

Madrid, 23 of September 2014

In accordance with article 82 of the 24/1998 Spanish Stock Market Act and its dispositions, Codere, S.A. hereby informs of the following:

## SIGNIFICANT EVENT

### **FIRST: EXECUTION OF A LOCK-UP AGREEMENT**

On today's date, CODERE, S.A. ("**Codere**") announces that it has entered into an agreement (the "**Lock-up Agreement**") on the key terms of a restructuring of the Codere group's balance sheet (the "**Restructuring**") (as further described in the Fourth point below) with certain stakeholder parties, including:

- (a) Codere Finance Luxembourg, S.A. (the issuer of the Codere group's €760,000,000 8.250% senior secured notes due 2015 (the "**EUR Notes**") and USD300,000,000 9.250% senior notes due 2019 (the "**USD Notes**", together with the EUR Notes, the "**Existing Notes**")) and certain companies of the Codere group (together with Codere, the "**Company Parties**");
- (b) holders of c. 80.2% of the EUR Notes and c. 88.9% of the USD (together with any other holder of the Existing Notes which may subsequently accede to the Lock-Up Agreement, the "**Consenting Noteholders**");
- (c) certain Consenting Noteholders that have agreed to backstop the entire amount of the New SFA (as further detailed in the Fourth point below) (together with any holder of the Existing Notes which may subsequently accede and agree to backstop its pro rata share of the New SFA within 10 business days from the date of this announcement, the "**Backstop SFA Parties**");
- (d) certain Consenting Noteholders that have agreed to backstop the entire amount of the New Cash Notes Subscription (as further detailed in the Fourth point below) (together with any holder of the Existing Notes which may subsequently accede and agree to backstop its pro rata share of the New Cash Notes Subscription within 10 business days from the date of this announcement) (the "**Backstop Notes Parties**"); and
- (e) José Antonio Martínez Sampedro, Javier Martínez Sampedro, Encarnación Martínez Sampedro, M<sup>a</sup> Carmen Martínez Sampedro and Masampe Holding, B.V. (the "**Original Shareholder Parties**").

The Lock-up Agreement is today effective in accordance with its terms.

### **SECOND: EXECUTION OF A SFA STANDSTILL**

Codere further announces that it has agreed the terms of a separate standstill and cooperation agreement with the lenders under its senior facilities agreement dated 19 October 2007 (as

amended from time to time) which is now unconditional and effective upon the effectiveness of the Lock-Up Agreement.

### **THIRD: TERMS AND CONDITIONS OF THE LOCK-UP AGREEMENT**

The terms and conditions of the Lock-Up Agreement include the following:

- (a) an agreement by each of the parties to the Lock-Up Agreement to support, facilitate, implement and consummate the Restructuring and to enter into negotiations with each other party with a view to agreeing the documents necessary to implement the Restructuring as soon as possible in a manner consistent with the agreed commercial terms by no later than nine (9) months from the date of this announcement or such later date as may be agreed by certain of the parties provided that such date is no later than eleven (11) months from the date of this announcement (the "**Completion Long-Stop Date**");
- (b) the Consenting Noteholders agree not to take enforcement action in respect of the existing and certain anticipated defaults under the terms and conditions of the EUR Notes and USD Notes;
- (c) the Company Parties agree not to undertake specified material corporate actions without the prior consent of two or more Consenting Noteholders holding in aggregate more than 50% of the Existing Notes by nominal value held by the Consenting Noteholders (the "**Majority Consenting Noteholders**");
- (d) each Consenting Noteholder will have the opportunity to provide its pro rata share of new funding (through the New SFA and the New Cash Notes Subscription), albeit the entire amount of such new funding is fully backstopped by the Backstop SFA Parties and the Backstop Notes Parties; and
- (e) termination provisions under which the Lock-Up Agreement will terminate (or become capable of termination by certain parties) if certain specified events occur.

### **FOURTH: SCHEME OF ARRANGEMENT PROCESS**

Codere intends to complete the Restructuring via a scheme of arrangement under the UK Companies Act 2006 (the "**Scheme**") to obtain necessary approvals for (amongst other things) the following:

- (a) **New SFA:** a €253,000,000 first lien term loan facility (the "**New SFA**") which, together with the proceeds of the New Cash Notes Subscription, will replace the existing senior facilities agreement and provide financing for future working capital and projects. The key terms of the New SFA are described at the Fifth point below.

Each Existing Noteholder will be offered the opportunity to participate in the New SFA in a proportion equal to its share of the Existing Notes. The New SFA will be underwritten in full by the Backstop SFA Parties.

- (b) **New Notes:** the issue of €675,000,000 of new notes, consisting of:
  - (i) new second lien notes in an amount of €350,000,000 (the "**New 2L Notes**"); and

- (ii) new third lien notes in an amount of €325,000,000 (the "**New 3L Notes**", together with the New 2L Notes, the "**New Notes**").

The key terms of the New Notes are described at the Fifth point below

The New Notes will be issued by a newly incorporated special purpose vehicle within the Codere group (the "**New Issuer**") pursuant to the New Cash Notes Subscription and the Existing Notes Exchange (each as described below) and subject to the Final Notes Allocation (also described below):

- (A) **New Cash Notes Subscription:** the New Issuer will issue €200,000,000 of New 2L Notes for a cash subscription (the "**New Cash Notes Subscription**").

Each Existing Noteholder will be offered the opportunity to participate in the New Cash Notes Subscription in a proportion equal to its share of the Existing Notes. The New Cash Notes Subscription will be underwritten in full by the Backstop Note Parties.

- (B) **Exchange of Existing Notes:** the Existing Noteholders will exchange Existing Notes with a nominal value of €475,000,000 for:

- (i) €150,000,000 of New 2L Notes; and

- (ii) €325,000,000 of New 3L Notes

(the "**Existing Notes Exchange**").

- (C) **Final Notes Allocation:** upon completion of the New Cash Notes Subscription and the Existing Notes Exchange, the New 2L Notes and the New 3L Notes will be allocated among Existing Noteholders such that any Existing Noteholder that has exercised in full its right to participate in the New Cash Notes Subscription shall be allocated an amount of New 2L Notes by reference to an allocation ratio (subject to certain excess subscription mechanics). By contrast, any Existing Noteholder that has not exercised in full its right to participate in the New Cash Notes Subscription shall be allocated New 3L Notes by reference to the same allocation ratio (subject to certain excess subscription mechanics).

- (c) **Capitalisation of Existing Notes:** conversion of the remaining claims of the Existing Noteholders for principal and interest in respect of the Existing Notes (in aggregate amounting to circa €636,000,000) into 97.78% of the ordinary issued share capital of Codere (the "**Noteholder Equity**"), leaving existing shareholders with 2.22% (the "**Note Capitalisation**").

Immediately following the Note Capitalisation and within the context of the Scheme, the Existing Noteholders will re-allocate the Noteholder Equity such that at completion of the Restructuring, the ordinary share capital of Codere shall be held as follows (in each case stated as a percentage of the total ordinary share capital in issue) (collectively, the "**Investors Shareholders**"):

- (i) 61.20% by Existing Noteholders participating in the New Cash Notes Subscription;
- (ii) 10% by the Backstop Notes Parties (who shall also be entitled to receive a cash backstop fee amounting to 5% of the total amount of the New Cash Notes Subscription);
- (iii) 1% by the Backstop SFA Parties (who shall also be entitled to receive a cash backstop fee amounting to 2% of the total amount of the New SFA);
- (iv) 4% by the holders of 2L Notes; and
- (v) 2% by the holders of 3L Notes.

In addition, to preserve the value of the New Notes and maximise future value creation in the equity of Codere, the Existing Noteholders believe it is of critical importance that José Antonio Martínez Sampedro and Javier Martínez Sampedro (the "**Key Executives**") invest in restricted shares of the restructured Codere in order to align their economic interests on a permanent basis and thus preserve the Key Executives' continuity of ownership in light of the institutional and governmental relationships considered necessary to the successful continuation of the Group's licensed businesses. Accordingly, as a condition to the Restructuring, each Existing Noteholder will agree to sell and the Key Executives shall agree to purchase 19.58% of the ordinary issued share capital of Codere pro rata to its share of the total Noteholder Equity for a fair market post-Restructuring value (and, in any event, not less than €500,000) and such shares once purchased shall be subject to certain transferability limitations. The purchase price payable to the Existing Noteholders will be fully financed by such Existing Noteholders pursuant to a purchase note to be issued to them with a 5 year term and subject to other terms and conditions to be agreed.

The percentage shareholdings described above will be further diluted by (a) the subsequent issuance of 2% of the fully diluted equity of Codere to a global coordinator by way of a fee for its role and (b) the exercise of warrants to be issued to management pursuant to a management incentive package (the "**Management Warrants**").

If exercised, the Management Warrants would result in a further issuance of shares in Codere resulting in a further:

- (i) 5% ownership interest issued to the Key Executives struck at an exercise price which provides for an implied recovery on the Existing Notes of 100% of all outstanding principal plus all accrued and outstanding interest immediately prior to completion of the Restructuring (the "**First Tranche Warrants**"); and
- (ii) 5% ownership interest issued to other members of the executive management team (other than the Key Executives) struck at the same price as the First Tranche Warrants.

The First Tranche Warrants shall expire 18 months after completion of the Restructuring.

**FIFTH: KEY TERMS OF NEW NOTES AND NEW SFA**

The key terms of the New Notes and the New SFA are as follows:

**(a) New Notes:**

|             |  |
|-------------|--|
| Amount:     | New 2L Notes: €350,000,000<br>New 3L Notes: €325,000,000<br>(denominated in a mix of EUR and USD)  |
| Maturity:   | 5.25 years   |
| Interest:   | 2L Notes: 5.50% per annum cash and 3.50% PIK<br>3L Notes: 9.00% per annum PIK  |
| Prepayment: | Permitted at following redemption price:<br>Year 1: 102%<br>Year 2: 102%<br>Year 3: 101%<br>Thereafter: No premium                         |
| Ranking:    | Second or, as the case may be, third ranking senior secured indebtedness, to be supported by guarantees and security on terms to be agreed |

**(b) New SFA:**

|                  |  |
|------------------|--|
| Amount:          | €253,000,000   |
| Maturity:        | 5 years  |
| Interest:        | EURIBOR (subject to 1.00% floor) + 7.00% per annum payable in cash   |
| Upfront premium: | 1.00% payable in cash or OID (subject to structuring)  |
| Backstop premium | 2.00% payable in cash  |
| Prepayment:      | Permitted for no premium   |
| Ranking:         | First ranking senior secured indebtedness, to be supported by guarantees and security on terms to be agreed, subject to limited entitlement to incur super-senior debt |
| Other:           | Within 90 days of the Lock Up Agreement becoming effective, Codere may arrange an alternative SFA (in whole or in part) on   |

more favourable economic terms

## **SIXTH: TAKE PRIVATE (*OPA DE EXCLUSIÓN*)**

Codere shall procure its de-listing through launching a de-listing public offer (*OPA de exclusión*) (a "**Take Private Offer**") addressed to all its shareholders post-Restructuring unless the price to be offered pursuant to applicable legislation (as determined with the CNMV) exceeds the cap that the parties agree during the implementation of the Restructuring. José Antonio Martínez Sampedro, Javier Martínez Sampedro and certain other members of the Martínez Sampedro family and the Existing Noteholders have agreed not to tender their holdings of shares of Codere (subject to certain exceptions) in any such Take Private Offer. Those shares in the Company which are tendered by the participants in the Take Private Offer shall thereafter be (re)allocated to the participants in the New Cash Notes Subscription in accordance with implementation mechanics to be agreed.

## **SEVENTH: NEW BOARD OF DIRECTORS AND GOVERNANCE**

At completion of the Restructuring, the shareholders at that time will appoint a new board of nine (9) directors which will consist of the following (subject to compliance with certain requirements for a listed company prior to the de-listing of the company):

- (a) José Antonio Martínez Sampedro (Chairman and CEO) and two additional directors nominated by the Key Executives;
- (b) five (5) non-executive directors nominated by the Existing Noteholders, subject to a split between (i) those appointed by the Core Equity Group (being, Existing Noteholders who, upon completion of the Restructuring, hold in excess of 10% of the total ordinary issued share capital of Codere and who meet certain eligibility conditions) and (ii) those appointed by the Existing Noteholders who are not part of the Core Equity Group, such split currently expected to be 3/2 but which will be finalised based on the final members of the Core Equity Group and their aggregate holdings of the post-restructured equity; and
- (c) one (1) non-executive director nominated jointly by (i) Existing Noteholders who are not part of the Core Equity Group and (ii) the Key Executives.

Mr. José Antonio Martínez Sampedro and Mr. Javier Martínez Sampedro will continue performing their executive roles in the Group in accordance with their existing remuneration.

The governance regime will include (i) customary board and shareholder key reserved matters requiring certain levels of board and shareholder consent and (ii) other customary shareholder rights and protections to be agreed, including buy-sell rights highlighted below. In light of the Restructuring, there shall also be certain rights to information and the ability to appoint consultants/board observers granted to the Core Equity Group, in addition to the appointment of other key consultants by the Group as proposed by the executive management.

In particular, the Key Executives will have the option to launch a sale process in respect of their shares in Codere or buy process of the shares held by the Investor Shareholders in certain circumstances (being termination of the executive role of José Antonio Martínez Sampedro or Javier Martínez Sampedro (other than for cause) or rejection of material proposals put forward to the board on material corporate actions relating to certain regulatory

or licensing aspects of the group's business, a "**Trigger Event**") within 30 months from completion of the Restructuring. In that scenario, within the 6 months immediately after a Trigger Event, the Key Executives may propose an option price (the "**Option Price**") and Codere or, if not possible for Codere, the members of the Core Equity Group or any other Existing Noteholder that held over 5% of the equity in Codere at completion of the Restructuring and which continues to hold at least that amount of equity at the date the Offer is made, may purchase the shares of the Key Executives. If such option is not exercised, the Investor Shareholders must sell their shares in Codere to the Key Executives at the Option Price and the Key Executives shall be obliged to purchase those shares at the Option Price.

#### **EIGHTH: FINAL DOCUMENTATION**

Codere proposes to now work with the Consenting Noteholders and the Original Shareholder Parties to agree final documentation for the Restructuring and satisfy all conditions to completion as soon as possible and in any event by the Completion Long-Stop Date.

#### **NINTH: NOTEHOLDER PARTICIPATION**

Any Existing Noteholder that wishes to accede to the Lock-Up Agreement as a Consenting Noteholder is encouraged to contact:

- Tanguy Riviere ([triviere@pwpartners.com](mailto:triviere@pwpartners.com)/+44 (0) 207 268 2874) or Imran Jaffer ([ijaffer@pwpartners.com](mailto:ijaffer@pwpartners.com)/+44 (0) 207 268 2891) of Perella Weinberg Partners UK LLP, financial advisers to the Codere; or
- Manuel Martinez-Fidalgo (MMartinez-Fidalgo@HL.com) or Francisco Garcia-Ginovart (FGarcia-Ginovart@HL.com/ +44 (0) 207 747 7574) of Houlihan Lokey, financial advisers to the ad-hoc committee of certain Existing Noteholders,

as soon as possible but in any event not later than:

- (a) close of business on 14 October 2014 in order to be eligible to receive an early consent fee equal to 0.125% of the face principal amount of the Existing Notes that it holds; and
- (b) close of business on 30 September 2014 if it wishes to participate as a Backstop SFA Party and Backstop Notes Party (noting that an Existing Noteholder is only entitled to participate if it accedes and satisfies certain eligibility criteria not later than close of business on 7 October 2014).