

**31 JANUARY 2024**

**NOTICE TO NOTEHOLDERS**

**LINKLEASE FINANCE PLC**

(Incorporated in England and Wales with registered number 11663405)

to the holders of those of the Series 2018-LL1 notes issued by the Issuer on 19 December 2018 with  
ISIN: GB00BGWL1326  
(the "**Noteholders**" and the "**Notes**", respectively)

Unless otherwise defined in this Notice, capitalised terms used in this Notice shall have the meanings ascribed to them in the Trust Deed dated 19 December 2018 (as supplemented, restated or amended from time to time) between the Issuer and Note Trustee (the "**Trust Deed**").

**Events of Default under the Loan Agreement**

The Issuer hereby confirms to Noteholders that Mercury Equipment Rental LLC and Mercury Car Rental LLC (together, the "**Borrower**") continue to have failed to pay interest due up to and including 19 December 2023 to the Issuer (as lender) in an amount of US\$717,129.94 pursuant to the terms of the Loan Agreement and that this is an Event of Default under Condition 13(h) of the Notes, which is continuing.

The Issuer hereby confirms to Noteholders that the Borrower continues to have failed to repay the Loans due for repayment on 19 December 2023 to the Issuer (as lender) in an amount of US\$31,960,000.00 pursuant to the terms of the Loan Agreement and that this is an Event of Default under Condition 13(h) of the Notes, which is continuing.

**Events of Default under the Notes**

The Issuer hereby notifies Noteholders that, without payment of interest from the Borrower to the Issuer pursuant to the terms of the Loan Agreement, the Issuer was unable to pay its coupon due on the Interest Payment Date falling on 19 December 2023 in an amount of US\$717,129.94 and that this is an Event of Default under Condition 13(a) of the Notes, which is continuing.

The Issuer hereby notifies Noteholders that, without repayment of the Loans by the Borrower to the Issuer pursuant to the terms of the Loan Agreement, the Issuer was unable to redeem the Notes due for redemption in respect of Series 2018-LL1 on 19 December 2023 for the nominal amount of US\$31,960,000.00 and that this is an Event of Default under Condition 13(a) of the Notes, which is continuing.

**Borrower proposal to amend terms**

The Issuer hereby notifies the Noteholders that on 31 January 2024 the Issuer and Note Trustee received from the Borrower the following proposal (set out in full below) (the "**Proposal**")

<https://www.londonstockexchange.com/news-article/market-news/linklease-finance-plc-proposal-for-ll1-usd/16312805>

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**Mercury Equipment Rental LLC/  
Mercury Car Rental LLC**  
102, Tasaheel Building  
Al Qusais 4  
Dubai  
United Arab Emirates

**To:**  
Linklease Finance PLC  
1 Bartholomew Lane  
London  
EC2N 2AX

Woodside Corporate Services Limited  
4<sup>th</sup> Floor  
50 Mark Lane  
London  
EC3R 7QR

31 January 2024

**BY EMAIL ONLY**

**Re: Linklease Finance PLC (the "Issuer") -**

**Proposal for Coupon and Principal Payment deferment for; Series 2018-LL1 being up to USD\$50,000,000 of 9.00% secured medium term notes due 2023, with ISIN: GBooBGWL1326 ("Series 2018-LL1") issued on 19 December 2018 (the "Bonds")**

Dear Sirs,

Further to your recent RNS announcements in December 2023 and January 2024, Mercury Equipment Rental LLC and Mercury Car Rental LLC (the "**Borrowers**") hereby confirm that, jointly, they are requesting a proposal to allow for a delay to the final coupon and principal payment of the Series 2018-LL1. The delay is required to handle the complex unwinding of multiple high value assets.

The Borrowers understand the impact that the amendments set out in this proposal may have, however they believe that revising the payment obligations of the Borrower and Issuer (as set out herein) will best allow for those payment obligations to be met.

### **The Proposal**

This letter is intended to set forth the following specific aims of:

- 1) repaying Series 2018-LL1 Noteholders' principal on the date set out below;
- 2) paying Series 2018-LL1 final coupon amount on the date set out below; and
- 3) winding-down of Series 2018-LL1, under the Linklease Finance PLC MTN programme (the "**Programme**").

Together these three aims shall be referred to as, the "**Proposal**".

To enable the Proposal's aims to occur, the Borrowers request that a standstill agreement until 30 September 2024 is implemented, to allow for the orderly disposal of the assets held by the Borrowers. At the same time, a corresponding agreement for the same period will be sought between the Issuer and Trustee.

Following approval of the Proposal, each of the Borrowers would enter into approved amendments to the Loan Agreements, the Trust Deed and/or ancillary documents necessary to allow for the formalisation of the extended terms.

Please note, at no point does this Proposal change the extent of the security provision provided to the Noteholders, versus what Noteholders currently retain under the transaction and security documents of Series 2018-LL1. Should disposal of assets occur quicker than the end date of the standstill agreements, then the Borrower shall settle obligations earlier.

Below is further information and background to help evaluate the Proposal - and to facilitate a decision from the Trustee and Noteholders.

### **What is the commercial background to this Proposal?**

In 2018, Linklease Finance PLC created a \$500m MTN Secured Medium Term Note Programme and issued its first series, LL1.

As Noteholders are aware, the Bonds raised funds to invest in SME leasing equipment assets in the UAE and broader Middle East - with the asset portfolio providing the security for the Bonds - and the regular lease payments enabling the Borrowers the cashflow to meet their obligations (with 29 coupons successfully paid across all the Programme's series to date).

The original strategy was to issue multiple series over a number of years to allow the Borrower's business to grow and expand - and also crucially raise money at a reducing cost of funding, as well as allow the sale of long-life assets between series. Further series were issued in July 2020, October 2021 and December 2022.

However, due to the interest rate environment, the slow pace of raising funds and the very high costs involved (commission levels and third-party agent fees), the Borrowers do not see that the Programme has a strategic way forward; and are requesting that an orderly closure of Series 2018-LL1 is granted under this proposal.

### **Why is an extension needed?**

As the Series 2018-LL1 funded assets, a large number of the lessees successfully met their lease payments but it became increasingly apparent over the last few years of economic activity that the required final/balloon payments due and/or required would be a challenge for many. This presented a risk to the amount that could be recovered. To protect the position of the Borrowers, and ultimately the Noteholders, selective extensions to some lease terms were required to avoid defaults by the lessees; which would have eventually meant a subpar recovery. This has led to the Borrowers subsequently choosing that an extended run-off period for some lessees is preferable to recovering the equipment and selling at sub-par.

Furthermore, similar difficulties are likely to occur in the future, as other series come to mature. Therefore, it has been decided to handle the issue now and request the orderly winding down of each series (handled via series-specific proposals). This action is considered the best approach to ensure repayment of principal to the Noteholders.

### **Where we are now?**

*The leases across the Bonds are contractually bound to lessees under local law lease agreements. However, a new active disposal strategy is now required so the best value for each asset can be realised; and monies returned in the optimal way.*

*Under this Proposal, the assets will be wound-down and either:*

- 1) sold back to the Lessee (most preferable for full recovery);*
- 2) recovered and sold on the secondary market (less likely to gain full value; and have additional cost); or*
- 3) refinanced into other unrelated SPV vehicles.*

*This would be handled by the Borrowers strictly on an asset-by-asset basis.*

*At this stage, a straight forward enforcement option would see a significant reduction in the recovery level achievable. Such action would likely erode value, as fire sale pricing would likely apply, and in addition, the costs connected to enforcing would have to come from the same pool of funds. In the absence of default from the underlying lessees, recovery of the assets would be extremely cumbersome and face legal challenge from the lessees.*

*Additionally, activation of transaction parties and agents in an enforcement scenario will inevitably weaken any potential return for the Noteholders. This is because the main transaction parties and agents sit higher in the Post-Enforcement Priority of Payments and so take their own fees (and any costs, charges, expenses or other liabilities they may incur), before any unpaid interest and principal is returned to the Noteholders.*

*However, if this Proposal is accepted, the unknown costs of enforcements can be avoided and as much value can be retained for the Noteholders before extensive costs are applied.*

### ***What outcomes are being proposed and their timelines?***

*Following approval of this Proposal, the standstill agreement will be drafted for Series 2018-LL1; 1) between each of the Borrowers and the Issuer; and 2) back-to-back standstill agreements between the Issuer and the Trustee. The standstill agreements shall be drafted with the aim to provide the time requested by the Borrowers, to aid the repayment of principal and interest.*

*It will also be required, that the key Transaction Parties would enter into amendments to the Loan Agreement, the Trust Deed and/or any ancillary documents necessary to effectuate the following:*

- 1) a deferment of Series 2018-LL1 coupon, due on 19 December 2023, until 30 September 2024 and no further coupon payments;*
- 2) a deferment of Series 2018-LL1 redemption, due on 19 Dec 2023, until 30 September 2024; and*
- 3) other than as required to allow the Issuer to pay the above, the removal of all further interest payment obligations of the Borrower (including default interest).*

### ***All Series & Programme***

- 1) A new simplified asset security release process (to be discussed and agreed with the Trustee and Security Agent) to be introduced. The Borrowers, believe the current sale/release process may negate some opportunity to take advantage of spot sales. Currently, the Borrowers need to obtain approval to mandate the releases of each asset pledge. The Borrowers would like to make a request to propose an alternative process in this regard.*

2) Upon above obligations being met for each series, the orderly closure of the MTN programme.

*The Transaction Parties and Noteholders are asked to acknowledge and agree that any timescale and recovery amount may be subject to the market environment that may require the Borrowers to best manage the sale of the assets.*

*The Borrowers (and their affiliates) shall not receive any compensation for the services provided hereunder but shall be reimbursed for third party fees and professional service fees reasonably incurred (including legal, valuation and accounting fees).*

*While market forces and complex disposal events have transpired to bring the Borrowers to this position (like many other bonds in 2023), the Borrowers do understand the effect on Noteholders and wish to sincerely apologise for the impact while it resolves the situation.*

*We look forward to your support of the above Proposal.*

*Yours faithfully,*

*Authorised Signatory of:*

***Mercury Equipment Rental LLC/Mercury Car Rental LLC***