

HAPPY HOPS Rt.

Background

Happy Hops (“HH”) is a Hungarian public company that has manufactured alcoholic beverages for over 50 years. While best known today for its local beers, HH also manufactures a clear brandy under the label “Shatz” or in English “Afterburn” primarily to the Eastern European countries.

Following a spate of acquisitions over the past decade, HH acquired operations in the US, Brazil and the UK. The US subsidiary subsequently acquired a small Australian brewery much loved by local Australian rugby fans.

To finance these acquisitions HH went to the public debt market and raised \$500 million in senior public notes, and an additional \$300 million in subordinated public notes. This debt was issued by the Hungarian parent and is unsecured. To finance its working capital needs, HH borrowed \$150 million from a syndicate of European banks. This bank debt is also unsecured but is guaranteed by Happy Hops UK, Happy Hops USA and Happy Hops Brazil.

Financial Condition

Over the past two years the business of HH has declined sharply, primarily due to an increase in competition by small local breweries in Brazil and the UK, as well as persistent rumors about workers urinating in the beer. The only exception has been Australia where beer consumption has continued to rise, in particular following the success of the Australian rugby team in the recent rugby world cup. Beer consumption amongst soccer fans has fallen steadily and the trends suggest this will continue. These drops in revenue have triggered defaults in the Bank debt.

Debt Service

HH has an interest payment due on the \$500 million public notes on June 1, 2012 of \$20 million. HH cannot make this payment from normal cash flow and has decided to sell the Happy Kicks soccer team to make this payment. HH believes that it can sell Happy Kicks for around \$50 million.

Term Sheet

HH have retained the services of well known restructuring specialists Flaschen & Dailey LLP (“F&D”). F&D have come up with an initial term

sheet that they plan on presenting to all stakeholders at a meeting to which you have been invited.

**SUMMARY TERM SHEET FOR
PROPOSED RESTRUCTURING
FOR HAPPY HOPS RT.**

Current Debt

Bank Debt:	\$150 million guaranteed Revolving Credit Facility due May 31, 2012
Senior Debt:	\$500 million 8% Senior Notes due 2014
Sub Debt:	\$300 million 10% Subordinated Notes due 2015
Brazilian Debt:	\$25 million Revolving Credit Facility due 2013
Public Equity:	30,000,000 common shares traded on NASDAQ

Restructuring Proposal

Bank Debt:	Maturity extended to December 31, 2013, otherwise unimpaired
Senior Debt:	\$250 million 9% Senior Notes due 2017 50% equity in HH Proceeds from sale of Happy Kicks
Sub Debt:	25% equity in HH (debt-to-equity)
Public Equity:	Retain 25% equity in HH
Brazilian Debt:	Unimpaired
Happy Kicks Sale:	Proceeds used to repay Senior Debt