

25 June 2014

SUBJECT TO CONTRACT

**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

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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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.

Up-front Cash Payment:	<ul style="list-style-type: none"> • None
Cash Coupon:	<ul style="list-style-type: none"> • Class A1(F) Notes: 7.274 per cent. per annum • 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)
PIK Coupon:	<ul style="list-style-type: none"> • None
Scheduled Redemption:	<ul style="list-style-type: none"> • Fixed contractual amortisation profile calculated to target a free cash flow debt service cover ratio (“DSCR”) 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
Mandatory Redemption:	<ul style="list-style-type: none"> • None
Optional Redemption:	<ul style="list-style-type: none"> • At the option of the Issuer at the Optional Redemption Amount • 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.
Optional Redemption for tax, etc.:	<ul style="list-style-type: none"> • Tax call: the Principal Amount Outstanding plus accrued interest
Expected WAL:	<ul style="list-style-type: none"> • Class A1(F) Notes: 8.1 years • Class A2(F) Notes: 6.9 years
Listing:	<ul style="list-style-type: none"> • Unchanged - Luxembourg Stock Exchange
Rating:	<ul style="list-style-type: none"> • Each of the Class A Fixed Notes will be rated by each of Fitch¹, Moody’s and Standard & Poor’s.
Liquidity Facility Coverage:	<ul style="list-style-type: none"> • Yes – 18 months’ peak interest and scheduled principal (excluding the final payment at maturity) – see Part 2.5 (<i>Liquidity Facility</i>) below
Security:	<ul style="list-style-type: none"> • 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 “PTH Shares”) securing the obligations of both the Issuer and the Borrower/Obligors.
Covenants:	<ul style="list-style-type: none"> • Unchanged, save as described in Parts 2.7 (<i>Financial Covenants</i>) and 2.8 (<i>Operational Covenants</i>) below

¹ 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 Fitch², 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

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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² Fitch rating will be a new issue rating and will be obtained on or about the Fifth Closing Date without a RES/RAS.

	Entitlement	Entitlement	Entitlement	Entitlement	Amount Outstanding
(as a percentage of the consideration payable for the exchange)					
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

Aggregate Nominal Amount:	<ul style="list-style-type: none"> • £300,000,000 • 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 (<i>Treatment of Stubs and Fractional Entitlements</i>) and 5.4 (<i>Calculation of Entitlements for Eligible Holders</i>) below
Maturity:	<ul style="list-style-type: none"> • [October 2027]
Cash Coupon:	<ul style="list-style-type: none"> • LIBOR + 5.50 per cent. per annum
PIK Coupon:	<ul style="list-style-type: none"> • None
Scheduled Redemption:	<ul style="list-style-type: none"> • None
Mandatory Redemption:	<ul style="list-style-type: none"> • None
Optional Redemption:	<ul style="list-style-type: none"> • Non-call period of two years from the Fifth Closing Date • 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"> ○ (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 ○ (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) 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:

-
- 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

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 28th 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

which an Election Notice can be given), or the day following the 25th 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

-
- 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,

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

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 15th day following the Note Trustee Notification.
- Any Class B4 Election Notice received by the Note Trustee on or prior to the 15th day following the Note Trustee Notification shall be valid and binding provided that the Note Trustee is put in funds prior to the 21st 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 15th day following the Note Trustee Notification (or the next business day if such 15th 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 21st 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 25th 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:

Institution	Percentage of Firm Placing Shares	No. of Punch Shares
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
Use of Proceeds of Firm Placing:	•	The proceeds of the Firm Placing will be applied in full toward payment of the Cash Entitlement in respect of the Junior Exchanged Notes.	
Shareholder Reallocation:	•	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:	
		Institution	Percentage of Punch Shares (fully-diluted)
			No. of Punch Shares
		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
Punch Equity after Proposed Transaction:	•	Following implementation of the Proposed Transaction, the issued share capital of Punch will be divided approximately as follows:	
		Shareholder Group	Percentage of Punch Shares (fully-diluted)
			No. of Punch Shares
		Existing Shareholders	15.0 per cent.
			666,000,000

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

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

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

	<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 “Super Senior Hedge Note”) 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 “Issuer/Borrower Hedge Loan”).</p>
<i>Aggregate Nominal Amount</i>	<ul style="list-style-type: none"> • Each of the Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will have an estimated notional amount of £99,065,046.
<i>Maturity</i>	<ul style="list-style-type: none"> • [July 2021]
<i>Form</i>	<ul style="list-style-type: none"> • The Super Senior Hedge Note will be structured as a listed Eurobond, in global form.
<i>Calculation of principal amount</i>	<ul style="list-style-type: none"> • The Royal Bank of Scotland plc (the “Hedge Provider”) 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. • The principal amount of the Super Senior Hedge Note will be the difference between: <ul style="list-style-type: none"> ○ 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 ○ the mark to market of the new Hedge relating to the nominal principal amount of Class M3 Notes. • 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.
<i>Conditions</i>	<ul style="list-style-type: none"> • The Super Senior Hedge Note and the Issuer/Borrower Hedge Loan will have the same terms, as follows. <ul style="list-style-type: none"> ○ 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. ○ 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"> • from (and including) the Fifth Closing Date to (and including) 20 August 2015, at floating rate of 3 month GBP-LIBOR-BBA; and • in the financial year beginning 21 August 2015, and in each subsequent financial year, the rate of interest

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.

Table 1 Super Senior Hedge Note Margin	
Level of underperformance versus Shadow Amortisation profile	Margin (bps)
≥ 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.

Table 2 Accumulated Shadow Amortisation profile	
Year ending c. 20 August	Accumulated Shadow Amortisation (£m)
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**

-
- **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

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 EBITDA³ 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);

³ 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

- 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

-
- 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

- 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) Notes⁶</i>	<i>Class A1(V) Notes</i>	<i>Class A2(F) Notes⁷</i>	<i>Class A2(V) Notes</i>	<i>Class M3 Notes</i>	<i>Class B4 Notes</i>
Denomination¹	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
Principal Amount Outstanding as at Fifth Closing Date²	£202,500,000	£67,500,000	£137,366,250	£45,788,750	£300,000,000	£90,000,000
Issue Price	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.
Interest Rate³	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
Frequency of payments of interest	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Frequency of scheduled redemption of principal	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
Frequency of principal from excess cash and disposal proceeds	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
Redemption premium	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 ⁸	None ^{8/9}
Interest Payment Dates⁴	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
First Interest Payment Date⁵	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014	15 [October] 2014
Final Maturity Date⁴	15 [October 2026]	15 [October 2026]	15 [October 2025]	15 [October 2025]	15 [October 2027]	15 [October 2028]

	<i>Class A1(F) Notes⁶</i>	<i>Class A1(V) Notes</i>	<i>Class A2(F) Notes⁷</i>	<i>Class A2(V) Notes</i>	<i>Class M3 Notes</i>	<i>Class B4 Notes</i>
Form at issue¹	Bearer	Registered	Bearer	Registered	Registered	Registered
Listing	Luxembourg Stock Exchange	Irish Stock Exchange	Luxembourg Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
Clearing	Euroclear and Clearstream, Luxembourg					
Common Code	08552975	To be allocated	017961012	To be allocated	To be allocated	To be allocated
ISIN	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

- (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

<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

<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"> (a) the Super Senior Hedge Note; (b) Class A1(V) Notes; (c) Class A2(V) Notes; (d) Class M3 Notes; and (e) Class B4 Notes, <p>(together, the “New Fifth Issue Notes”)</p> <p>and redesignate the remaining existing Class A1(R) Notes and Class A2(R) respectively as:</p> <ul style="list-style-type: none"> (f) Class A1(F) Notes; and (g) Class A2(F) Notes, <p>(together with the New Fifth Issue Notes, the “Fifth Issue Notes”).</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 “Majority Direction”), 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

<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 “ Issuer/Borrower Facility Agreement ”).
<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"> (a) implement cash flow restrictions set out elsewhere in this Term Sheet; and (b) the cash sweep of the Disposal Proceeds Account occurring upon a DSCR breach will be removed.
<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"> (i) first, <i>pari passu</i>, the Class A Fixed Notes until they are paid in full; (ii) second, <i>pari passu</i>, the Class A Variable Notes until they are paid in full; (iii) third, <i>pari passu</i>, the Class M3 Notes until they are paid in full; and (iv) fourth, <i>pari passu</i>, the Class B4 Notes until they are paid in full. <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"> (i) no distributions, service fee payments or other restricted payments except as expressly permitted; (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 (iii) the existing conditions and restrictions relating to Restricted Payments will remain unchanged.

- (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

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

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

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

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

- (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

- (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

<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"> (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; (b) 18 months' peak interest and scheduled redemption (excluding the final payment at maturity) in respect of the Class A Fixed Notes; (c) 18 months' peak interest in respect of the Class A Variable Notes; and (d) 18 months' peak interest and associated hedge payments (excluding any termination payment) in respect of the Class M3 Notes; <p>(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").</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"> (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 (b) the then current available Liquidity Amount, <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

<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

<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 “Existing Hedging Agreement”).</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 “Existing Issuer/Borrower Swap Agreement”).</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

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

4.16 Proposed Subordinated Debt Reorganisation

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

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 REDEMPTION⁴

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

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

⁴ 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

Year	Quarter	IPD	Net Senior Leverage Covenant	Net Leverage Covenant
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