater than the value of the outgoing Core Pub (based on a third party independent valuation);

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<sup>3</sup> Relevant definition to be agreed in the definitive documents.

- the details of EBITDA and valuation shall be made available to the board observer(s); and
- a maximum of 2 per cent. of Core Pubs (based on trailing Trading 24 month EBITDA) may be substituted each year, up to a maximum of 5 per cent. of Core Pubs (based on trailing Trading 24 month EBITDA) over the life of the deal.
- In addition to the existing requirements in the documents, all Core Pub disposals must satisfy the condition that all disposals during the preceding 24 months, taken together with the Pub proposed to be sold, should in the aggregate be deleveraging based on trailing Trading 24 month EBITDA.
- All Core Disposal Proceeds shall be deposited into the Disposal Proceeds Account and used as provided below.
- On each Interest Payment Date amounts standing to the credit of the Disposal Proceeds Account shall be applied in the following order:
  - from (and including) financial year 2015 to (and including) financial year 2017, until a cumulative aggregate total of £20,000,000 has been deposited into the Debt Service Reserve Account (A) Core Disposal Proceeds shall be deposited in the Debt Service Reserve Account until a maximum cumulative amount of £12,500,000 (including amounts deposited from Excess Cash) in any one financial year have been deposited in the Debt Service Reserve Account, and (B) the remaining Core Disposal Proceeds shall be applied in repayment of the Super Senior Hedge Note until repaid in full;
  - once a cumulative aggregate total of, in the case of the 12 month period commencing on the Fifth Closing Date, £12,500,000 (including amounts deposited from Excess Cash) has been deposited into the Debt Service Reserve Account, or, in the case of the period commencing 12 months after the Fifth Closing Date until the end of financial year 2017, £20,000,000 has been deposited into the Debt Service Reserve Account, and in any event from (and including) financial year 2018 onwards, 100 per cent. of Core Disposal Proceeds shall be applied in repayment of the Super Senior Hedge Note until repaid in full; and
  - following repayment in full of the Super Senior Hedge Note, Core Disposal Proceeds shall be applied toward: (i) the mandatory repayment of the Class A Variable Notes until paid in full at the Mandatory Redemption Amount; and/or (ii) repurchases of Class A Variable Notes in the market at their then fair market value (being no more than the relevant Redemption Amount) in accordance with the Issuer/Borrower Facility Agreement.
- Following repayment in full of the Super Senior Hedge Note and the Class A Variable Notes, Core Disposal Proceeds may only be applied:
  - *first*, in respect of the redemption of the Class A Fixed Notes *pari passu* and *pro rata* at the relevant Redemption Amount

until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);

- *second*, in respect of the redemption of the Class M3 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount); and
  - *third*, in respect of the redemption of the Class B4 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or (if the Borrower so elects) in respect of their purchase in the market (at a price no more than the relevant Redemption Amount).
- For the avoidance of doubt, Core Disposal Proceeds credited to the DSRA shall be counted towards the deleveraging requirement, notwithstanding that they may not be used to pay down debt.

**Acquisitions:**

- The existing Permitted Acquisitions regime in the Issuer/Borrower Facility Agreement will be modified to provide that:
  - any Permitted Acquisition is to be funded only with the proceeds of an equity contribution and/or Fully Subordinated Debt;
  - the existing conditions with respect to such Permitted Acquisition (which shall remain unchanged) have been satisfied; and
  - such Permitted Acquisition has been approved by not less than 50 per cent. of each class of Notes then outstanding.

**CapEx:**

- Minimum CapEx amount in total equal to £8,000 per Core Pub per annum and maximum CapEx amount in total equal to £17,500 per Core Pub per annum, increasing annually at the start of each financial year in line with the Consumer Price Index (subject to a floor of zero)
- A determination of the number of Core Pubs for purposes of the minimum and maximum CapEx amounts shall occur on an annual basis.
- CapEx in excess of the aggregate limit of £17,500 per Core Pub per annum may be incurred provided it is funded via an equity contribution and/or by Fully Subordinated Debt.
- The definition of CapEx will remain unchanged, but will be modified to clarify that amounts that are the responsibility of a landlord under its lease with the Borrower will count towards the minimum CapEx covenant, but not the maximum CapEx covenant.
- The Borrower will continue to be required to certify that its CapEx satisfies the Weighted Average Return requirement.
- All amounts on deposit in the CapEx Account at the end of any financial year shall be transferred to the Collection Account, except for any amounts which have been legally committed to pay for

CapEx.

**Distributions and Service Fee payments:**

- Generally, no distributions, service fee payments or other restricted payments, save for:
  - an aggregate service fee (the “**Service Fee**”) equal to 2 per cent. of EBITDA per annum, which may be paid to the Punch Group on each Interest Payment Date provided that: (i) the ratio of Net Senior Debt to EBITDA for the financial year then ended does not exceed the ratio in effect on the Fifth Closing Date (after giving effect to the Proposed Transactions); and (ii) the payment of the Service Fee on such Interest Payment Date may only be paid subject to the relevant Issuer Priorities of Payments; and
  - tax permitted payments as set out in the revised Tax Deed of Covenant, to be agreed as a condition precedent to completion.

**Solvent Winding- Up:**

- Amendments will be made to permit the Borrower to wind-up dormant companies within the Punch A Securitisation, provided that:
  - such winding-up will: (i) be undertaken on a solvent basis; (ii) not result in the distribution of assets to an Excluded Group Entity; and (iii) not be materially prejudicial to the interests of the Issuer Secured Creditors, the Class B4 Notes or the Issuer (which, for the avoidance of doubt, includes that the winding up will not give rise to a material liability to Tax for any member of the Securitisation Group, regardless of whether any such Tax is chargeable directly or primarily against or attributable directly or primarily to any member of the Securitisation Group (a “**Material Tax Liability**”)); and
  - tax accountants or lawyers of good standing reasonably acceptable to the Security Trustee opine, on the basis of assumptions of fact certified as correct by the Borrower to the Security Trustee, would not give rise to a Material Tax Liability.

**Litigation:**

- The threshold for disclosure of litigation, arbitration or administrative proceedings pending or threatened against the Borrower or any other Punch A Securitisation Group Entity (other than the Issuer) which, if it were reasonably likely to result in a liability of the Borrower or such Punch A Securitisation Group Entity (other than the Issuer), if adversely determined, either in any single claim or in aggregate with any connected claims, will be increased from £200,000 to £300,000.

**Board Appointment Rights and Board Limitations:**

- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class A Notes at any time, promptly give a written notice pursuant to the Trust Deed and, if relevant, the Issuer/Borrower Facility Agreement requiring that an identified person be appointed or removed or replaced (as the case may be) as an observer on the board of directors of the Issuer and/or the Borrower.
- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class M3 Notes at any time, promptly give a written notice pursuant to the

Trust Deed and, if relevant, the Issuer/Borrower Facility Agreement requiring that an identified person be appointed or removed or replaced (as the case may be) as an observer on the board of directors of the Issuer and/or the Borrower.

- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class B4 Notes at any time, promptly give a written notice pursuant to the Trust Deed and, if relevant, the Issuer/Borrower Facility Agreement requiring that an identified person be appointed or removed or replaced (as the case may be) as an observer on the board of directors of the Issuer and/or the Borrower.
- The relevant holders of the Class A Notes, the Class M3 Notes and the Class B4 Notes, may appoint the same person as their board observer, in which case, a sole person may be appointed as board observer for the benefit of all classes of Notes.
- If a sole person has been appointed, the relevant holders of any class of Note may revoke his appointment, leaving him appointed as a board observer for the remaining class of Notes which have appointed him.
- The remuneration of any board observer appointed shall be set on a commercially reasonable basis, for time spent in preparation for and at board meetings and out of pocket expenses incurred. Payment of these amounts shall be made by the Issuer or the Borrower, as applicable.
- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class A Notes at any time that the Net Senior Leverage is greater than 10.0, promptly give a written notice pursuant to the Trust Deed (and, if relevant, the Issuer/Borrower Facility Agreement) requiring that identified persons be appointed or removed or replaced (as the case may be) as members of the board of directors of the Issuer and/or the Borrower constituting a majority of the directors of such board.
- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class M3 Notes at any time that the Net Total Leverage is greater than 10.0, promptly give a written notice pursuant to the Trust Deed (and, if relevant, the Issuer/Borrower Facility Agreement) requiring that identified persons be appointed or removed or replaced (as the case may be) as members of the board of directors of the Issuer and/or the Borrower constituting a majority of the directors of such board.
- The Note Trustee shall, if directed by the holders of more than 50 per cent. of the principal amount outstanding of the Class B4 Notes at any time that the Adjusted Net Total Leverage is greater than 10.0, promptly give a written notice pursuant to the Trust Deed (and, if relevant, the Issuer/Borrower Facility Agreement) requiring that identified persons be appointed or removed or replaced (as the case may be) as members of the board of directors of the Issuer and/or the Borrower constituting a majority of the directors of such board.
- In the event that more than one class of Notes is entitled to appoint a majority of directors of the boards of the Issuer and/or the

Borrower, the appointments by the most senior class of Notes outstanding shall prevail.

- The rights and duties of each board member appointed pursuant to the provisions summarised above shall be the same as those of each other member of the board of directors of the Issuer and/or the Borrower.
- The rights and duties of each board observer appointed pursuant to the provisions summarised above shall be the same as those of each other board observer(s) of the Issuer and/or the Borrower.
- Each board observer shall be entitled to attend and contribute to, but not to vote at, each board meeting of the Borrower and/or the Issuer.
- Without limiting the foregoing, each such board observer will have access to all information as reasonably relevant to the Borrower's and/or the Issuer's performance of the Relevant Documents and will have the ability to disclose all such information to the Note Trustee and the Noteholders, the Liquidity Providers and the Hedge Provider (subject to confidentiality obligations and, where appropriate, undertakings not to deal in any relevant securities of the Group).
- Neither Punch nor any company in the restructured Punch A Securitisation Group shall be obliged to make public any information provided under such obligations, other than in accordance with its customary market reporting schedule.
- The majority of the directors of the boards of each of the Issuer and the Borrower shall consist of directors who are natural persons who do not also sit on the board of directors of Punch and who are appropriately independent and qualified.
- “**Net Senior Leverage**” means at any time the ratio of Net Senior Debt to EBITDA at such time.
- “**Net Total Leverage**” means at any time the ratio of Net Total Debt to EBITDA at such time.
- “**Adjusted Net Total Leverage**” means at any time the ratio of the sum of Net Total Debt at such time plus the outstanding principal amount of the Class B4 Notes to EBITDA (calculated on the same basis as the Net Total Leverage Covenant) at such time.

**Further Information:**

For further information please see Part 4.4 (*Proposed modifications to the Issuer/Borrower Facility Agreements*) below.

**2.9 Subordinated Debt Reorganisation**

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- The existing subordinated debt will be extinguished. New Fully Subordinated Debt may be put in place to facilitate the cash injection required to facilitate the restructuring.

**2.10 Retained Cash**

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- As a result of the Punch A Restructuring and immediately following the occurrence of the Fifth Closing Date, a total of at least £15,000,000 of cash will remain on the balance sheet of the Borrower, which will be held in the Collection Account for application as provided in the Relevant Documentation from time to time.
  - For further information please see Part 4.4 (*Proposed modifications to the Issuer/Borrower Facility Agreements*) below.

## **2.11 Interconditionality**

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- The restructuring of the Punch A Securitisation is conditional upon the concurrent restructuring of the Punch B Securitisation.
- For further information please see Part 6 (*Conditions Precedent to the implementation of the Proposed Transaction*) below.



### 3. KEY CHARACTERISTICS OF THE NOTES

	<i>Class A1(F) Notes<sup>6</sup></i>	<i>Class A1(V) Notes</i>	<i>Class A2(F) Notes<sup>7</sup></i>	<i>Class A2(V) Notes</i>	<i>Class M3 Notes</i>	<i>Class B4 Notes</i>
<b>Denomination<sup>1</sup></b>	Minimum denomination of £10,000	Minimum denomination of £1,000	Minimum denomination of £10,000	Minimum denomination of £1,000	Minimum denomination of £1,000	Minimum denomination of £1,000
<b>Principal Amount Outstanding as at Fifth Closing Date<sup>2</sup></b>	£202,500,000	£67,500,000	£137,366,250	£45,788,750	£300,000,000	£90,000,000
<b>Issue Price</b>	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.
<b>Interest Rate<sup>3</sup></b>	7.274 per cent. per annum	7.274 per cent. per annum	7.32 per cent. per annum	7.32 per cent. per annum	LIBOR plus 5.50 per cent. per annum	Cash pay equal to 1.50 per cent. per annum, subject to default stop notice  PIK at 13.50 per cent. per annum, rising to 15.0 per cent. per annum if default stop notice issued
<b>Frequency of payments of interest</b>	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
<b>Frequency of scheduled redemption of principal</b>	Quarterly from the Interest Payment Date falling in [January] 2015	No scheduled redemption. Bullet repayment	Quarterly from the Interest Payment Date falling in [January] 2015	No scheduled redemption. Bullet repayment	None. Bullet repayment	None. Bullet repayment
<b>Frequency of principal from excess cash and disposal proceeds</b>	Quarterly from first Interest Payment Date falling after Fifth Closing Date	Quarterly following repayment in full of the Super Senior Hedge Note	Quarterly from the Interest Payment Date falling after Fifth Closing Date	Quarterly following repayment in full of the Super Senior Hedge Note	Quarterly following repayment in full of the Super Senior Hedge Note and the Class A Notes	None. Bullet repayment
<b>Redemption premium</b>	Modified spens (reference gilts plus 100 basis points)	Modified spens (reference gilts plus 100 basis points)	Modified spens (reference gilts plus 100 basis points)	Modified spens (reference gilts plus 100 basis points)	None <sup>8</sup>	None <sup>8/9</sup>
<b>Interest Payment Dates<sup>4</sup></b>	15 January, 15 April, 15 July, 15 October	15 January, 15 April, 15 July, 15 October	15 January, 15 April, 15 July, 15 October	15 January, 15 April, 15 July, 15 October	15 January, 15 April, 15 July, 15 October	15 January, 15 April, 15 July, 15 October
<b>First Interest Payment Date<sup>5</sup></b>	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014
<b>Final Maturity Date<sup>4</sup></b>	15 [October 2026]	15 [October 2026]	15 [October 2025]	15 [October 2025]	15 [October 2027]	15 [October 2028]

	<i>Class A1(F) Notes<sup>6</sup></i>	<i>Class A1(V) Notes</i>	<i>Class A2(F) Notes<sup>7</sup></i>	<i>Class A2(V) Notes</i>	<i>Class M3 Notes</i>	<i>Class B4 Notes</i>
<b>Form at issue<sup>1</sup></b>	Bearer	Registered	Bearer	Registered	Registered	Registered
<b>Listing</b>	Luxembourg Stock Exchange	Irish Stock Exchange	Luxembourg Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
<b>Clearing</b>	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg	Euroclear and Clearstream, Luxembourg
<b>Common Code</b>	08552975	To be allocated	017961012	To be allocated	To be allocated	To be allocated
<b>ISIN</b>	XS0085529757	To be allocated	XS0179610125	To be allocated	To be allocated	To be allocated

**Notes to above table:**

1. In relation to the Class A1(V) Notes, Class A2(V) Notes, Class M3 Notes and Class B4 Notes, see Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.
2. The precise issuance amount on the Fifth Closing Date will be adjusted to reflect roundings of holdings as part of exchange process - see Part 5.3 (*Treatment of Stubs and Fractional Entitlements*) below.
3. See Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.
4. Subject to adjustment for non-Business Days. See Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.
5. See Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) below.
6. 25 per cent. of the Class A1(R) Notes will be extinguished in consideration for the issuance of the Class A1(V) Notes at par value and the remaining 75 per cent. will be re-designated as Class A1(F) Notes.
7. 25 per cent. of the Class A2(R) Notes will be extinguished in consideration for the issuance of the Class A2(V) Notes at par value and the remaining 75 per cent. will be re-designated as Class A2(F) Notes.
8. The Class M3 Notes and the Class B4 Notes are subject to a two year non-call period from, and including, the Fifth Closing Date. Following the non-call period, optional redemption of the Class M3 Notes and the Class B4 Notes may occur at the option of the Issuer at the relevant Redemption Amount.
9. Including all accrued cash interest, capitalised PIK interest and accrued PIK Interest.

## 4. OVERVIEW OF THE PROPOSED MODIFICATIONS TO THE PRINCIPAL DOCUMENTS

### 4.1 Introduction

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- (a) In order to reflect the Proposed Transaction, it will be necessary for certain of the existing documents governing the Punch A Securitisation (the “**Relevant Documents**”) to be modified or terminated and for certain new documents to be entered into. The key Relevant Documents being modified are:
- (i) the Trust Deed (including the Conditions);
  - (ii) the Issuer/Borrower Facility Agreements;
  - (iii) the Issuer Deed of Charge;
  - (iv) the Punch Taverns First Priority Deed of Charge;
  - (v) the Punch Taverns Second Priority Deed of Charge;
  - (vi) the Liquidity Facility Agreement;
  - (vii) the Bank Agreement;
  - (viii) the Hedging Agreement;
  - (ix) the Issuer/Borrower Swap Agreement;
  - (x) the Agency Agreement;
  - (xi) the Servicing and Cash Management Agreement;
  - (xii) the Borrower Subordinated Loan Agreement;
  - (xiii) the Tax Deed of Covenant; and
  - (xiv) the Master Definitions and Construction Schedule.

The terms and conditions of the New Fifth Issue Notes will be set out in the Trust Deed.

- (b) The summary of certain key modifications to the Relevant Documents set forth below is provided solely for the convenience of the Noteholders and is qualified in its entirety by reference to the terms and conditions of the relevant agreements as currently in effect and as proposed to be amended by and pursuant to:
- (i) a master implementation deed to be entered into by, among others, the Borrower, the Issuer, the Note Trustee and the Security Trustee (the “**2014 Restructuring Implementation Deed**”);
  - (ii) a deed of amendment relating to the Trust Deed (including the form of amended and restated Trust Deed scheduled thereto, the “**Fourth Supplemental Trust Deed**”);
  - (iii) a deed of amendment and acknowledgement relating to the Issuer Deed of Charge (including the amended and restated Issuer Deed of Charge scheduled thereto, the “**Sixth Supplemental Issuer Deed of Charge**”);

- (iv) a deed of amendment and acknowledgement relating to the Punch Taverns Deed of Charge (including the form of amended and restated Punch Taverns Deed of Charge scheduled thereto, the “**Sixteenth Supplemental Punch Taverns Deed of Charge**”);
- (v) a deed of amendment and acknowledgement relating to the Punch Taverns Second Priority Deed of Charge (the “**Supplemental Punch Taverns Second Priority Deed of Charge**”);
- (vi) an Amended and Restated Master Definitions and Construction Schedule (the “**Amended Master Definitions and Construction Schedule**”); and
- (vii) an Amended and Restated Tax Deed of Covenant (the “**Amended and Restated Tax Deed of Covenant**”),

(together, the “**Amendment Documents**”).

- (c) In order to provide a first-ranking charge over the PTH Shares it will be necessary for New Holdco 1 to enter into a standalone Deed of Charge with the Note Trustee providing for such security.
- (d) In addition, in order to provide a first-ranking charge over the New Holdco 1 Shares it will be necessary to enter into a standalone Deed of Charge between New Holdco 2, Punch Partnerships (PTL) Limited, the New Holdco 2 Security Trustee and the Note Trustee providing for the Class B4 Security.
- (e) The purpose of the 2014 Restructuring Implementation Deed is to facilitate the implementation of the Proposed Transaction and the amendment of existing documentation. In particular, the 2014 Restructuring Implementation Deed (amongst other things) will:
  - (i) amend and restate the terms of the Tax Deed of Covenant to take account of the Proposed Transaction and the Subordinated Debt Reorganisation;
  - (ii) require Punch to implement the Subordinated Debt Reorganisation;
  - (iii) subject to the satisfaction of certain conditions and completion of the Subordinated Debt Reorganisation, amend and restate the terms of the following documents:
    - (A) the Issuer/Borrower Facility Agreements;
    - (B) the Liquidity Facility Agreement;
    - (C) the Agency Agreement;
    - (D) the Servicing and Cash Management Agreement; and
    - (E) the Bank Agreement;
  - (iv) terminate and modify certain confirmations under the Existing Hedging Agreement and the Existing Issuer/Borrower Swap Agreement;
  - (v) release and terminate the Ambac Guarantees and terminate the Guarantee and Reimbursement Agreements; and
  - (vi) effect certain other mechanical steps and amendments which are necessary to implement the Proposed Transaction.

## 4.2 Proposed modifications relevant to all documentation

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<i>Definitions</i>	There will be consequential amendments to the Master Definitions and Construction Schedule to reflect the modifications to the Relevant Documents summarised herein.
<i>Exchange/Redesignation of Existing Senior Notes and Exchanged Junior Notes</i>	There will be consequential amendments to reflect the Note exchanges and redesignations summarised herein.
<i>Release of Ambac Guarantees</i>	There will be consequential amendments to reflect the release and termination of the Ambac Guarantees and the termination of the Ambac Guarantee and Reimbursement Agreements.

## 4.3 Proposed modifications to the Trust Deed and the Conditions

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<i>The Fifth Issue Notes</i>	<p>On the Fifth Closing Date, it is proposed that the Issuer will issue the:</p> <ul style="list-style-type: none"> <li>(a) the Super Senior Hedge Note;</li> <li>(b) Class A1(V) Notes;</li> <li>(c) Class A2(V) Notes;</li> <li>(d) Class M3 Notes; and</li> <li>(e) Class B4 Notes,</li> </ul> <p>(together, the “<b>New Fifth Issue Notes</b>”)</p> <p>and redesignate the remaining existing Class A1(R) Notes and Class A2(R) respectively as:</p> <ul style="list-style-type: none"> <li>(f) Class A1(F) Notes; and</li> <li>(g) Class A2(F) Notes,</li> </ul> <p>(together with the New Fifth Issue Notes, the “<b>Fifth Issue Notes</b>”).</p>
<i>Denomination</i>	The New Fifth Issue Notes will be issued in minimum denominations of £1,000 each and integral multiples of £1,000 thereafter.
<i>Status and form</i>	<p>The Super Senior Hedge Note, the Class A1(F) Notes and the Class A1(V) Notes carry substantially the same terms and conditions (except that the Super Senior Hedge Note and the Class A1(V) Notes do not have a scheduled redemption but are repayable by a bullet repayment on their final maturity date, subject to mandatory early redemption from Excess Cash from time to time and priority optional redemption).</p> <p>The Super Senior Hedge Note, the Class A2(F) Notes and the Class A2(V) Notes carry substantially the same terms and conditions (except that the Super Senior Hedge Note, the Class A2(V) Notes do not have a scheduled amortisation but are repayable by a bullet repayment on their final maturity date, subject to mandatory early redemption from</p>

Excess Cash from time to time and priority optional redemption).

The Class A Variable Notes are subordinated in right of payment to the Class A Fixed Notes. The Class M3 Notes are subordinated in right of payment to the Class A Notes. The Class B4 Notes are subordinated in right of payment to the Class M3 Notes. The Class B4 Notes will not have the benefit of the Issuer Security but will have the benefit of the Class B4 Security (see *Proposed Class B4 Security* below).

Each class of Fifth Issue Notes will be constituted by a trust deed entered into on 26 March 1998 between the Issuer and Deutsche Bank International Trust Co. (Jersey) Limited (the “**Original Trust Deed**”) as amended and restated on 20 August 1999, and as supplemented and further amended by a first supplemental trust deed between the same parties dated 25 October 2000 (the “**First Supplemental Trust Deed**”), by a second supplemental trust deed between the Issuer, the Note Trustee and Ambac dated 3 November 2003 (the “**Second Supplemental Trust Deed**”), and by a third supplemental trust deed between the Issuer, the Note Trustee and Ambac dated the Fourth Closing Date (the “**Third Supplemental Trust Deed**”) and by a fourth supplemental trust deed between the Issuer and Note Trustee to be dated the Fifth Closing Date (the “**Fourth Supplemental Trust Deed**”, together with the Original Trust Deed, the First Supplemental Trust Deed, the Second Supplemental Trust Deed and the Third Supplemental Trust Deed, the “**Trust Deed**”, which expression includes such trust deed as from time to time modified in accordance with the provisions thereof and any deed or other document expressed to be supplemental thereto).

Each class of Fifth Issue Notes will have the benefit of the Issuer Security (other than the Class B4 Notes which will have the benefit of the Class B4 Security only (as described in Part 4.8 (*Proposed Class B4 Security*) below)).

The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of all classes of Fifth Issue Notes, but where there is, in the Note Trustee’s opinion, a conflict between such interests, the Trust Deed requires the Note Trustee to have regard only to the most senior class of the Fifth Issue Notes then outstanding.

The obligations of the Issuer will rank in the following order of priority in right of security and as to payments of interest and repayments of principal:

- (a) first, *pari passu*, the Class A Fixed Notes, although payments of interest on the Class A Fixed Notes shall rank in priority to payments of principal in relation to the Class A Fixed Notes;
- (b) second, *pari passu*, the Class A Variable Notes, although payments of interest on the Class A Variable Notes shall rank in priority to payments of principal in relation to the Class A Variable Notes;
- (c) third, *pari passu*, the Class M3 Notes, although payments of interest on the Class M3 Notes shall rank in priority to payments of principal in relation to the Class M3 Notes; and

- (d) fourth, *pari passu*, the Class B4 Notes (which do not have the benefit of the Issuer Security but have the benefit of the Class B4 Security), although payments of interest on the Class B4 Notes shall rank in priority to payments of principal in relation to the Class B4 Notes.

If amounts are outstanding under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts), and/or are due from the Issuer to any Hedge Provider (other than in respect of any Hedging Subordinated Amounts), the Issuer's obligations in respect thereof will rank in priority to its obligations in respect of all classes of Notes.

*Deferral of Class M3 Notes*

If, on any Interest Payment Date, the sums standing to the credit of the Issuer Transaction Account on any Interest Payment Date, for the avoidance of doubt, taking into account amounts drawn into such account under the Liquidity Facility (the "**Issuer Available Funds**"), after deducting the amounts ranking in priority to interest on the Class M3 Notes (the relevant amount remaining after such deduction being the "**Class M3 Interest Residual Amount**"), are not sufficient to satisfy in full the aggregate amount of cash interest due and payable on such Notes on such Interest Payment Date, such Class M3 Interest Residual Amount shall instead constitute the aggregate amount of interest payable on the Class M3 Notes on such Interest Payment Date, and such Interest Residual Amount shall be payable *pro rata* in respect of the Class M3 Notes.

In such an event, the Issuer will create a provision in its accounts for the shortfall equal to the amount by which the Class M3 Interest Residual Amount paid in respect of the Class M3 Notes on such Interest Payment Date falls short of the aggregate amount of interest payable on the Class M3 Notes on such date in accordance with the Conditions. Any such shortfall shall accrue interest at the same rate as that payable in respect of the Class M3 Notes and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that, on such Interest Payment Date, the relevant Issuer Available Funds are sufficient to make such payment.

*Deferral of Class B4 Notes*

If, on any Interest Payment Date, the Issuer Available Funds, after deducting the amounts ranking in priority to cash interest on the Class B4 Notes (the relevant amount remaining after such deduction being the "**Class B4 Interest Residual Amount**"), are not sufficient to satisfy in full the aggregate amount of cash interest due and payable on the Class B4 Notes on such Interest Payment Date, such Class B4 Interest Residual Amount shall instead constitute the aggregate amount of cash interest payable on the Class B4 Notes on such Interest Payment Date, and such Class B4 Interest Residual Amount shall be payable *pro rata* in respect of the Class B4 Notes.

In such an event, the Issuer will create a provision in its accounts for the shortfall equal to the amount by which the Class B4 Interest Residual Amount paid in respect of the Class B4 Notes on such Interest Payment Date falls short of the aggregate amount of cash interest payable on the Class B4 Notes on such date in accordance with the Conditions. Any such shortfall shall accrue interest at the rate of interest for cash interest for such Notes ("**Class B4 Interest Shortfall Cash Interest**") and interest at the rate of interest for PIK Interest ("**Class B4 Interest Shortfall PIK Interest**") and shall be payable



together with such accrued Class B4 Interest Shortfall Cash Interest on any succeeding Interest Payment Date only if and to the extent that, on such Interest Payment Date, the relevant Issuer Available Funds are sufficient to make such payment. All amounts of accrued Class B4 Interest Shortfall PIK Interest will be capitalised on the next succeeding Interest Payment Date.

*Material Default*

In addition to the foregoing:

- (a) the payment of cash interest in respect of the Class B4 Notes will be blocked during the continuation of a Material Default, and the amount that would have been paid will instead be held in an account pending either the cure or waiver of such Material Default or an acceleration of the Notes; and
- (b) a “**Material Default**” shall occur upon any Borrower level payment default, any Insolvency Event with respect to the Borrower or breach of a financial covenant, whether or not any notice relating thereto has been given or any grace period relating thereto has elapsed.

*Security for the Notes*

Each of the Class A Noteholders and the other Issuer Secured Creditors will share in the benefit of the security created by the Issuer Deed of Charge upon and subject to the terms thereof.

The Class B4 Notes will not have the benefit of any security, save that the Class B4 Notes will have the benefit of security constituted pursuant to the Class B4 Security Deed of Charge as defined and described in Part 4.8 (*Proposed Class B4 Security*) below.

*Ambac Guarantees*

Ambac has issued the Ambac Guarantees pursuant to, and in accordance with, the Ambac Guarantee and Reimbursement Agreements.

The Ambac Guarantees will be released and the Ambac Guarantee and Reimbursement Agreements terminated with effect from the Fifth Closing Date.

From the Fifth Closing Date, the Conditions and the other Relevant Documents will be amended to remove references to Ambac.

*Enforcement and meeting of Noteholders*

Enforcement, meetings and voting terms and conditions for the Class A Notes will be amended: (i) to reflect the release of the Ambac Guarantees; and (ii) to provide that the holders of all Class A Notes shall vote as a single class on all matters save for those which would constitute a Basic Terms Modification with respect to any class of Class A Notes.

Enforcement, meetings and voting terms and conditions will be amended to reflect (i) the extinguishment in full of the Class M1 Notes, the Class M2(N) Notes, the Class B1 Notes, the Class B2 Notes and the Class B3 Notes in consideration for a combination of cash and the issuance of new Class M3 Notes and Class B4 Notes and (ii) the extinguishment in full of the Class C(R) Notes and the Class D1 Notes in consideration for cash.

*Coupons*

From the Fifth Closing Date, the rate of interest payable in respect of:

- (a) the Super Senior Hedge Note shall be 3 month LIBOR, subject to a margin ratchet if the shadow amortisation profile is not

met (calculated in accordance with Table 1 of Part 2.6 (*Hedge Contracts* above))

- (b) the Class A1(F) Notes shall be 7.274 per cent. per annum;
- (c) the Class A1(V) Notes shall be 7.274 per cent. per annum;
- (d) the Class A2(F) Notes shall be 7.32 per cent. per annum;
- (e) the Class A2(V) Notes shall be 7.32 per cent. per annum;
- (f) the Class M3 Notes shall be equal to the aggregate of LIBOR plus 5.50 per cent. per annum; and
- (g) the Class B4 Notes shall be
  - (i) cash interest equal to 1.50 per cent. per annum; and
  - (ii) payment-in-kind interest (“**PIK Interest**”) equal to 13.50 per cent. per annum, calculated for each Interest Payment Date by reference to a compounding formula,

provided that, following a Borrower Event of Default, at least 25 per cent. of the most senior Class of Notes then outstanding may, by written notice to the Issuer and the Note Trustee, block further payment of cash interest on the Class B4 Notes, and upon such delivery of such notice cash interest shall cease from the date of such notice and the PIK Interest shall increase to an effective interest rate of 15.0 per cent per annum calculated as provided above.

The relevant day-count fraction for purposes of determining the amount of interest accrued on any Notes during any Interest Period will remain unchanged.

#### *Interest Payment Dates*

Subject to the Deferral Condition in the case of the Class M3 Notes and the Class B4 Notes, interest on the Notes is payable quarterly in arrear on 15 January, 15 April, 15 July and 15 October in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each an “**Interest Payment Date**”).

PIK Interest will accrue on the principal amount of the Class B4 Notes (including interest previously capitalised) outstanding from time to time and will be capitalised on each Interest Payment Date and added to the principal amount outstanding.

The first Interest Period in respect of the Class A Fixed Notes, the Class A Variable Notes, the Class M3 Notes and the Class B4 Notes shall be the period from (and including) the Fifth Closing Date to (but excluding) the Interest Payment Date on 15 [January] 2014.

#### *Final Redemption*

Subject to the deferral Condition in the case of the Class M3 Notes and the Class B4 Notes, and unless previously redeemed in full, the Issuer shall redeem the Notes at their relevant Redemption Amount as follows:

- (a) the Class A1(F) Notes on the Interest Payment Date falling in [October 2026];
- (b) the Class A1(V) Notes on the Interest Payment Date falling in [October 2026];
- (c) the Class A2(F) Notes on the Interest Payment Date falling in [October 2025];
- (d) the Class A2(V) Notes on the Interest Payment Date falling in [October 2025];
- (e) the Class M3 Notes on the Interest Payment Date falling in [October 2027]; and
- (f) the Class B4 Notes on the Interest Payment Date falling in [October 2028].

New Notes may be issued to refinance any class of the Class A Notes (in whole but not in part) at maturity as set out in Part 2.2 (*Amendments to the Existing Junior Notes*) above.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in the Scheduled Redemption, Mandatory Redemption and Optional Redemption Conditions, but without prejudice to the Issuer Events of Default Condition.

#### *Scheduled Redemption*

Prior to enforcement of the Issuer Security, the Class A1(F) Notes and the Class A2(F) Notes will be subject to scheduled redemption in part in quarterly instalments on each Interest Payment Date as summarised in Part 1 (*Class A1(F) Note Scheduled Redemption*) and Part 2 (*Class A2(F) Note Scheduled Redemption*) of Schedule 1 (*Scheduled Redemption*) hereto, and as described:

- (a) in respect of the Class A1(F) Notes, in the Scheduled Redemption Condition; and
- (b) in respect of the Class A2(F) Notes, in the Schedule Redemption Condition.

The Class A1(V) Notes, the Class A2(V) Notes, the Class M3 Notes and the Class B4 Notes will, prior to enforcement of the Issuer Security, be repaid on the final redemption date specified above to the extent that they have not been repaid prior to that date (see also *Final Redemption above* and *Mandatory Early Redemption and Optional Redemption* below).

#### *Mandatory Early Redemption*

Please see *New Class A1(V) Notes and Class A2(V) Notes* in Part 2.1 (*Amendments to the Existing Senior Notes*) above.

#### *Optional Redemption*

Where the Issuer receives monies from the Borrower in optional repayment of Term Advances, on giving not more than 10 nor fewer than 5 Business Days' prior written notice to the holders of the relevant class of Notes, the Notes may be redeemed in whole or in part at the relevant Redemption Amount, subject to the restrictions described below and subject to the conditions more particularly described in the Optional Redemption Condition.

Notwithstanding any provision of any Relevant Document, the Conditions or the source of funds, optional redemptions may only occur following repayment in full of the Super Senior Hedge Note and must occur in the following order of priority:

- (a) *first*, in respect of the redemption of the Class A Variable Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);
- (b) *second*, in respect of the redemption of the Class A Fixed Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount);
- (c) *third*, in respect of the redemption of the Class M3 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount); and
- (d) *fourth*, in respect of the redemption of the Class B4 Notes *pari passu* and *pro rata* at the relevant Redemption Amount until they are paid in full, or in respect of their purchase in the market (at a price no more than the relevant Redemption Amount),

provided that the Class M3 Notes may be redeemed prior to the redemption in full of the Class A Notes, and the Class B4 Notes may be redeemed prior to the redemption in full of the Class A Notes and the Class M3 Notes, in each case:

- (e) with (and only with) the proceeds of the proceeds of an equity contribution and/or Fully Subordinated Debt, or
- (f) with the proceeds of New Notes issued by the Issuer as set out in Part 2.1 (*Amendments to the Existing Senior Notes*) above.

The Issuer may not redeem (whether in whole or in part) any of the Class M3 Notes or the Class B4 Notes within the period of two years from and including the Fifth Closing Date. Following such two year non-call period, the Issuer may thereafter redeem the Class M3 Notes and the Class B4 Notes at their relevant Redemption Amount as provided in *New Class M3 Notes – Optional Redemption* and *New Class B4 Notes – Optional Redemption* in Part 2.2 (*Amendments to the Existing Junior Notes*) above.

All optional redemptions shall reduce scheduled redemptions in reverse order, with the last such scheduled redemption being reduced first, etc.

*Substitution/Redemption for taxation or other reasons*

As more particularly described in the Substitution or Redemption for Taxation or other Reasons Condition, in the event of:

- (a) certain changes in tax law (or the application or official interpretation thereof), including in the event that the Issuer will be obliged to make any withholding or deduction from

payments in respect of the Notes; or

- (b) it becoming unlawful for the Issuer to make, fund or allow to remain outstanding all or any advances made or to be made by it under the Issuer/Borrower Facility Agreement; or
- (c) certain changes in tax law (or the application or official interpretation thereof) affecting the amounts paid or to be paid to the Issuer under the Issuer/Borrower Facility Agreement, including in the event that the Borrower is required to make a withholding or deduction from payments in respect of the facilities made available thereunder by the Issuer,

the Issuer may, subject to the terms of that Condition:

- (d) with the approval of the Note Trustee either arrange for the substitution as Issuer of a company which is tax resident in an alternative jurisdiction (subject to certain conditions); or
- (e) issue Notes in registered form; or
- (f) redeem all (but not some or part only) of the Notes at their Principal Amount Outstanding together with accrued (but unpaid) cash interest, accrued (but unpaid) PIK Interest, and capitalised interest thereon (in accordance with the Redemption, Purchase and Cancellation Condition.

#### *Acceleration and Enforcement*

If an Event of Default shall occur in relation to any class of Notes, the Note Trustee may deliver an Issuer Enforcement Notice to accelerate the Notes and enforce the Issuer Security, and shall deliver an Issuer Enforcement Notice:

- (a) if directed in writing (i) by holders of the Class A Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class A Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class A Notes;
- (b) if there are no Class A Notes outstanding, if directed in writing (i) by holders of the Class M3 Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class M3 Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class M3 Notes; or
- (c) if there are no Class A Notes or Class M3 Notes outstanding, if directed in writing (i) by holders of the Class B4 Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class B4 Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class B4 Notes,

subject to the Note Trustee being prefunded to its satisfaction for litigation costs.

#### *Note Repurchases*

The Issuer may not repurchase Notes from anyone at any time.

#### *Covenants*

- (a) No changes will be made to the existing covenants given by the Issuer.

- (b) For so long as any Class A Notes or Class M3 Notes remain outstanding, the covenants and undertakings of the Issuer in the Trust Deed and the Conditions are given solely for the benefit of the holders of the Class A Notes and the Class M3 Notes, and the holders of the Class B4 Notes shall, except as set out in paragraph (d) below, have no right of recourse against the Issuer for breach of, or failure to observe, such covenants and undertakings.
- (c) Subject to any amendment which would affect a Class B4 Entrenched Right, any proposed amendment to any covenant or undertaking of the Issuer may be made without the consent of the holders of the Class B4 Notes. Class B4 Entrenched Rights will be set out in the definitive documentation.
- (d) The holders of Class B4 Notes will have recourse against the Issuer for breach of, or failure to observe, any covenants and undertakings which are specific to the holders of the Class B4 Notes.

#### *Global Notes*

It is proposed that the Global Notes representing the Class A Notes will be amended on the Fifth Closing Date to include additional legends and transfer restrictions to comply with US securities laws. Such legends and restrictions will also be included on the Global Note representing the Class M3 Notes and the Class B4 Notes.

The additional legends will provide that, in the event that (i) a U.S. Person (within the meaning of Regulation S) or (ii) a U.S. resident (as determined for the purposes of the Investment Companies Act) who is not a Qualified Institutional Buyer (“QIB”) and a Qualified Purchaser (“QP”), or an “accredited investor” holds any Notes at any time, the Issuer may, in its discretion, either (A) compel such a holder or transferee to sell such Notes or its interests therein to a person who either (1) is a U.S. Person who is both a QIB and a QP that is otherwise qualified to purchase this bond or interest therein in a transaction exempt from registration under the Securities Act or (2) is neither a U.S. Person (within the meaning of Regulation S) nor a U.S. resident (as determined for the purposes of the Investment Companies Act) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, or (B) on behalf of such a holder or transferee, as applicable (and such transferee by its accepting delivery of the Notes or a beneficial interest therein irrevocably grants to the Issuer and the Issuer’s agents full power and authority to, on behalf of such transferee), sell such Notes or such holder’s or transferee’s interest therein, as applicable, to a person designated by or acceptable to the Issuer at a price equal to the least of (1) the purchase price therefore paid by the original transferee, (2) 100 per cent. of the principal amount thereof and (3) the fair market value thereof. The Issuer has the right to refuse to honour a transfer of the Notes or interest therein to a U.S. Person (as defined in Regulation S) or a U.S. resident (as determined for purposes of the Investment Company Act) who is not both a QIB and a QP.

#### *Board Appointment Rights and Board Limitations*

Amendments will be made to the Trust Deed providing for Noteholders to appoint observers and/or directors to the board of the Issuer in certain circumstances.

Please see *Board Appointment Rights and Board Limitation* in Part 2.8 (*Operational Covenants*) above.

<i>Additional Notes and New Notes</i>	The Trust Deed will be amended to provide that no Additional Notes may be issued except as otherwise provided herein.
<i>Voting</i>	The definitive documents will state that all Noteholder voting will take place by class of Notes (e.g., Class A1(V) Notes, Class A2 (V) Notes, etc.) unless a combined class (e.g., Class A Notes) is explicitly specified in the documents.
<i>Note Trustee</i>	<p>(a) The ability of the Note Trustee to make certain determinations and waive certain restrictions in the Relevant Documents without a direction of Noteholders will be restricted.</p> <p>(b) The Trust Deed and each other Relevant Document to which the Note Trustee is a party will be modified to provide that holders of at least 25 per cent. of the Class A Notes at any time outstanding (or, if no Class A Notes are outstanding, holders of at least 25 per cent. of the most senior class of Notes at any time outstanding) may replace the Note Trustee with an Acceptable Replacement Trustee.</p> <p>(c) If the Note Trustee receives conflicting directions, and one of those directions has the support of more than 50 per cent. of the Class A Notes outstanding (or, if no Class A Notes are outstanding, the support of more than 50 per cent. of the most senior class of Notes then outstanding) (each a “<b>Majority Direction</b>”), the Majority Direction shall prevail. If the Note Trustee receives conflicting directions, but none of those is a Majority Direction, the Note Trustee shall not be replaced.</p>

“**Acceptable Replacement Trustee**” means:

- [●], [●], [●], [●], or [●] (or any of their successors in title); or
- any other entity which is a UK trust corporation (as defined in the Law of Property Act 1925) and is regularly involved in providing corporate trustee services and is trustee in respect of debt securities listed on the Main Market of the London Stock Exchange and/or the Irish Stock Exchange with an aggregate principal amount outstanding of at least £100 billion sterling (or the equivalent sum in other currencies).

#### 4.4 Proposed modifications to the Issuer/Borrower Facility Agreements

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<i>The First PTF Issuer/Borrower Facility Agreement to govern all Term Facilities</i>	It is proposed that the existing two Issuer/Borrower Facility Agreements will be consolidated into one Issuer/Borrower Facility Agreement. As a result, the Term Facilities will all be governed by the First PTF Issuer/Borrower Facility Agreement (as amended) (the “ <b>Issuer/Borrower Facility Agreement</b> ”).
<i>Note Exchange</i>	There will be consequential amendments to the terms of the Issuer/Borrower Facility Agreement to reflect the Note Exchange and Senior Note Redesignation.

Following the Fifth Closing Date, the following facilities will be available under the Issuer/Borrower Facility Agreement:

- (a) the Issuer/Borrower Hedge Loan;
- (b) the Term A1(F) Facility;
- (c) the Term A1(V) Facility;
- (d) the Term A2(F) Facility (together with the Term A1(F) Facility, the “**Term A Fixed Facilities**”);
- (e) the Term A2(V) Facility (together with the Term A1(V) Facility, the “**Term A Variable Facilities**”);
- (f) the Term M3 Facility (the “**Term M3 Facility**”); and
- (g) the Term B4 Facility (the “**Term B4 Facility**”)

(collectively, the “**Term Facilities**”). The advances outstanding from time to time under the Term Facilities are referred to collectively as the “**Term Advances**”, and

- (a) the advances outstanding under the Issuer/Borrower Hedge Loan are referred to as the “**Issuer/Borrower Hedge Loan Advances**”;
- (b) the advances outstanding under the Term A1(F) Facilities are referred to as the “**Term A1(F) Advances**”;
- (c) the advances outstanding under the Term A1(V) Facilities are referred to as the “**Term A1(V) Advances**”;
- (d) the advances outstanding under the Term A2(F) Facilities are referred to as the “**Term A2(F) Advances**” and, together with the Term A1(F) Advances the “**Term A Fixed Advances**”;
- (e) the advances outstanding under the Term A2(V) Facilities are referred to as the “**Term A2(V) Advances**” and, together with the Term A1(V) Advances the “**Term A Variable Advances**”, and together with the Term A Fixed Advances, the “**Term A Advances**”;
- (f) the advances outstanding under the Term M3 Facility are referred to as the “**Term M3 Advances**”; and
- (g) the advances outstanding under the Term B4 Facility are referred to as the “**Term B4 Advances**”.

#### *Rates of Interest*

The rate of interest payable on the Term Advances drawn under the Issuer/Borrower Facility Agreements will be as follows:

- (a) with respect to the Issuer/Borrower Hedge Loan Advances, an amount equal to the rate of interest payable on the Super Senior Hedge Note (as set out in Part 2.6 (*Hedge Contracts*) above;



- (b) with respect to the Term A1(F) Advances, 7.274 per cent. per annum;
- (c) with respect to the Term A1(V) Advances, 7.274 per cent. per annum;
- (d) with respect to the Term A2(F) Advances, 7.32 per cent. per annum;
- (e) with respect to the Term A2(V) Advances, 7.32 per cent. per annum;
- (f) with respect to the Term M3 Advances, the aggregate of LIBOR plus 5.50 per cent. per annum; and
- (g) with respect to the Term B4 Advances, cash interest at a rate of 1.50 per cent. per annum and PIK Interest at an effective interest rate of 13.50 per cent. per annum, calculated for each Interest Payment Date by reference to a compounding formula, provided that, following a Borrower Event of Default, if at least 25 per cent. of the most senior class of Notes then outstanding by written notice to the Issuer and the Note Trustee blocks further payment of cash interest on the Class B4 Notes, the cash interest shall cease to be paid from the date of such notice and the PIK Interest shall as and from such date increase to an effective interest rate of 15.0 per cent. per annum, calculated by reference to a compounding formula.

All cash interest in respect of each Interest Period shall be payable in arrear on the immediately succeeding Interest Payment Date. PIK Interest will accrue on the principal amount of the Term B4 Advances (including interest previously capitalised) outstanding from time to time and will be capitalised on each Interest Payment Date and added to the principal amount outstanding.

#### *Prepayment*

The current optional prepayment and mandatory prepayment provisions will be replaced by the following.

- (a) On the [5]th Business Day prior to each Financial Quarter Date, the Borrower will be required to calculate the Excess Cash generated during the prior financial quarter.
- (b) On each Loan Interest Payment Date, all Excess Cash will be applied in part toward mandatory repayment of the Issuer/Borrower Hedge Loan and in part for deposit into a new Debt Service Reserve Account and/or a new Excess Cash Account as follows:
  - (i) from (and including) financial year 2015 to (and including) financial year 2017, until a cumulative aggregate total of £20,000,000 has been deposited into the Debt Service Reserve Account (without any obligation to top up such account from any source whatsoever) (A) Excess Cash up to a maximum cumulative limit of £12,500,000 in any one financial year shall be deposited in the Debt Service Reserve Account, and (B) the remaining Excess Cash shall be applied in repayment of the Super Senior Hedge

Note until repaid in full; and

- (ii) once a cumulative aggregate total of £20,000,000 of has been deposited into the Debt Service Reserve Account, and in any event from (and including) financial year 2018 onwards, 100 per cent. of Excess Cash shall be applied in repayment of the Super Senior Hedge Note until repaid in full, and thereafter shall be deposited into the Excess Cash Account.
- (c) Funds standing to the credit of the Debt Service Reserve Account shall be applied on any Loan Interest Payment Date to meet any shortfall in funds available to pay debt service on the Issuer/Borrower Hedge Loan and the Term A Advances.
- (d) Following repayment in full of the Super Senior Hedge Note and the Class A Notes, all amounts on deposit in the Debt Service Reserve Account will be transferred to the Excess Cash Account and the Debt Service Reserve Account will be closed.
- (e) The Borrower Security Trustee shall have sole signing rights over the Debt Service Reserve Account and the Excess Cash Account.
- (f) Following repayment in full of the Super Senior Hedge Note, amounts on deposit in the Excess Cash Account shall be applied toward (i) the mandatory repayment of the Class A Variable Notes until paid in full at the Mandatory Redemption Amount and/or (ii) repurchases of Class A Variable Notes in the market at their then fair market value (being no more than the relevant Redemption Amount) in accordance with the Issuer/Borrower Facility Agreement
- (g) Following repayment in full of the Super Senior Hedge Note and the Term A Variable Advances, all Excess Cash will be held in the Excess Cash Account for application at the option of the Borrower (in the priorities set out in (h) below) toward (i) the scheduled redemption of the Term A Fixed Advances, (ii) the optional redemption of Term Advances, and/or (if the Borrower so elects) (iii) the optional repurchases of Notes in the market at their then fair market value (being no more than the relevant Redemption Amount) in accordance with the Issuer/Borrower Facility Agreement.
- (h) Notwithstanding any provision of any Relevant Document or the source of funds, optional repayments of the Term Advances may only occur following repayment in full of the Issuer/Borrower Hedge Loan and must occur in the following order of priority:
  - (i) *first*, in respect of the repayment of the Term A Variable Advances until they are paid in full, or in respect of the purchase of Class A Variable Notes in the market until they are redeemed in full;
  - (ii) *second*, in respect of the repayment of the Term A Fixed Advances until they are paid in full, or in respect of the purchase of Class A Fixed Notes in the

market until they are redeemed in full;

- (iii) *third*, in respect of the repayment of the Term M3 Advances until they are paid in full, or in respect of the purchase of Class M3 Notes in the market until they are redeemed in full; and
- (iv) *fourth*, in respect of the repayment of the Term B4 Advances until they are paid in full, or in respect of the purchase of Class B4 Notes in the market until they are redeemed in full.

For further information, please see Part 2.8 (*Operational Covenants*) above.

<i>Payment and Account Mechanics</i>	There will be minor amendments to the payment and account mechanics.
<i>Account Closures</i>	The Sinking Fund Account will be closed. The Acquisition Reserve Account and the Controlled Cash Account will be closed and the balance standing to the credit of such accounts as at the Fifth Closing Date will be transferred to the Collection Account.
<i>Account Openings</i>	The Excess Cash Account will be opened and the Debt Service Reserve Account will be opened.
<i>Maintained Accounts</i>	Each of the Disposal Proceeds Account, the Maintenance CapEx Account and the Collection Account will be maintained.
<i>Account Operations</i>	<p>The operating procedures and restrictions regarding the maintained accounts will remain unchanged except as follows:</p> <ul style="list-style-type: none"> <li>(a) implement cash flow restrictions set out elsewhere in this Term Sheet; and</li> <li>(b) the cash sweep of the Disposal Proceeds Account occurring upon a DSCR breach will be removed.</li> </ul>
<i>Financial Covenants</i>	The existing debt service cover ratio and net worth financial covenants will be modified as part of the Proposed Transaction to provide for the following:
<i>EBITDA Interest Cover Ratio</i>	<p>The ratio of EBITDA to Interest Charges shall be not less than 1.25:1.0 as and from the Fifth Closing Date and shall ratchet up each Financial Quarter Date to 1.70:1.0 on the Financial Quarter Date falling in August 2022, calculated as at each Financial Quarter Date (commencing on the second Financial Quarter Date following the Fifth Closing Date) for the Relevant Period ended on such Financial Quarter Date.</p> <p>The exact ratio of EBITDA to Interest Charges required on each Financial Quarter Date is set out on Schedule 2 (<i>EBITDA Interest Cover Ratio</i>) hereto.</p>
<i>Free Cash Flow Debt Service Cover Ratio</i>	The ratio of Free Cash Flow to Debt Service shall be not less than 1.0:1.0, calculated as at each Financial Quarter Date (commencing on the second Financial Quarter Date following the Fifth Closing Date) for the Relevant Period ended on such Financial Quarter Date.

If, on a testing date, the Borrower would otherwise be in breach of the Free Cash Flow Debt Service Cover Ratio Covenant, the Borrower may, for the purposes of calculating compliance with the Free Cash Flow Debt Service Cover Ratio Covenant, include within Free Cash Flow for the Relevant Period, amounts standing to the credit of the Debt Service Reserve Account, provided that such amounts do not exceed the lowest of:

- (i) the sum of (a) the aggregate of all amounts deposited into the Debt Service Reserve Account since the Fifth Closing Date less (b) the aggregate of all amounts standing to the credit of the Debt Service Reserve Account which the Borrower has elected to include within Free Cash Flow since the Fifth Closing Date for the purposes of determining compliance with the Free Cash Flow Debt Service Cover Ratio Covenant (whether or not such amounts were, in fact, withdrawn from the Debt Service Reserve Account on any Interest Payment Date);
- (ii) such amounts as are required to make the ratio of Free Cash Flow to Debt Service not less than 1.0:1.0; and
- (iii) the credit balance of the Debt Service Reserve Account on such testing date.

*Net Senior Leverage* The ratio of Net Senior Debt to EBITDA, shall, on each Interest Payment Date, be no greater than the amounts set out in Part 1 (Net Senior Leverage) of Schedule 3 (*Leverage Ratios*) hereto, calculated as at each Financial Quarter Date (commencing on the second Financial Quarter Date following the Fifth Closing Date) for the Relevant Period ended on such Financial Quarter Date. For the avoidance of doubt, funds withdrawn from the DSRA may not be included in EBITDA.

*Net Total Leverage* The ratio of Net Total Debt to EBITDA, shall, on each Interest Payment Date, be no greater than the amounts set out in Part 2 (*Net Total Leverage*) of Schedule 3 (*Leverage Ratios*) hereto, calculated as at each Financial Quarter Date (commencing on the second Financial Quarter Date following the Fifth Closing Date) for the Relevant Period ended on such Financial Quarter Date. For the avoidance of doubt, funds withdrawn from the DSRA may not be included in EBITDA.

*Net Worth* Net Worth shall not at any time be less than £50,000,000.

*Pro Forma* The EBITDA Interest Cover Ratio and the Free Cash Flow Debt Service Cover Ratio will be tested for each Financial Quarter, in the case of each Financial Quarter Date up to and including the Financial Quarter Date falling in August 2015:

- (a) for the purposes of determining EBITDA and Free Cash Flow, by reference to the unaudited consolidated financial statements of the Securitisation Group for the relevant Financial Quarters, and by reference to the audited consolidated financial statements of the Securitisation Group;
- (b) for the purposes of determining Interest Charges, by calculating the aggregate amount of Interest Charges which would be payable on the four Interest Payment Dates immediately following the Fifth Closing Date, calculated by reference to the principal amount outstanding of the Term

Advances as at the Fifth Closing Date; and

- (c) for the purposes of determining Debt Service, by reference to the aggregate of (i) the amount of Interest Charges calculated in accordance with (b) above and (ii) the aggregate of all scheduled instalments of principal to be repaid on the four Interest Payment Dates immediately following the Fifth Closing Date.

In the case of each Financial Quarter Date thereafter, the EBITDA Interest Cover Ratio will be tested by reference to the unaudited consolidated financial statements of the Securitisation Group for the relevant Financial Quarters, and by reference to the audited consolidated financial statements of the Securitisation Group.

*Equity Cure*

- (a) Each of the Net Senior Leverage covenant, the Net Total Leverage covenant and the EBITDA Interest Cover Ratio may be cured as provided below.
- (b) Breach of a financial covenant may be cured by way of new cash invested in the Borrower or the Issuer by way of an equity contribution or Fully Subordinated Debt being deposited in a Cure Account established by the Borrower (which shall be a fixed charge account over which the Security Trustee will have sole signing rights) in an amount which, if applied to repay outstanding debt, would cure the relevant breach (an “**equity cure**”). For the avoidance of doubt, where the equity cure is applied to cure a breach of the EBITDA Interest Cover Ratio, new cash invested in the Borrower or the Issuer may only be used to repay debt and shall not be included within EBITDA.
- (c) Any amounts deposited in the Cure Account shall be applied on the next Interest Payment Date following the equity cure to redeem Notes strictly in the order of priority provided elsewhere herein and in accordance with the relevant Redemption Condition, together with, as applicable, modified spens.
- (d) Without prejudice to the rights of redemption contained elsewhere in this Term Sheet, no equity cure may reduce the outstanding principal amount of any Notes by more than the amount necessary to pass the Net Senior Leverage covenant, the Net Total Leverage covenant and the EBITDA Interest Cover Ratio on the immediately preceding determination date.
- (e) Cash invested in the Borrower to effect an equity cure shall not be included within EBITDA for the purposes of determining EBITDA or Free Cash Flow.
- (f) No more than three equity cures may be made until all of the Class A Notes have been paid in full, and thereafter no more than two additional equity cures may be made until all of the Class M3 Notes have been paid in full. No attempted equity cure shall be effective in any financial quarter immediately following the financial quarter in which an equity cure has occurred, but without prejudice to the Issuer’s rights to make optional redemptions of Notes as set out in this Term Sheet

*Definitions*

For these purposes:

**“Debt Service”** means in respect of any Relevant Period, Financial Quarter, or any other period, the aggregate of:

- (a) all Interest Charges payable in respect of such Relevant Period, Financial Quarter or other period (as the case may be) by any Securitisation Group Entity;
- (b) all scheduled repayments of principal pursuant to Clause 8.1 of the Issuer/Borrower Facility Agreement which would fall due, or which fell due to be paid by any Securitisation Group Entity during such Relevant Period, Financial Quarter or other period (as the case may be), but excluding any Excluded Term Advance Payment; and
- (c) all amounts payable by the Borrower in respect of the Issuer/Borrower Hedge Loan.

**“EBITDA”** means, for any Relevant Period or Financial Quarter, as the case may be, the consolidated earnings of the Securitisation Group (other than the Issuer) calculated in accordance with the Accounting Principles during such period before the deduction of:

- (a) taxation;
- (b) Interest Charges;
- (c) amounts attributable to amortisation of goodwill or other intangible assets and any deduction for depreciation; and after adjusting to exclude items referred to in (i) to (vi) below:
  - (i) fair value adjustments and other non-cash provisions;
  - (ii) items treated as extraordinary or non-operating exceptional items, as determined by reference to Financial Reporting Standard 3 or any replacement accounting standard thereof;
  - (iii) earnings in respect of any minority interests;
  - (iv) any amount attributable to the writing up or writing down of any assets of any Securitisation Group Entity after the Fifth Closing Date, or, in the case of a company becoming a subsidiary after the Fifth Closing Date, after the date of it becoming a subsidiary; and
  - (v) losses or gains arising from changes in the fair value of derivative financial instruments;

provided that EBITDA will be defined to include only the underlying operating income generated from the pub estate and exclude transactions that are unrelated to that operating income such as (without limitation), the effect of Note purchases by the Borrower in the market, the effect of any beer subsidies (or any other subsidy from a company outside the Punch A Securitisation Group) and any profits arising on the disposal of Pubs.

**“Financial Indebtedness”** means in relation to any Obligor at any time any indebtedness incurred (other than between Obligors) in

respect of:

- (a) the principal amount, and the capitalised element (if any), of money borrowed or raised and debit balances at banks and premiums if any and capitalised interest in respect thereof;
- (b) the principal, premiums (if any) and capitalised interest (or the issue price thereof if issued at a discount) in respect of any debenture, bond note, loan stock or similar debt instrument;
- (c) liabilities in respect of any letter of credit, standby letter of credit, acceptance credit, bill discounting or note purchase facility and any receivables purchase, factoring or discounting arrangements (save to the extent there is no recourse to such Obligor in respect thereof);
- (d) rental or hire payments under any Finance Lease and hire purchase agreement;
- (e) the deferred purchase price of assets or services save for any such arrangement entered into in the ordinary course of trading and having a term not exceeding six months from the date on which the liability was originally incurred;
- (f) liabilities in respect of any foreign exchange agreement, currency swap or interest purchase or swap or other derivative transactions or similar arrangements (other than the Issuer/Borrower Swap Agreement) provided that where under any applicable law, the parties to any such agreement, swap, transaction or arrangement are entitled to net off their respective liabilities to each other under that or any other agreement, swap, transaction or arrangement the amount of Financial Indebtedness of the relevant Securitisation Group Entity shall be the net exposure to the relevant counterparty of the relevant member of the Securitisation Group under all such agreements, swaps, transactions or arrangements with such counterparty as the relevant Securitisation Group Entity is entitled under the applicable law to net off against each other (being the net amount payable by such party on termination or closing out of all such arrangements determined on a mark-to-market basis);
- (g) all obligations to purchase, redeem, retire, decrease or otherwise acquire for value any share capital of any person or any warrants, rights or options to acquire such share capital pursuant to transactions which in each such case have the commercial effect of borrowing or which otherwise finance its or the Securitisation Group's operations or capital requirements;
- (h) any other transactions having the commercial effect of borrowing entered into by such Obligor (including any sale and leaseback transaction); and
- (i) without duplication, all Financial Indebtedness of the kinds referred to in paragraphs (a) to (h) above guaranteed or indemnified directly or indirectly in any manner by such Obligor or having the commercial effect of being guaranteed or indemnified directly or indirectly by such Obligor or any

other form of financial assurance.

**“Free Cash Flow”** means in respect of any Relevant Period, Financial Quarter, or any other period, EBITDA calculated in respect of such period:

- (a) less the aggregate of (i) all provisions released during such period, (ii) the minimum maintenance CapEx amount (to the extent not already deducted in calculating EBITDA) attributable to such period, (iii) CapEx actually made (or incurred) in excess of the minimum maintenance CapEx amount attributable to such period (to the extent not already deducted in calculating EBITDA), and (iv) any net taxes payable in such period (excluding any deferred tax); and
- (b) plus the aggregate of (i) any provisions charged during such period and (ii) the amount of any net proceeds received from the sale of any Pub (to the extent not already included in calculating EBITDA).

**“Financial Quarter”** means the period beginning on (and including) the Fifth Closing Date and ending on (and including) the next Financial Quarter Date, and thereafter each period beginning on (but excluding) a Financial Quarter Date and ending on (and including) the next Financial Quarter Date;

**“Financial Quarter Date”** means, in respect of the Financial Year current at the time of the Fifth Closing Date, 13 December 2014, 7 March 2015, 30 May 2015 and 22 August 2015 and, thereafter, the date on which the quarterly accounting period of the Borrower ends, being:

- (a) for the first Financial Quarter, the date which is 16 weeks after the fourth Financial Quarter Date in the immediately preceding Financial Year;
- (b) for the second Financial Quarter, the date which is 12 weeks after the previous Financial Quarter Date;
- (c) for the third Financial Quarter, the date which is 12 weeks after the previous Financial Quarter Date; and
- (d) for the fourth Financial Quarter, the date which is 12 weeks, or, in the case of a 53 week Financial Year, 13 weeks after the previous Financial Quarter Date;

**“Interest Charges”** means, in respect of any Relevant Period, Financial Quarter or other period, the aggregate amount of interest payable in respect of such period by any Securitisation Group Entity in respect of Financial Indebtedness (including any guarantee fees and any other commitment, fronting and similar fees in respect thereof, amounts in the nature of interest, discount charges) plus (without double counting):

- (a) any amounts paid or payable by the Borrower to the Issuer under the Issuer/Borrower Swap Agreement and/or the Issuer/Borrower Facility Agreement during the relevant period (i) in respect of the Issuer/Borrower Hedge Loan, (ii) in respect of any other crystallised Mark to Market Value (as defined in, and calculated in accordance with, the relevant



confirmation), or (iii) by way of Periodic Fee in respect of the Hedge Agreements entered into between the Issuer and the relevant Hedge Provider;

- (b) any amounts paid by the Borrower by way of Periodic Fee to the Issuer in respect of commitment fees or interest accrued on any Liquidity Facility Drawing or Liquidity Facility Stand by Drawing paid or payable by the Issuer to the Liquidity Facility Providers under the Liquidity Facility Agreement during the relevant period; and
- (c) any amounts in respect of the interest element of rental under finance leases (having excluded any such interest element of finance leases that were in existence and classified as operating leases under UK GAAP at the Fifth Closing Date),

less (i) any interest earned by any Securitisation Group Entity on any of its accounts during such period and (ii) any amounts received by the Borrower from the Issuer under the Issuer/Borrower Swap Agreement during the relevant period, and excluding:

- (d) any amounts payable (A) to any other Securitisation Group Entity and (B) any interest paid or payable out of or by way of Permitted Payments during the relevant period; and
- (e) any amounts payable by the Borrower as permitted by the Issuer/Borrower Facility Agreement during the relevant period, in respect of any tax liability of the relevant lender resulting from and in respect of the New Punch A Subordinated Loan;

provided that interest paid by the Issuer in respect of the Super Senior Hedge Note or the Notes during any period shall not be included in the definition of Interest Charges to the extent the Issuer made such payments with funds received by it from the Borrower as payments of interest on the Issuer/Borrower Hedge Loan or the Term Advances, and such payments of interest by the Borrower were included in Interest Charges for such period.

**“Net Senior Debt”** means on any date:

- (a) the aggregate of (i) the aggregate principal amount outstanding under the Issuer/Borrower Hedge Loan, (ii) the aggregate principal amount outstanding of all Term A Advances, and (iii) the then debit balance of the Operating Account, less
- (b) the aggregate of (i) the balance standing to the credit of the Collection Account (ii) the balance standing to the credit of the Debt Service Reserve Account and the Excess Cash Account, (iii) the balance standing to the credit of the Disposal Proceeds Account and (iv) all Eligible Investments then held by the Borrower.

**“Net Total Debt”** means on any date:

- (a) the aggregate of (i) the aggregate principal amount outstanding under the Issuer/Borrower Hedge Loan, (ii) the aggregate principal amount outstanding of all Term A Advances and Term M3 Advances, and (iii) the then debit

balance of the Operating Account, less

- (b) the aggregate of (i) the balance standing to the credit of the Collection Account (ii) the balance standing to the credit of the Debt Service Reserve Account and the Excess Cash Account, (iii) the balance standing to the credit of the Disposal Proceeds Account and (iv) all Eligible Investments then held by the Borrower.

“**Net Worth**” means, in each case calculated on a consolidated basis at the end of each Financial Year, the sum of:

- (a) the carrying value of the Securitisation Group’s net assets as shown in the net asset statement delivered pursuant to the Issuer/Borrower Facility Agreement; and
- (b) the fair value of derivative financial instruments included in the net asset statement, which may be a positive or negative amount.

*Material Default*

- (a) The payment of cash interest in respect of the Term B4 Advances will be blocked during the continuation of a Material Default, and the amount that would have been paid will instead be held in an account pending either the resolution of such Material Default or an acceleration of the Notes.
- (b) A “**Material Default**” shall occur upon any Borrower level payment default, any Insolvency Event with respect to the Borrower or breach of a financial covenant, whether or not any notice relating thereto has been given or any grace period relating thereto has elapsed.

*Acceleration and Enforcement*

If a Borrower Event of Default shall occur, the Borrower Security Trustee may deliver a Borrower Enforcement Notice to accelerate the Term Advances and enforce the Borrower Security, and shall deliver a Borrower Enforcement Notice if directed to do so by the Note Trustee, and the Note Trustee shall issue such a direction:

- (a) if directed in writing (i) by holders of the Class A Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class A Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class A Notes;
- (b) if there are no Class A Notes outstanding, if directed in writing (i) by holders of the Class M3 Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class M3 Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class M3 Notes; or
- (c) if there are no Class A Notes or Class M3 Notes outstanding, if directed in writing (i) by holders of the Class B4 Notes constituting at least 25 per cent. of the aggregate principal amount outstanding of the Class B4 Notes or (ii) pursuant to an Extraordinary Resolution of the holders of the Class B4 Notes;

subject to each of the Borrower Security Trustee and the Note Trustee

being prefunded to its satisfaction for litigation costs.

<i>Litigation</i>	The threshold for disclosure of litigation, arbitration or administrative proceedings pending or threatened against the Borrower or any other Punch A Securitisation Group Entity (other than the Issuer) which, if it were reasonably likely to result in a liability of the Borrower or such Punch A Securitisation Group Entity (other than the Issuer), if adversely determined, either in any single claim or in aggregate with any connected claims, is to be increased from £200,000 to £300,000.
<i>Core/Non-Core Estate</i>	Please see Part 2.8 ( <i>Operational Covenants</i> ) above.
<i>Capital Expenditure</i>	Please see Part 2.8 ( <i>Operational Covenants</i> ) above.
<i>Disposals</i>	Please see Part 2.8 ( <i>Operational Covenants</i> ) above.
<i>Acquisitions</i>	Please see Part 2.8 ( <i>Operational Covenants</i> ) above.
<i>Note Repurchases</i>	<p>(a) The Borrower (but neither the Issuer nor any other Obligor) may repurchase Notes in the open market at their then fair market value and surrender such Notes to the Issuer, and upon such surrender the outstanding principal amount of, and the accrued interest on, such Notes shall reduce the outstanding principal amount of, and the accrued interest on, the corresponding Term Advances.</p> <p>(b) The Borrower may only repurchase and surrender Notes (irrespective of the source of funds for such repurchase) only in the following order of priority:</p> <ul style="list-style-type: none"> <li>(i) first, <i>pari passu</i>, the Class A Fixed Notes until they are paid in full;</li> <li>(ii) second, <i>pari passu</i>, the Class A Variable Notes until they are paid in full;</li> <li>(iii) third, <i>pari passu</i>, the Class M3 Notes until they are paid in full; and</li> <li>(iv) fourth, <i>pari passu</i>, the Class B4 Notes until they are paid in full.</li> </ul> <p>(c) Any Notes acquired by way of market purchase shall be immediately surrendered to the Issuer for cancellation and cancelled.</p>
<i>Restricted Payments</i>	<p>(a) Generally:</p> <ul style="list-style-type: none"> <li>(i) no distributions, service fee payments or other restricted payments except as expressly permitted;</li> <li>(ii) all Restricted Payments (including the Service Fee) must be paid subject to the relevant Borrower Priorities of Payment and only on Loan Interest Payment Dates, and</li> <li>(iii) the existing conditions and restrictions relating to Restricted Payments will remain unchanged.</li> </ul>

- (b) A service fee (the “**Service Fee**”) equal to 2 per cent. of EBITDA per annum may be paid to the Punch Group on each Interest Payment Date provided that (i) the ratio of Net Senior Debt to EBITDA for the financial year then ended does not exceed the ratio in effect on the Fifth Closing Date (after giving effect to the Proposed Transactions) and (ii) the payment of the Service Fee on such Interest Payment Date may only be paid subject to the relevant Issuer Priority of Payments.
- (c) Tax permitted payments may be made as set out in the revised Tax Deed of Covenant.
- Information*
- (a) The Borrower will provide Noteholders on a quarterly basis additional information to be specified in the definitive documents, including without limitation (i) the determination of Excess Cash for each relevant period and (ii) detailed information regarding Pub disposals.
- (b) The Borrower Security Trustee may, and if directed by not less than 25 per cent. of any class of Notes shall (without additional indemnity, security or funding), request any additional information (subject to confidentiality obligations) even absent any event of default or potential event of default, provided that such information is reasonably relevant to the Borrower’s performance of the Relevant Documents.
- (c) The Borrower’s senior management team will meet with Noteholders twice yearly to discuss the business, operations, condition (financial or otherwise), assets and liabilities of the Punch A Securitisation Group, and developments relating thereto, as well as any other matter relevant to the Borrower and its creditors that any Noteholder may request be discussed.
- Financial Advisor*
- The Financial Advisor and both its rights and responsibilities under the existing documents will both be retained. A new Financial Advisor will be appointed to replace the existing Financial Advisor, within [3] months of the Fifth Closing Date.
- Release of Ambac Guarantees*
- There will be consequential changes to the Issuer/Borrower Facility Agreement to reflect the release of the Ambac Guarantees and the Ambac Guarantee and Reimbursement Agreements.
- Step-Up Amounts*
- There will be consequential amendments to reflect the removal of the interest step-ups in respect of the Class M2(N) Notes, the Class B3 Notes and the Class D1 Notes. No step-up amounts will be payable in respect of the Class M3 Notes or the Class B4 Notes.
- Subordinated Loans*
- There will be consequential amendments to reflect extinguishment of the existing subordinated debt. New Fully Subordinated Debt may be put in place to facilitate the cash injection required to facilitate the restructuring.
- Board Appointment Rights and Board Limitations*
- Amendments will be made to the Issuer/Borrower Facility Agreement providing for Noteholders to appoint observers and/or directors to the board of the Borrower in certain circumstances.

Please see *Board Appointment Rights and Board Limitation* in Part 2.8

(*Operational Covenants*) above.

*Solvent Winding-Up*

Amendments will be made to permit the Borrower to wind-up dormant companies within the Punch A Securitisation, provided that:

- (a) such winding-up will: (i) be undertaken on a solvent basis; (ii) not result in the distribution of assets to an Excluded Group Entity; and (iii) not be materially prejudicial to the interests of the Issuer Secured Creditors or the Issuer (which, for the avoidance of doubt, includes that the winding up will not give rise to a material liability to Tax for any member of the Securitisation Group, regardless of whether any such Tax is chargeable directly or primarily against or attributable directly or primarily to any member of the Securitisation Group (a “**Material Tax Liability**”)); and
- (b) tax accountants or lawyers of good standing reasonably acceptable to the Security Trustee opine, on the basis of assumptions of fact certified as correct by the Borrower to the Security Trustee, would not give rise to a Material Tax Liability.

Necessary consequential amendments will be made to the Issuer/Borrower Facility Agreement to permit Solvent Winding-Ups, including consequential amendments to covenants, repeating representations and warranties and events of default to carve out Solvent Winding-Ups.

*Periodic Fee Rebate*

Prior to the occurrence of a Borrower Event of Default, the Issuer will pay to the Borrower by way of a rebate of the Periodic Fee an amount equal to any surplus funds available to it (after meeting payment of all other amounts referred to in the Issuer Pre-Acceleration Priority of Payments) less its Retained Profit.

*Borrower Security Trustee*

The same amendments will be made to the Issuer/Borrower Facility Agreement as to the Trust Deed, save that references to the “Note Trustee” should be read as references to the “Borrower Security Trustee”.

Please see *Note Trustee* in Part 4.3 (*Proposed modifications to the Trust Deed and the Terms and Conditions of the Notes*) above.

#### 4.5 Proposed modifications to the Issuer Deed of Charge

*Security*

*Class A and Class M3 Notes*

Security for the Liquidity Facility, the Super Senior Hedge Note, the Class M3 Hedge, the Class A Notes and the Class M3 Notes (the “**Issuer Security**”) exists pursuant to, and on the terms set out in, the Issuer Deed of Charge and certain other documents described herein.

*Class B4 Notes*

The Class B4 Notes will not have the benefit of any Issuer Security. The Class B4 Notes will have the benefit of the Class B4 Security only (see Part 4.8 (*Proposed Class B4 Security*) below).

*Waterfalls*

The pre-default and post-default waterfalls (the “**Issuer Priorities of**”

**Payments**”) will be modified as set out below:

*Pre-Acceleration  
Waterfall*

Available funds will be applied on each Interest Payment Date in the following order of priority:

- (a) *first, pari passu and pro rata*, amounts due and payable in respect of fees, other remuneration and indemnity payments, and any costs, charges, liabilities and expenses of the Issuer Security Trustee, the Note Trustee, the Paying Agents, the Agent Bank, the Exchange Agents and the Escrow Agent;
- (b) *second*, amounts due and payable under the Liquidity Facility Agreement, with subordination of mandatory costs above a specified amount and certain excess interest on standby loans;
- (c) *third, pari passu and pro rata*, amounts due and payable to the Account Bank, the Servicer and the Financial Advisor;
- (d) *fourth, pari passu and pro rata*, amounts then due and payable to the Hedge Provider and (in respect of the swap only) any other counterparty under:
  - (i) the Super Senior Hedge Note; and
  - (ii) any swap (including due to the Borrower under the Issuer/Borrower Swap Agreement), with subordination of termination payments where the Hedge Provider or counterparty is the defaulting party or an additional termination event has occurred as a result of a ratings downgrade of the Hedge Provider below the required level;
- (e) *fifth, pari passu and pro rata*, interest due and payable in respect of the Class A1(F) Notes and the Class A2(F) Notes;
- (f) *sixth, pari passu and pro rata*, principal due and payable in respect of the Class A1(F) Notes and the Class A2(F) Notes;
- (g) *seventh, pari passu and pro rata*, interest due and payable in respect of the Class A1(V) Notes and the Class A2(V) Notes;
- (h) *eighth, pari passu and pro rata*, principal due and payable in respect of the Class A1(V) Notes and the Class A2(V) Notes;
- (i) *ninth, pari passu and pro rata*, interest due and payable in respect of the Class M3 Notes;
- (j) *tenth, pari passu and pro rata*, principal due and payable in respect of the Class M3 Notes;
- (k) *eleventh*, subordinated liquidity amounts;
- (l) *twelfth*, subordinated hedge amounts;
- (m) *thirteenth, pari passu and pro rata*, unless a Material Default is continuing, cash interest due and payable in respect of the Class B4 Notes;

- (n) *fourteenth, pari passu and pro rata*, principal (including capitalised interest) due and payable in respect of the Class B4 Notes;
- (o) *fifteenth*, other amounts then due and payable to HMRC; and
- (p) *sixteenth*, any surplus to the Issuer or other persons entitled thereto (including the Periodic Fee rebate to the Borrower).

*Post-Acceleration Waterfall*

Available funds (including the proceeds of the enforcement of the Issuer Security) will be applied in the following order of priority:

- (a) *first, pari passu and pro rata*, amounts owing in respect of fees, other remuneration and indemnity payments, and any costs, charges, liabilities and expenses of the Issuer Security Trustee, the Note Trustee, the Paying Agents, the Agent Bank, the Exchange Agents and the Escrow Agent;
- (b) *second*, amounts owing under the Liquidity Facility Agreement, with subordination of mandatory costs above a specified amount and certain excess interest on standby loans;
- (c) *third, pari passu and pro rata*, amounts owing to the Account Bank and the Financial Advisor;
- (d) *fourth*, amounts then due or provided for the Issuer's liability to third parties, including fees to stock exchanges and rating agencies and taxes to HMRC;
- (e) *fifth, pari passu and pro rata*, amounts owing to the Hedge Provider and (in respect of the swap only) any other counterparty under:
  - (i) the Super Senior Hedge Note; and
  - (ii) (including due to the Borrower under the Issuer/Borrower Swap Agreement), including any termination payment but excluding termination payments where the Hedge Provider or counterparty is the defaulting party or an additional termination event has occurred as a result of a ratings downgrade of the Hedge Provider below the required level;
- (f) *sixth, pari passu and pro rata*, amounts owing in respect of the Class A Fixed Notes;
- (g) *seventh, pari passu and pro rata*, amounts owing in respect of the Class A Variable Notes;
- (h) *eighth, pari passu and pro rata*, amounts owing in respect of the Class M3 Notes;
- (i) *ninth*, amounts owing in respect of subordinated liquidity amounts;
- (j) *tenth*, amounts owing in respect of subordinated hedge amounts;

- (k) *eleventh, pari passu and pro rata*, any unsecured amounts including (without limitation) amounts owing in respect of the Class B4 Notes, amounts owing to the Servicer under the Servicing and Cash Management Agreement, and amounts due or overdue to third parties; and
- (n) *twelfth*, any surplus to the Issuer or other persons entitled thereto.

#### *Conflicts of Interest*

The Issuer Deed of Charge will contain provisions requiring the Security Trustee to have regard to the interests of the secured creditors of the Issuer pursuant to the Issuer Deed of Charge (together, the “**Issuer Secured Creditors**”) as regards all powers, trusts, authorities, duties and discretions of the Security Trustee (which, except where expressly provided otherwise, are subject to the Enforcement Condition, but requiring the Security Trustee in any such case to have regard only to the following:

- (a) if there are any Class A Notes outstanding, the interests of the Class A Noteholders if, in the Security Trustee’s opinion, there is a conflict between the interests of the Class A Noteholders and the other Issuer Secured Creditors (or any of them);
- (b) following the redemption in full of the Class A Notes, if there are any Class M3 Notes outstanding, the interests of the Class M3 Noteholders if, in the Security Trustee’s opinion, there is a conflict between the interests of the Class M3 Noteholders and the other Issuer Secured Creditors (or any of them); or
- (c) following the redemption in full of all the Class A Notes and Class M3 Notes, the interests of the person appearing highest in the order of priority of payments to whom any amounts are owed under the Issuer Deed of Charge.

#### *Consequential Amendments*

There will be a number of consequential amendments to reflect the Proposed Transaction and the issue of the New Fifth Issue Notes.

#### *Mandatory Redemption and Optional Redemption*

There will be consequential amendments to allow for moneys to be withdrawn from the security in order to make mandatory redemption and optional redemption of the Notes pursuant to the Trust Deed. See Part 4.3 (*Proposed modifications to the Trust Deed and the Terms and Conditions of the Notes*) above.

#### *Release of Ambac Guarantees*

There will be consequential amendments to reflect the release of the Ambac Guarantees and the termination of the Ambac Guarantee and Reimbursement Agreements, including the removal of Ambac’s consultation rights. These amendments will include (i) the deletion of references to the Ambac Guarantees from the Issuer Priorities of Payments, and (ii) removal of Ambac’s consultation rights and direction rights in the event of enforcement of the Issuer Security.

#### *Releases*

In connection with the disposal of any asset pursuant to the transaction security by way of enforcement or appropriation, the Security Trustee is irrevocably authorised at the cost of the Borrower (without further consent, sanction, authority of further confirmation from any secured party or other person):

- (a) to release all transaction security and claims over the relevant



asset; and

- (b) where the asset consists of the share capital of any member of the Punch A Securitisation, to release:
  - (i) all Borrower secured obligations owing by the disposed entity or any of its subsidiaries;
  - (ii) all Issuer secured obligations owing by the disposed entity or any of its subsidiaries;
  - (iii) all inter-company debt and shareholder debt owing by the disposed entity or any of its subsidiaries; and
  - (iv) all transaction security granted by the disposed entity or any of its subsidiaries over any of its assets; and
- (c) to execute and deliver or enter into any release of the security or obligations described in paragraphs (a) and (b) above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Trustee, be considered necessary or desirable.

The releases described in paragraph (b) above shall be subject to customary protections for junior noteholders, including:

- (a) a professional, widely marketed sales process;
- (b) the receipt by the Security Trustee of a fairness or valuation opinion as appropriate from an investment bank of international repute or an independent internationally recognised accountancy firm relating to both the sales process and the valuation of the non-cash consideration; and
- (c) consideration for the shares sold to be cash only (save that the holders of at least 75 per cent. of the principal amount outstanding of the Class M3 Notes or the Class B4 Notes or as directed by an Extraordinary Resolution of the Class M3 Notes or the Class B4 Notes (each a “**Directing Class**”) may elect to receive (and each Class M3 Noteholder and/or Class B4 Noteholder shall, in the event of such election, be bound to accept) non-cash consideration for such Class M3 Notes or Class B4 Notes, provided that any class of Notes ranking in priority to the Directing Class will be repaid in cash in full.

If both the Class M3 Noteholders and the Class B4 Noteholders give a direction to the Note Trustee, the direction of the Class B4 Noteholders shall prevail. If only the Class M3 Noteholders give a direction to the Note Trustee, unless the Class B4 Noteholders agree to repay the Class M3 Noteholders in cash in full, the Class M3 Noteholders may drag along the Class B4 Noteholders, such that the Class A Noteholders will receive cash, and the Class M3 Noteholders and the Class B4 Noteholders will receive non-cash consideration.

*Issuer Security Trustee*

The same amendments will be made to the Issuer Deed of Charge as to the Trust Deed, save that references to the “Note Trustee” should be read as references to the “Issuer Security Trustee”.

Please see *Note Trustee* in Part 4.3 (*Proposed modifications to the*

*Trust Deed and the Terms and Conditions of the Notes*) above.

#### 4.6 Proposed modifications to the Punch Taverns First Priority Deed of Charge

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##### *Security*

*Term A Advances and Term M3 Advances* Security for the Term A Advances and the Term M3 Advances (the “**Borrower Security**”) exists pursuant to, and on the terms set out in, the Punch Taverns First Priority Deed of Charge and certain other documents described herein.

*Term B4 Advances* The Term B4 Advances will not have the benefit of any Borrower Security.

##### *Waterfalls*

The pre-default and post-default payment priority waterfalls (the “**Borrower Priorities of Payments**”) will be modified as set out below:

*Pre- Acceleration Waterfall* Available funds will be applied on each Interest Payment Date in the following order of priority:

- (a) *first*, amounts due and payable in respect of fees, other remuneration and indemnity payments, and any costs, charges, liabilities and expenses of the Borrower Security Trustee;
- (b) *second, pari passu and pro rata*, amounts due and payable to the Account Bank;
- (c) *third*, amounts due and payable to the Issuer by way of Periodic Fee under the Issuer/Borrower Facility Agreement, other than amounts payable in respect of paragraph (l) below;
- (d) *fourth*, amounts payable into the CapEx Account (if any) pursuant to the Issuer/Borrower Facility Agreement;
- (e) *fifth, pari passu and pro rata*, amounts then due and payable to the Issuer in respect of:
  - (i) the Issuer/Borrower Hedge Loan;
  - (ii) the Issuer/Borrower Swap Agreement; and
  - (ii) interest on the Term A1(F) Advances and the Term A2(F) Advances;
- (f) *sixth, pari passu and pro rata*, principal due and payable in respect of the Term A1(F) Advances and the Term A2(F) Advances;
- (g) *seventh, pari passu and pro rata*, interest due and payable in respect of the Term A1(V) Advances and the Term A2(V) Advances;
- (h) *eighth, pari passu and pro rata*, principal due and payable in respect of the Term A1(V) Advances and the Term A2(V)

Advances;

- (i) *ninth, pari passu and pro rata*, interest due and payable in respect of the Term M3 Advances;
- (j) *tenth, pari passu and pro rata*, principal due and payable in respect of the Term M3 Advances;
- (k) *eleventh*, amounts then due and payable by the Borrower in respect of tax;
- (l) *twelfth*, amounts due and payable to the Issuer by way of Periodic Fee under the Issuer/Borrower Facility Agreement in respect of amounts payable by the Issuer for:
  - (i) subordinated liquidity amounts; and
  - (ii) subordinated hedge amounts;
- (m) *thirteenth, pari passu and pro rata*, cash interest due and payable in respect of the Term B4 Advances;
- (n) *fourteenth, pari passu and pro rata*, principal (including capitalised interest) (whether by way of mandatory redemption or optional redemption) due and payable in respect of the Term B4 Advances;
- (o) *fifteenth*, amounts then due and payable in respect of the Hive Down Indemnities; and
- (p) *sixteenth*, any surplus to the Borrower or any other parties entitled thereto.

*Post-Acceleration Waterfall*

Available funds will be applied on each Interest Payment Date in the following order of priority:

- (a) *first, pari passu and pro rata*, amounts owing in respect of fees, other remuneration and indemnity payments, and any costs, charges, liabilities and expenses of
  - (i) the Borrower Security Trustee; and
  - (ii) the Receiver;
- (b) *second, pari passu and pro rata*, amounts owing to the Account Bank;
- (c) *third*, amounts owing to the Issuer by way of Periodic Fee under the Issuer/Borrower Facility Agreement, other than amounts payable in respect of paragraph (i) below;
- (d) *fourth, pari passu and pro rata*, amounts owing to the Issuer in respect of:
  - (i) the Issuer/Borrower Hedge Loan;
  - (ii) the Issuer/Borrower Swap Agreement; and

- (iii) interest on the Term A1(F) Advances and the Term A2(F) Advances;
- (e) *fifth, pari passu and pro rata*, all other amounts owing in respect of the Term A1(F) Advances and the Term A2(F) Advances;
- (f) *sixth, pari passu and pro rata*, amounts owing in respect of the Term A1(V) Advances and the Term A2(V) Advances;
- (g) *seventh, pari passu and pro rata*, amounts owing in respect of the Term M3 Advances;
- (h) *eighth*, amounts owing to the Issuer by way of Periodic Fee under the Issuer/Borrower Facility Agreement in respect of amounts payable by the Issuer for:
  - (i) subordinated liquidity amounts; and
  - (ii) subordinated hedge amounts;
- (i) *ninth, pari passu and pro rata*, amounts owing in respect of the Term B4 Advances; and
- (j) *tenth*, any surplus to the Security Providers.

<i>Consequential amendments</i>	There will be consequential amendments to reflect the Note Exchange.
<i>Mandatory Redemption</i>	There will be consequential amendments to allow for moneys to be withdrawn from the security in order to make mandatory prepayments and optional prepayments of the Term Advances pursuant to the Issuer/Borrower Facility Agreement. See Part 4.4 ( <i>Proposed modifications to the Issuer/Borrower Facility Agreements</i> ) above.
<i>Release of Ambac Guarantees</i>	There will be consequential amendments to reflect the release of the Ambac Guarantees and the termination of the Guarantee and Reimbursement Agreements, including the removal of Ambac's consultation rights.
<i>Subordinated Loans</i>	Please see <i>Subordinated Loans</i> in Part 4.4 ( <i>Proposed modifications to the Issuer/Borrower Facility Agreements</i> ) above.
<i>Issuer/Borrower Facility Agreements</i>	There will be consequential amendments to reflect the Second PTF Issuer/Borrower Facility Agreement being combined with the First PTF Issuer/Borrower Facility Agreement. See Part 4.4 ( <i>Proposed modifications to the Issuer/Borrower Facility Agreements</i> ) above.
<i>Secured Accounts</i>	There will be consequential amendments to reflect the new cash flow mechanics in the Issuer/Borrower Facility Agreement. See Part 4.4 ( <i>Proposed modifications to the Issuer/Borrower Facility Agreements</i> ) above.
<i>Solvent Winding-Up</i>	There will be consequential amendments to reflect the ability of the Borrower to conduct a Solvent Winding-Up. See Part 4.4 ( <i>Proposed modifications to the Issuer/Borrower Facility Agreements</i> ) above.
<i>Releases</i>	Please see <i>Releases</i> in Part 4.5 ( <i>Proposed modifications to the Issuer Deed of Charge</i> ) above.

*Borrower Security Trustee* The same amendments will be made to the Punch Taverns First Priority Deed of Charge as to the Trust Deed, save that references to the “Note Trustee” should be read as references to the “Borrower Security Trustee”. Please see *Note Trustee* in Part 4.3 (*Proposed modifications to the Trust Deed and the Conditions*) above.

#### 4.7 Proposed modifications to the Punch Taverns Second Priority Deed of Charge

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*Ranking* The ranking of the relevant Advances under the Punch Taverns Second Priority Deed of Charge will be amended to reflect the changes made to the Borrower Priorities of Payments. See Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge*) above.

*Release of Ambac Guarantees* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

*Subordinated Loans* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

*Issuer/Borrower Facility Agreements* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

*Secured Accounts* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

*Releases* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

*Borrower Security Trustee* Please see the corresponding sections in Part 4.6 (*Proposed modifications to the Punch Taverns First Priority Deed of Charge* above).

#### 4.8 Proposed Class B4 Security

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*Class B4 Security Deed of Charge* Under the Proposed Transaction, the Class B4 Notes will not have the benefit of the Issuer Security or any security other than the Class B4 Security. Security for the Class B4 Notes will be created pursuant to, and on the terms set out in, a deed of charge to be dated the Fifth Closing Date and made between the Issuer, the Borrower, Deutsche Trustee Company Limited, as New Holdco 2 Trustee (the “**New Holdco 2 Security Trustee**”), the Note Trustee, Punch Partnerships (PTL) Limited, and New Holdco 2 (the “**Class B4 Security Deed of Charge**”).

*Class B4 Security* Pursuant to the Class B4 Security Deed of Charge, New Holdco 2 will grant the following security (the “**Class B4 Security**”) in favour of the New Holdco 2 Security Trustee, which will hold such security on trust for the benefit of itself and the Class B4 Noteholders, as security for its

obligations under the New Holdco 2 Payment Undertaking:

- (a) a first-ranking fixed charge granted by New Holdco 2 over all of its right, title, interest and benefit, present and future, in and over the entire issued capital of New Holdco 1 (the “**New Holdco 1 Shares**”) and all related rights; and
- (b) a first-ranking floating charge granted by New Holdco 2 over the whole of its undertaking and assets whatsoever and wheresoever, present and future (together with the New Holdco 1 Shares, the “**New Holdco 2 Charged Property**”).

*Secured B4 Obligations*

New Holdco 2 will be obliged to pay the principal amount outstanding of the Class B4 Notes, plus any accrued interest thereon (the “**Secured B4 Obligations**”), to the New Holdco 2 Security Trustee (on trust for itself and the Class B4 Noteholders) (the “**New Holdco 2 Payment Undertaking**”).

*Class B4 Enforcement Event*

The Class B4 Security shall become enforceable only upon the occurrence and during the continuation of any of the following events (each a “**Class B4 Enforcement Event**”):

- (a) breach by the Borrower of the Free Cash Flow Debt Service Cover Ratio under the Issuer/Borrower Facility Agreement and the occurrence of a Borrower Event of Default as a result of such breach;
- (b) breach by the Borrower of the Net Senior Leverage covenant under the Issuer/Borrower Facility Agreement and the occurrence of a Borrower Event of Default as a result of such breach;
- (c) the occurrence of an Insolvency Event with respect to the Issuer or the Borrower (including the cashflow and the balance sheet test); or
- (d) acceleration of the Class A Notes.

*Enforcement of the Class B4 Security*

The New Holdco 2 Security Trustee will only be entitled to enforce the Class B4 Security during the continuation of a Class B4 Enforcement Event if:

- (a) holders of 25 per cent. of principal amount outstanding of Class B4 Notes or an Extraordinary Resolution of the holders of the Class B4 Notes have directed the Note Trustee to direct the New Holdco 2 Security Trustee to enforce the Class B4 Security; and
- (b) either (i) a Class B4 Enforcement Event remains continuing for a period of not less than 180 days after the notice described in paragraph (a) above or (ii) the Class A Notes have been accelerated.

The New Holdco 2 Security Trustee shall also be entitled to request directions from the Note Trustee (as appointed representative of the Class B4 Noteholders) who in practice will seek directions from Class B4 Noteholders.

*Covenants*

New Holdco 2 Payment Undertaking to contain customary holding company covenants and restrictions, including a negative pledge.

#### **4.9 Proposed modification to the Servicing and Cash Management Agreement**

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There will be minor amendments to reflect the Proposed Transaction, including amendments to the recitals, amendments to the references to the Notes to refer to the Fifth Issue Notes, and minor consequential amendments to reflect the release of the Ambac Guarantees and the termination of the Ambac Guarantee and Reimbursement Agreements, including the removal of Ambac's consent and information rights.

#### **4.10 Proposed modifications to the Bank Agreement**

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- (a) There will be minor amendments to reflect the Proposed Transaction including amendments to the references to the Notes to refer to the Fifth Issue Notes. References to section 349 of the Income and Corporation Taxes Act 1988 will be updated to reflect section 878 of the Income Tax Act 2007 and, consequently, the Account Bank (or any new account bank) will be required to be a bank as that term is defined for the purposes of section 878 of the Income Tax Act 2007.
- (b) There will be consequential amendments to reflect amendments to the operation of the accounts at Borrower level, including: (i) the deletion of references to the Sinking Fund Account, the Controlled Cash Account and the Acquisition Reserve Account; and (ii) the opening of the Excess Cash Account.
- (c) There will be minor consequential amendments to reflect the release of the Ambac Guarantees and the termination of the Ambac Guarantees and the Guarantee and Reimbursement Agreements, including the removal of Ambac's consent and information rights.
- (d) There will be minor consequential amendments to reflect amendments to the Liquidity Facility Agreement.
- (e) The schedules listing the Securitisation Group Entity Accounts and the Group Operating Accounts will be updated to reflect current accounts at the Borrower level.

#### **4.11 Proposed modifications to the Agency Agreement**

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- (a) There will be minor amendments to reflect the Proposed Transaction including amendments to the recitals and to the references to the Notes to refer to the Fifth Issue Notes. The duties of the Agent Bank will be amended to reflect the calculation of rates of interest on the Issue Notes, including the write-up of the Class B4 Global Notes to take account of PIK Interest.
- (b) The Agency Agreement will be amended to reflect the mechanics of the amendment to, and delivery of, the Global Notes by the Principal Paying Agent and to provide for the appointment of a registrar in respect of the New Fifth Issue Notes (which will be issued in registered form).
- (c) There will be amendments to reflect the release of the Ambac Guarantees and the termination of the Ambac Guarantees and the Guarantee and Reimbursement Agreements, including the removal of Ambac's consent and information rights. In

addition, the Ambac rights to direct the Note Trustee to give an Issuer Enforcement Notice in respect of Notes which were guaranteed by Ambac prior to the Fifth Closing Date will be removed.

#### 4.12 Proposed modifications to the Liquidity Facility Agreement

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<i>Commitment</i>	<p>The total liquidity commitment will be resized to £134,700,000 on the Fifth Closing Date to cover the aggregate of the following amounts:</p> <ul style="list-style-type: none"> <li>(a) 18 months; peak interest (which, for the avoidance of doubt, shall not include any margin payable on any underperformance versus the Shadow Amortisation profile set out in Part 2.6 (<i>Hedge Contracts</i>) above) in respect of the Super Senior Hedge Note;</li> <li>(b) 18 months' peak interest and scheduled redemption (excluding the final payment at maturity) in respect of the Class A Fixed Notes;</li> <li>(c) 18 months' peak interest in respect of the Class A Variable Notes; and</li> <li>(d) 18 months' peak interest and associated hedge payments (excluding any termination payment) in respect of the Class M3 Notes;</li> </ul> <p>(together, the "<b>Liquidity Amount</b>"), with a sub-limit for the Class M3 Notes equal to a maximum amount of £41,700,000 (the "<b>Class M3 Sub-Limit</b>").</p>
<i>Advance Limit</i>	<p>The amount available to be drawn under the facility at any time to be equal to the lower of:</p> <ul style="list-style-type: none"> <li>(a) 18 months' interest charges in respect of the Super Senior Hedge Note, 18 months' interest charges and scheduled redemption (excluding the final payment at maturity) in respect of the Class A Fixed Notes, 18 months' interest charges in respect of the Class A Variable Notes, and 18 months' interest charges in respect of the Class M3 Notes and associated hedge payments (excluding any termination payment), in each case as most recently re-calculated; and</li> <li>(b) the then current available Liquidity Amount,</li> </ul> <p>subject to a sub-limit for the Class M3 Notes equal to the lower of (i) 18 months' interest charges in respect of the Class M3 Notes as most recently re-calculated, and (ii) the Class M3 Sub-Limit.</p> <p>The Liquidity Facility shall be available to cover any Notes issued to refinance the Class M3 Notes in accordance with Optional Redemptions in Part 2.2 (<i>Amendments to the Existing Junior Notes</i>) on the basis of the existing Liquidity Facility profile. Amounts available to be drawn under the facility in respect of any such Notes shall not exceed the amounts which would have been available to be drawn in respect of the Class M3 Notes.</p>



<i>Resizing Quarterly</i>	The Liquidity Amount, the amounts available to be drawn and the sub-limit for the Class M3 Notes will be resized quarterly to take account of Note redemptions
<i>Conditions Precedent</i>	For further information, please see <i>Overview</i> in Part 2.5 ( <i>Liquidity Facility</i> ).
<i>Ratings Test</i>	The credit ratings test relating to the Liquidity Facility Providers for standby drawing of the facility will be reduced to at least BBB by Standard & Poor's, BBB by Fitch, and Baa2 by Moody's, and the existing standby drawing will be repaid to the Liquidity Provider on the Fifth Closing Date.
<i>Pricing</i>	For further information, please see <i>Overview</i> in Part 2.5 ( <i>Liquidity Facility</i> ).
<i>Termination</i>	Liquidity facility to expire upon repayment in full of the Class A Notes and the Class M3 Notes (and, for the avoidance of doubt, at the latest on the scheduled maturity date of the Class M3 Notes). No amounts shall be permitted to remain outstanding under the Liquidity Facility past the expiry date.
<i>Transferability</i>	For further information, please see <i>Overview</i> in Part 2.5 ( <i>Liquidity Facility</i> ).
<i>Other terms</i>	All other terms to remain unchanged.

#### 4.13 Proposed release of the Ambac Guarantees

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<i>Proposed release in respect of Class M2(N) Notes and Class B3 Notes</i>	It is proposed that the Ambac Guarantees be released at the same time as, and as a condition of, completion of the Proposed Transaction. If this release is approved, the Ambac Guarantees will be released and the Ambac Guarantee and Reimbursement Agreements will be terminated, thereby terminating the benefit of the underlying guarantee.
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#### 4.14 Proposed modifications to Hedging Arrangements

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<i>Existing Agreements</i>	<p>The existing Hedges are outstanding under an ISDA Master Agreement (including the schedule and the credit support annex thereto) entered into between the Hedge Provider and the Issuer on 5 July 2007 together with the confirmations entered into under, and governed by, such master agreement (the "<b>Existing Hedging Agreement</b>").</p> <p>The Issuer has entered into a back-to-back ISDA Master Agreement including the schedule thereto entered with the Borrower (to which the Security Trustee is party) dated 5 July 2007 together with any confirmations entered into under, and governed by, such master agreement (the "<b>Existing Issuer/Borrower Swap Agreement</b>").</p>
<i>Reallocation and Extinguishment</i>	
<i>Existing Hedging</i>	On the Fifth Closing Date, the relevant confirmations entered into

*Agreement* under the Existing Hedging Agreement will be amended to provide for the following:

- (a) the existing Hedges relating to the Class M2(N) Notes will be reallocated to the Class M3 Notes and the notional amount and the tenor of such Hedges will be realigned with the notional amount and the tenor of the Class M3 Notes and, following such reallocation and realignment, any remaining over-hedging will be extinguished;
- (b) the existing Hedges relating to the Class B3 Notes and the Class D1 Notes will be extinguished; and
- (c) the crystallised Mark to Market Value resulting from the extinguishment referred to in paragraphs (a) and (b) above will be represented by the Super Senior Hedge Note described below.

*Existing Issuer/  
Borrower Swap  
Agreement*

On the Fifth Closing Date, the relevant confirmations entered into under the Existing Issuer/Borrower Swap Agreement will be amended to provide for the following:

- (a) the existing Hedges relating to the Term M2(N) Advances will be reallocated to the Term M3 Advances and the tenor of such Hedges will be realigned with the tenor of the Term M3 Advances such that the Class M3 Notes will be fully hedged until maturity and, following such reallocation and realignment, any remaining over-hedging will be extinguished;
- (b) the existing Hedges relating to the Term B3 Advances and the Term D1 Advances will be extinguished; and
- (c) the crystallised Mark to Market Value (as defined in, and calculated in accordance with, the relevant confirmation) resulting from the extinguishment referred to in paragraphs (a) and (b) above will be represented by the Issuer/Borrower Hedge Loan described below.

*Super Senior Hedge  
Notes*

For further information, please see *Super Senior Hedge Note* in Part 2.6 (*Hedge Contracts*).

*Overhedging*

Should any overhedging occur as a result of any scheduled redemption, mandatory redemption, or optional redemption of the Class M3 Notes or any of them:

- (a) the Hedges under the Hedge Agreement will be reduced in the same proportion as the amount of the redemption and the crystallised Mark To Market Value will be paid by the Issuer to the Hedge Provider at the time of such redemption; and
- (b) concurrently therewith, corresponding overhedging in respect of the hedges under the Issuer/Borrower Swap Agreement will be terminated and payment of the crystallised Mark To Market Value will be made,

save that where any optional redemption is made in connection with a refinancing of the Class M3 Notes through the issue of New Notes which are subject to a floating rate of interest, the Hedge in respect of

the Class M3 Notes shall be capable of being transferred to the New Notes, if the Hedge as transferred is on no worse terms than the Class M3 Hedge as at the Fifth Closing Date (in particular, but not exclusively, in respect of pricing, tenor (which shall not extend beyond the scheduled legal maturity date of the Class M3 Notes in 2027), seniority, security and rights) and the cash flows under the new hedge are identical to the cash flows under the Class M3 Hedge.

- New Hedges*
- (a) Entry into new hedges will only be permitted to the extent of any underhedging of any hedged Notes, subject to the condition that on the date on which such new hedge is entered into the Ratings Test is satisfied.
  - (b) Each new hedge must at its trade date not require any payment by the Issuer and must have a mark-to-market amount of zero.
  - (c) Any new hedges must rank pari passu with or subordinate to the existing hedges.
- Consequential Amendments*
- (a) There will be minor changes to reflect the Proposed Transaction including changes to the references to the Notes to refer to the relevant Fifth Issue Notes.
  - (b) There will be minor consequential amendments to reflect the release of the Ambac Guarantees and the termination of the Ambac Guarantees and the Guarantee and Reimbursement Agreements, including the removal of Ambac's consent and information rights.
- Ratings Test*
- The ratings test in respect of the Hedge Provider will be amended to a requirement that the Hedge Provider has a long-term rating of its unsecured, unsubordinated and unguaranteed debt of at least BBB+ by Standard & Poor's, BBB+ by Fitch and Baa1 by Moody's on the Fifth Closing Date or, if applicable, on the date on which any new hedge is entered into.
- Confirmations*
- Except as described above, the modified confirmations between the Hedge Provider and the Issuer in respect of the Class M3 Notes, and between the Issuer and the Borrower in respect of the Term M3 Advances, shall not change the notional profile or pricing terms of the Existing Hedging Agreement and the Existing Issuer/Borrower Swap Agreement, respectively.
- The Hedge Counterparty and the Issuer will enter into a new confirmation in respect of the Super Senior Hedge Note and the Issuer and the Borrower will enter into a new confirmation in respect of the Issuer/Borrower Hedge Loan.
- Transferability*
- The Hedge Provider may assign, novate or otherwise transfer its rights and/or obligations under the Class M3 Hedge to any financial institution with a long-term credit rating of at least A- from Standard & Poor's, A- from Fitch and A3 from Moody's.

#### **4.15 Proposed Punch Share Transactions**

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Please see Part 2.3 (*New Punch Shares*) above.

#### **4.16 Proposed Subordinated Debt Reorganisation**

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On the Fifth Closing Date, the existing subordinated debt will be extinguished. New Fully Subordinated Debt may be put in place to facilitate the cash injection required to facilitate the restructuring. Details will be provided.

#### **4.17 Proposed modifications to the Tax Deed of Covenant**

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It is proposed that the Tax Deed of Covenant is amended and restated to take account of the Proposed Transaction and the extinguishment of contingent claims under existing intercompany indebtedness, as well as changes in law since 2007. It is also proposed that the wording relating to various group tax arrangements (including the payment of proper compensation for the use of various tax reliefs and other benefits) be amended to clarify how such tax reliefs and other benefits can be used, when such a payment may be made and the quantum of such payment (the effect of those changes being that, whether such tax benefits are moved into or out of the Punch A Securitisation, there should be no material transfer of value out of the Punch A Securitisation).

## 5. ADDITIONAL TERMS

### 5.1 Voting Fee

- (a) Subject to the conditions below, the Issuer will pay a fee to each Noteholder who duly votes its holding of Notes in respect of the Proposed Transaction (a “**Voting Noteholder**”). The amount of the fee payable to a Voting Noteholder in respect of its holding of a class of Notes in respect of which it has voted on the Extraordinary Resolutions put before the relevant Meeting will be equal to 0.100 per cent. of the principal amount outstanding of those Notes (the “**Voting Fee**”). The Voting Fee is inclusive of any amounts in respect of VAT.
- (b) No Voting Fee shall be payable unless the Proposed Transaction is implemented in accordance with this Term Sheet and the restructuring of the Punch B Securitisation is implemented in accordance with the term sheet therefor.
- (c) Payment of the Voting Fee to a Voting Noteholder will not be conditional upon whether the Voting Noteholder has voted for or against the relevant Extraordinary Resolutions or has voted directly or through a duly instructed Proxy. If payable, amounts in respect of the Voting Fee will be paid on the Fifth Closing Date by the Issuer to the Clearing Systems for onward credit to direct accountholders.

### 5.2 Treatment of Ineligible Holders

- (a) Requirement for certification of status
  - (i) As part of the Proposed Transaction, it is proposed for holders of the Exchanged Notes to consent to, and direct the Note Trustee to effect, the extinguishment of the Exchanged Notes (in full or in part) in consideration for (i) the payment by the Issuer to holders of such Exchanged Notes of the applicable Cash Entitlement, and (ii) the issue by the Issuer to holders of such Exchanged Notes of the applicable New Notes Entitlement.
  - (ii) To comply with applicable securities laws, the issue by the Issuer to holders of the Exchanged Notes of the applicable New Notes Entitlement is conditional upon the relevant holder of the Exchanged Notes being an Eligible Holder.
  - (iii) If the Extraordinary Resolutions are passed, holders of the Exchanged Notes will be requested to inform the Tabulation and Exchange Agent of their status through the relevant Clearing Systems. Each holder of the Exchanged Notes will have a period of 10 Business Days from the date of announcement of the results of the Meeting to inform the Tabulation and Exchange Agent whether it is an Eligible Holder or an Ineligible Holder.
  - (iv) Any holder of Exchanged Notes who fails to inform the Tabulation and Exchange Agent that it is an Eligible Holder prior to the applicable deadline will be deemed to be an Ineligible Holder, and therefore not entitled to receive their New Notes Entitlement.
- (b) Arrangements relating to the market sale of New Notes Entitlement of Ineligible Holders
  - (i) The New Notes Entitlement of all Ineligible Holders will be sold in the market on their behalf in the manner and at the times described below, and such Ineligible Holders will receive only the proceeds of sale (net of any applicable selling commissions and expenses).
  - (ii) Ineligible Holders shall not be issued their New Notes Entitlement. Instead, on the Fifth Closing Date, the New Notes Entitlement of all holders of Exchanged Notes who are Ineligible Holders will be issued to a custodian, and held on trust for the

benefit of such Ineligible Holders (such New Fifth Issue Notes being the “**Custody Notes**”). Deutsche Bank AG, London Branch will be appointed by the Issuer as custodian (the “**Custodian**”) for this purpose pursuant to a custody agreement to be entered into between, among others, the Issuer, the Note Trustee and Deutsche Trust Company Limited (the “**Custody Agreement**”) on or before the Fifth Closing Date.

- (iii) All Custody Notes will be sold in the market on behalf of Ineligible Holders by a broker appointed by the Issuer (the “**Broker**”). The Issuer will appoint Goldman Sachs International (or its affiliate or delegate) as Broker pursuant to a broker dealer agreement to be entered into on or before the Fifth Closing Date.
  - (iv) The Broker will sell Custody Notes on the instructions of the Issuer (and with the consent of the Custodian) in the manner and at the time described below. There can be no assurance as to the amount of proceeds that may be realised at the time of such sale or as to whether the sale will be made at a time or in a manner that maximises the potential proceeds.
- (c) Market sale of entitlements of U.S. Ineligible Holders.
- (i) In respect of all holders of Exchanged Notes who are Ineligible Holders by virtue of having notified the Tabulation and Exchange Agent prior to the applicable deadline that they (i) are a U.S. Person or a U.S. Resident, and (ii) are not a QIB/QP or an “accredited investor” (“**U.S. Ineligible Holders**”), the Issuer shall instruct the Broker to sell the New Notes Entitlement of all U.S. Ineligible Holders (“**U.S. Custody Notes**”) on, or as soon as reasonably possible following, the Fifth Closing Date.
  - (ii) The aggregate sale proceeds in respect of the U.S. Custody Notes to which such U.S. Ineligible Holders are entitled (net of any selling commissions and reasonable expenses of the Broker) shall be distributed between the U.S. Ineligible Holders *pro rata*, and the records of the relevant Clearing System updated accordingly. Settlement of such net sale proceeds is intended to take place through the relevant Clearing System within three business days of the date on which all U.S. Custody Notes have been sold.
- (d) Market sale of entitlements of other Ineligible Holders.
- (i) The New Notes Entitlement of any holder of Existing Notes who is deemed to be an Ineligible Holder due to its failure to notify the Tabulation and Exchange Agent of its status prior to the applicable deadline will be delivered to the Custodian (“**Other Custody Notes**”). In respect of all Other Custody Notes, the Issuer shall instruct the Broker to sell all Other Custody Notes over a period of 10 Business Days following the Fifth Closing Date.
  - (ii) The aggregate sale proceeds in respect of such Other Custody Notes (net of any selling commissions and reasonable expenses of the Broker) shall be distributed between the Other Ineligible Holders *pro rata*, and the records of the relevant Clearing System updated accordingly. Settlement of such net sale proceeds is intended to take place through the relevant Clearing System within three business days of the date on which all Other Custody Notes have been sold.

### 5.3 Treatment of Stubs and Fractional Entitlements

- (a) Treatment of Stub Holders.
  - (i) The minimum denomination of the Class M3 Notes and the Class B4 Notes is £1,000. Any holder of Exchanged Junior Notes in an amount which would otherwise entitle them to receive an aggregate principal amount of Class M3 Notes of less than £1,000 or an aggregate principal amount of Class B4 Notes of less than £1,000 (each a “**Stub**”) pursuant to the Note Exchange (a “**Stub Holder**”) shall not be issued with their entitlement to the Class M3 Notes or Class B4 Notes (as applicable). Instead, the

Class M3 Notes or Class B4 Notes (as applicable) to which the Stub Holder would otherwise have been entitled shall be issued to the Custodian and sold by the Broker at the same time as the entitlements of U.S. Ineligible Holders in the manner described in Part 5.2 (*Treatment of Ineligible Holders*) above.

- (ii) The aggregate sale proceeds in respect of the Notes to which such Stub Holders are entitled (net of any selling commissions and reasonable expenses of the Broker) shall be distributed between the Stub Holders pro rata, and the records of the relevant Clearing System updated accordingly. Settlement of such net sale proceeds is intended to take place through the relevant Clearing System within three business days of the date on which all U.S. Custody Notes have been sold.
- (b) **Treatment of Fractional Entitlements.** Any holder who owns an amount of Exchanged Notes which would otherwise entitle them to receive an aggregate principal amount of Class M3 Notes in an aggregate amount of more than £1,000 or Class B4 Notes of more than £1,000, but in each case in an integral multiple of less than £1,000 (a “**Fractional Entitlement**”), will have their entitlement rounded to the nearest £1,000 (with any partial denomination less than or equal to £500 to be rounded down, and any partial denomination more than £500 to be rounded up).

#### 5.4 Calculation of Entitlements for Eligible Holders

Following the publication of the results of the vote in respect of the Extraordinary Resolutions, holders of Exchanged Notes will be required to take further action in order that the Tabulation and Exchange Agent, in conjunction with the Issuer, may calculate the amount of New Fifth Issue Notes to be issued to holder of Exchanged Notes (subject always to the restrictions on eligibility described above). Direct accountholders in the relevant Clearing System must disclose to the Tabulation and Exchange Agent, via the procedures and according to the deadlines to be notified by the relevant Clearing Systems:

- (a) that the aggregate nominal amount of Exchanged Notes in such direct accountholder’s account is held on behalf of one beneficial owner and such entitlements should be calculated according to the aggregate nominal amount of Exchanged Notes held by such direct accountholder; or
- (b) the aggregate nominal amount of Exchanged Notes held by a direct accountholder is held on behalf of two or more beneficial holders, and disclose the quantities (but not the identities) that is attributable to each beneficial holder.

Any Stubs and Fractional Entitlements identified in the calculation of any beneficial holder entitlement will be treated in the manner described in Part 5.3 (*Treatment of Stubs and Fractional Entitlements*) above.

## 6. CONDITIONS PRECEDENT TO THE IMPLEMENTATION OF THE PROPOSED TRANSACTION

The implementation of the Proposed Transaction will be conditional upon the satisfaction of the conditions precedent set out below (the “**Conditions Precedent**”), each in form and substance satisfactory to the Note Trustee in its reasonable and good faith discretion. Upon satisfaction of the Conditions Precedent, the transactions set out in Clauses [●] through [●], inclusive, of the 2014 Restructuring Implementation Deed shall occur.

### 6.1 Offering Documents

The Issuer shall have issued an offering circular relating to the issue of the Fifth Issue Notes, to which offering circular shall be annexed a Preliminary Prospectus relating to the Fifth Issue Notes.

### 6.2 Amendment Documents

Copies of the following documents executed and otherwise delivered by the parties thereto (the “**Executing Parties**”), in each case substantially in the form last distributed to the parties prior to signing the 2014 Restructuring Implementation Deed:

- (a) the 2014 Restructuring Implementation Deed, pursuant to which:
  - (i) each of the following documents shall have been amended and restated in the form set out as a schedule to the 2014 Restructuring Implementation Deed:
    - (A) the Amended and Restated Master Definitions and Construction Schedule;
    - (B) the Amended and Restated Issuer/Borrower Facility Agreement;
    - (C) the Amended and Restated Liquidity Facility Agreement;
    - (D) the Amended and Restated Agency Agreement;
    - (E) the Amended and Restated Servicing and Cash Management Agreement;
    - (F) the Amended and Restated Bank Agreement;
    - (G) the Amended and Restated Tax Deed of Covenant;
  - (ii) each of the Second Ambac Guarantee, the Ambac Guarantee, the Ambac Fee Letter, and the Second Guarantee and Reimbursement Agreement, shall have been released and terminated; and
  - (iii) the Hedges under each of the Hedging Agreement and the Issuer/Borrower Swap Agreement shall have been modified;
- (b) the Fourth Supplemental Trust Deed, together with a cumulative conformed copy of the Trust Deed (including the Conditions) as amended through the Fifth Closing Date;
- (c) the Deed of Amendment and Acknowledgment relating to the Issuer Deed of Charge, together with a cumulative conformed copy of the Issuer Deed of Charge as amended through the Fifth Closing Date;



- (d) the Deed of Amendment and Acknowledgement relating to the Punch Taverns Deed of Charge, together with a cumulative conformed copy of the Punch Taverns Deed of Charge as amended through the Fifth Closing Date;
- (e) the Deed of Amendment and Acknowledgement relating to the Punch Taverns Second Priority Deed of Charge;
- (f) the Class B4 Security Deed of Charge;
- (g) the direction by the Class A Notes to appoint [●] as an observer to the boards of the Issuer and the Borrower, and;
- (h) the direction by the Class M3 Notes to appoint [●] as an observer to the boards of the Issuer and Borrower;
- (i) the direction by the Class B4 Notes to appoint [●] as an observer to the boards of the Issuer and the Borrower; and
- (j) changes to the Scottish security documents, if required.

### 6.3 Consents and Approvals

Evidence that all consents and approvals (as applicable) of each entity necessary for the completion of the Proposed Transaction (the “**Consenting Parties**” and, together with the Executing Parties, the “**Participating Parties**”) shall have been received (such consent or approval to be deemed received if and to the extent such party has executed and delivered all documents described above to be executed by it), including without limitation:

- (a) the holders of each class of Existing Notes shall have approved the Proposed Transaction by Extraordinary Resolution;
- (b) the shareholders of Punch shall have approved: (i) the issuance of additional Punch Shares in connection with the Junior Note Share Exchange; (ii) the issuance of additional Punch Shares in connection with the Firm Placing; and (iii) the whitewash procedure under the Takeover Code pursuant to which the purchases of Punch Shares in connection with the Proposed Transaction do not trigger any obligation to make a mandatory offer for Punch.

### 6.4 Fees

Evidence that an agreed schedule of fees, costs and expenses, including the Voting Fee, have been paid or provided for on the Fifth Closing Date by Punch.

### 6.5 Ambac Contribution

Ambac shall have contributed not less than £20,000,000 into the Borrower by way of a [●].

### 6.6 Representations and Warranties

All representations and warranties of all Securitisation Group Entities in all Relevant Documents being true and accurate in all material respects as at the Fifth Closing Date (after giving effect to the Proposed Transaction).

### 6.7 No Event of Default, etc.

No Event of Default or Potential Event of Default shall have occurred or be continuing, and no event is continuing which constitutes a default under any document or agreement binding on any Securitisation Group Entity or any of its assets to an extent or in a manner which is reasonably likely to have a Material Adverse Effect.

## 6.8 Ratings

A written confirmation that each of the Class A Fixed Notes and the Class A Variable Notes have been granted a rating from Fitch, Moody's and Standard & Poor's.

## 6.9 Corporate Documents

The Note Trustee shall have received the following:

- (a) A corporate structure diagram for the Securitisation Group, which diagram shall include, among other information, the role (as issuer, borrower, guarantor, etc.) of each member of the Securitisation Group and the nature of the security (if any) granted by it.
- (b) In relation to each Obligor copies, certified by a director of the relevant Obligor as being true, complete and up to date, of the resolutions, by the board of directors of the relevant Obligor authorising the execution, delivery and performance of this Agreement, the Transaction Documents to be entered into in connection with the 2014 Restructuring and the terms and conditions thereof and authorising a person or persons to sign each such document to which it is a party.
- (c) Solvency Certificate from each Obligor.
- (d) In relation to each Obligor evidence of unanimous shareholder approval of the actions of that Obligor referred to in (a) above.
- (e) The certificate of a director of the Borrower (confirming that the aggregate of all Financial Indebtedness of the Borrower, together with the aggregate maximum amount of the Term Facilities does not and would not if fully drawn or utilised, exceed any borrowing limit in the Borrower's constitutional documents or any trust deed or other agreement to which that company is a party).

## 6.10 Opinions, Comfort Letters and Reports

- (a) The Note Trustee shall have received legal opinions addressed to it (or delivered to it on a reliance basis) from:
  - (i) Deloitte, confirming that there are no adverse tax consequences arising from the completion of the Proposed Transaction and that there is a continuing tax benefit to the Securitisation Group Entities arising from the Amended and Restated Tax Deed of Covenant;
  - (ii) Slaughter and May, regarding corporate capacity in the agreed form; and
  - (iii) Freshfields Bruckhaus Deringer LLP, regarding the Issuer Security and the Borrower Security in the agreed form.
- (b) The Note Trustee shall have received from [•] an auditor's comfort letter and report in the agreed form.
- (c) The Note Trustee shall have received the December 2013 desktop valuation report (which has been independently reviewed by an agreed third party) in respect of the Punch A estate issued by GVA Grimley Limited.

## 6.11 Other Conditions

- (a) The implementation and legal completion of the restructurings of each of the Punch A Securitisation and the Punch B Securitisation shall occur co-terminously.
- (b) Admission of the new Punch Shares to listing and trading; and

- (c) £43 million of Punch Taverns (PGE) Limited cash shall have been contributed to the Punch A securitisation.

**SCHEDULE 1**  
**SCHEDULED REDEMPTION<sup>4</sup>**

Part 1 (*Class A1(F) Note Scheduled Redemption*)

Part 2 (*Class A2(F) Note Scheduled Redemption*)

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<sup>4</sup> Note: Assumes a closing date of 15 October 2014

## Punch A - Amortization

### Amortization as £ per £1,000 of Notes

Year	Quarter	IPD	SSL	A1 (v)	A2 (v)	A1 (f)	A2 (f)	M3	B4
2015	Q2-15	15-Jan-2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015	Q3-15	15-Apr-2015	0.0	0.0	0.0	16.0	19.5	0.0	0.0
2015	Q4-15	15-Jul-2015	0.0	0.0	0.0	16.0	19.5	0.0	0.0
2016	Q1-16	15-Oct-2015	0.0	0.0	0.0	16.0	19.5	0.0	0.0
2016	Q2-16	15-Jan-2016	0.0	0.0	0.0	16.0	19.5	0.0	0.0
2016	Q3-16	15-Apr-2016	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2016	Q4-16	15-Jul-2016	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2017	Q1-17	15-Oct-2016	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2017	Q2-17	15-Jan-2017	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2017	Q3-17	15-Apr-2017	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2017	Q4-17	15-Jul-2017	0.0	0.0	0.0	10.0	14.0	0.0	0.0
2018	Q1-18	15-Oct-2017	0.0	0.0	0.0	10.0	15.0	0.0	0.0
2018	Q2-18	15-Jan-2018	0.0	0.0	0.0	15.0	15.0	0.0	0.0
2018	Q3-18	15-Apr-2018	0.0	0.0	0.0	15.0	15.0	0.0	0.0
2018	Q4-18	15-Jul-2018	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2019	Q1-19	15-Oct-2018	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2019	Q2-19	15-Jan-2019	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2019	Q3-19	15-Apr-2019	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2019	Q4-19	15-Jul-2019	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2020	Q1-20	15-Oct-2019	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2020	Q2-20	15-Jan-2020	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2020	Q3-20	15-Apr-2020	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2020	Q4-20	15-Jul-2020	0.0	0.0	0.0	15.0	21.0	0.0	0.0
2021	Q1-21	15-Oct-2020	0.0	0.0	0.0	18.5	23.5	0.0	0.0
2021	Q2-21	15-Jan-2021	0.0	0.0	0.0	18.5	23.5	0.0	0.0
2021	Q3-21	15-Apr-2021	0.0	0.0	0.0	18.5	23.5	0.0	0.0
2021	Q4-21	15-Jul-2021	1,000.0	0.0	0.0	18.5	23.5	0.0	0.0
2022	Q1-22	15-Oct-2021	0.0	0.0	0.0	18.5	23.5	0.0	0.0
2022	Q2-22	15-Jan-2022	0.0	0.0	0.0	18.5	23.5	0.0	0.0
2022	Q3-22	15-Apr-2022	0.0	0.0	0.0	20.0	26.0	0.0	0.0
2022	Q4-22	15-Jul-2022	0.0	0.0	0.0	20.0	26.0	0.0	0.0
2023	Q1-23	15-Oct-2022	0.0	0.0	0.0	20.0	26.0	0.0	0.0
2023	Q2-23	15-Jan-2023	0.0	0.0	0.0	20.0	26.0	0.0	0.0
2023	Q3-23	15-Apr-2023	0.0	0.0	0.0	20.0	26.0	0.0	0.0



**SCHEDULE 2**  
**EBITDA INTEREST COVER RATIO**

## Punch A - ICR

Year	Quarter	IPD	ICR Covenant
2015	Q2-15	15-Jan-2015	1.25 x
2015	Q3-15	15-Apr-2015	1.26 x
2015	Q4-15	15-Jul-2015	1.28 x
2016	Q1-16	15-Oct-2015	1.29 x
2016	Q2-16	15-Jan-2016	1.31 x
2016	Q3-16	15-Apr-2016	1.32 x
2016	Q4-16	15-Jul-2016	1.34 x
2017	Q1-17	15-Oct-2016	1.35 x
2017	Q2-17	15-Jan-2017	1.37 x
2017	Q3-17	15-Apr-2017	1.38 x
2017	Q4-17	15-Jul-2017	1.40 x
2018	Q1-18	15-Oct-2017	1.41 x
2018	Q2-18	15-Jan-2018	1.43 x
2018	Q3-18	15-Apr-2018	1.44 x
2018	Q4-18	15-Jul-2018	1.46 x
2019	Q1-19	15-Oct-2018	1.47 x
2019	Q2-19	15-Jan-2019	1.49 x
2019	Q3-19	15-Apr-2019	1.50 x
2019	Q4-19	15-Jul-2019	1.52 x
2020	Q1-20	15-Oct-2019	1.53 x
2020	Q2-20	15-Jan-2020	1.55 x
2020	Q3-20	15-Apr-2020	1.56 x
2020	Q4-20	15-Jul-2020	1.58 x
2021	Q1-21	15-Oct-2020	1.59 x
2021	Q2-21	15-Jan-2021	1.61 x
2021	Q3-21	15-Apr-2021	1.62 x
2021	Q4-21	15-Jul-2021	1.64 x
2022	Q1-22	15-Oct-2021	1.65 x
2022	Q2-22	15-Jan-2022	1.67 x
2022	Q3-22	15-Apr-2022	1.68 x
2022	Q4-22	15-Jul-2022	1.70 x
2023	Q1-23	15-Oct-2022	1.70 x
2023	Q2-23	15-Jan-2023	1.70 x
2023	Q3-23	15-Apr-2023	1.70 x
2023	Q4-23	15-Jul-2023	1.70 x
2024	Q1-24	15-Oct-2023	1.70 x
2024	Q2-24	15-Jan-2024	1.70 x
2024	Q3-24	15-Apr-2024	1.70 x
2024	Q4-24	15-Jul-2024	1.70 x
2025	Q1-25	15-Oct-2024	1.70 x
2025	Q2-25	15-Jan-2025	1.70 x
2025	Q3-25	15-Apr-2025	1.70 x
2025	Q4-25	15-Jul-2025	1.70 x
2026	Q1-26	15-Oct-2025	1.70 x
2026	Q2-26	15-Jan-2026	1.70 x
2026	Q3-26	15-Apr-2026	1.70 x
2026	Q4-26	15-Jul-2026	1.70 x
2027	Q1-27	15-Oct-2026	1.70 x
2027	Q2-27	15-Jan-2027	1.70 x
2027	Q3-27	15-Apr-2027	1.70 x
2027	Q4-27	15-Jul-2027	1.70 x



**SCHEDULE 3  
LEVERAGE RATIOS**

Part 1 (Net Senior Leverage)

Part 2 (Net Total Leverage)

## Punch A - Leverage Ratios

Year	Quarter	IPD	Net Senior Leverage Covenant	Net Leverage Covenant
2015	Q2-15	15-Jan-2015	5.20 x	8.80 x
2015	Q3-15	15-Apr-2015	5.00 x	8.60 x
2015	Q4-15	15-Jul-2015	4.90 x	8.50 x
2016	Q1-16	15-Oct-2015	4.60 x	8.30 x
2016	Q2-16	15-Jan-2016	4.50 x	8.20 x
2016	Q3-16	15-Apr-2016	4.40 x	8.10 x
2016	Q4-16	15-Jul-2016	4.30 x	8.00 x
2017	Q1-17	15-Oct-2016	4.00 x	7.80 x
2017	Q2-17	15-Jan-2017	4.00 x	7.80 x
2017	Q3-17	15-Apr-2017	3.90 x	7.70 x
2017	Q4-17	15-Jul-2017	3.80 x	7.50 x
2018	Q1-18	15-Oct-2017	3.60 x	7.40 x
2018	Q2-18	15-Jan-2018	3.60 x	7.30 x
2018	Q3-18	15-Apr-2018	3.50 x	7.20 x
2018	Q4-18	15-Jul-2018	3.40 x	7.00 x
2019	Q1-19	15-Oct-2018	3.20 x	6.90 x
2019	Q2-19	15-Jan-2019	3.20 x	6.80 x
2019	Q3-19	15-Apr-2019	3.10 x	6.70 x
2019	Q4-19	15-Jul-2019	3.00 x	6.60 x
2020	Q1-20	15-Oct-2019	3.00 x	6.40 x
2020	Q2-20	15-Jan-2020	3.00 x	6.30 x
2020	Q3-20	15-Apr-2020	3.00 x	6.20 x
2020	Q4-20	15-Jul-2020	3.00 x	6.10 x
2021	Q1-21	15-Oct-2020	3.00 x	5.90 x
2021	Q2-21	15-Jan-2021	3.00 x	5.80 x
2021	Q3-21	15-Apr-2021	3.00 x	5.70 x
2021	Q4-21	15-Jul-2021	3.00 x	5.60 x
2022	Q1-22	15-Oct-2021	3.00 x	5.40 x
2022	Q2-22	15-Jan-2022	3.00 x	5.30 x
2022	Q3-22	15-Apr-2022	3.00 x	5.20 x
2022	Q4-22	15-Jul-2022	3.00 x	5.10 x
2023	Q1-23	15-Oct-2022	3.00 x	4.90 x
2023	Q2-23	15-Jan-2023	3.00 x	4.80 x
2023	Q3-23	15-Apr-2023	3.00 x	4.70 x

## Punch A - Leverage Ratios

<b>Year</b>	<b>Quarter</b>	<b>IPD</b>	<b>Net Senior Leverage Covenant</b>	<b>Net Leverage Covenant</b>
2023	Q4-23	15-Jul-2023	3.00 x	4.50 x
2024	Q1-24	15-Oct-2023	3.00 x	4.50 x
2024	Q2-24	15-Jan-2024	3.00 x	4.50 x
2024	Q3-24	15-Apr-2024	3.00 x	4.50 x
2024	Q4-24	15-Jul-2024	3.00 x	4.50 x
2025	Q1-25	15-Oct-2024	3.00 x	4.50 x
2025	Q2-25	15-Jan-2025	3.00 x	4.50 x
2025	Q3-25	15-Apr-2025	3.00 x	4.50 x
2025	Q4-25	15-Jul-2025	3.00 x	4.50 x
2026	Q1-26	15-Oct-2025	3.00 x	4.50 x
2026	Q2-26	15-Jan-2026	3.00 x	4.50 x
2026	Q3-26	15-Apr-2026	3.00 x	4.50 x
2026	Q4-26	15-Jul-2026	3.00 x	4.50 x
2027	Q1-27	15-Oct-2026		4.50 x
2027	Q2-27	15-Jan-2027		4.50 x
2027	Q3-27	15-Apr-2027		4.50 x
2027	Q4-27	15-Jul-2027		4.50 x