



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

October 2, 2006

Ms. Sarah Murphy
Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
United Kingdom

Re: Possible Cash Offer for Gondola Holdings plc
File No. TP 06-104

Dear Ms. Murphy:

We are responding to your October 2, 2006 letter to James A. Brigagliano. Our response is attached to the enclosed copy of your letter to avoid having to recite or summarize the facts set forth in your letter. Unless otherwise noted, capitalized terms in this letter have the same meaning as in your letter.

On the basis of your representations and the facts presented, but without necessarily concurring in your analysis, the United States Securities and Exchange Commission ("Commission") hereby grants an exemption from Rule 14e-5 under the Securities Exchange Act of 1934 ("Exchange Act") to permit the Prospective Purchasers to purchase or arrange to purchase Gondola Holdings plc ("Gondola") Ordinary Shares pursuant to the possible tender offer ("Offer"), particularly in light of the following facts:

- The Offer is required to be conducted in accordance with the City Code on Takeovers and Mergers ("Code") as well as the rules and regulations of Financial Services Authority ("FSA")
- Gondola, a public limited company incorporated under the laws of England and Wales, is a "foreign private issuer," as defined in Rule 3b-4(c) under the Exchange Act;
- Any purchases of Ordinary Shares of Gondola by the Prospective Purchasers will be subject to the Code; and
- The existence of the Memorandum of Understanding on Exchange of Information between the Commission and the United Kingdom Department of Trade and Industry in Matters Relating to Securities and the United States Commodity Futures Trading Commission and the United Kingdom Department of Trade and Industry in Matters Relating to Futures dated September 25, 1991.

The Commission grants this exemption from Rule 14e-5 under the Exchange Act to permit the Prospective Purchasers to purchase or arrange to purchase Ordinary Shares otherwise than pursuant to the Offer, subject to the following conditions:

1. No purchases or arrangements to purchase Ordinary Shares, otherwise than pursuant to the Offer, shall be made in the United States;
2. The Tender Offer Documents shall disclose prominently the possibility of, or the intention to make, purchases of Ordinary Shares by the Prospective Purchasers during the Offer;
3. The Prospective Purchasers shall disclose in the United States information regarding purchases of Ordinary Shares to the extent such information is made public in the United Kingdom pursuant to the Code;
4. The Prospective Purchasers shall comply with any applicable rules under United Kingdom law including the Code and the rules and regulations of the FSA;
5. The Prospective Purchasers shall provide to the Division of Market Regulation ("Division"), upon request, a daily time-sequenced schedule of all purchases of Ordinary Shares made by any of them during the Offer, on a transaction-by-transaction basis, including:
 - a. size, broker (if any), time of execution, and price of purchase; and
 - b. if not executed on the London Stock Exchange, the exchange, quotation system, or other facility through which the purchase occurred;
6. Upon the request of the Division, the Prospective Purchasers shall transmit the information as specified in paragraphs 5.a. and 5.b. above to the Division at its offices in Washington, D.C. within 30 days of its request;
7. The Prospective Purchasers shall retain all documents and other information required to be maintained pursuant to this exemption for a period of not less than two years from the date of the termination of the Offer;
8. Representatives of the Prospective Purchasers shall be made available (in person at the offices of the Division in Washington, D.C. or by telephone) to respond to inquiries of the Division relating to their records; and
9. Except as otherwise exempted herein, the Prospective Purchasers shall comply with Rule 14e-5.

The foregoing exemption from Rule 14e-5 under the Exchange Act expressed above is based solely on your representations and the facts presented, and is strictly limited to the application of this rule to the proposed transactions. Such transactions should be discontinued, pending presentation of the facts for our consideration, in the event that any material change occurs with respect to any of those facts or representations.

In addition, we direct your attention to the anti-fraud and anti-manipulation provisions of the federal securities laws, including Sections 10(b) and 14(e) of the Exchange Act and Rule 10b-5 thereunder. The participants in the Offer must comply with these and any other applicable provisions of the federal securities laws. The Division expresses no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the

Ms. Sarah Murphy
October 2, 2006
Page 3

adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission, by the Division of Market
Regulation pursuant to delegated authority,

A handwritten signature in black ink, appearing to read "James A. Brigagliano". The signature is written in a cursive style with a large initial "J".

James A. Brigagliano
Acting Associate Director
Division of Market Regulation

Attachment



Mr. James A. Brigagliano
Acting Associate Director
Division of Market Regulation
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-2001
United States

LONDON
65 Fleet Street
London EC4Y 1HS
T+ 44 20 7936 4000
Direct T+ 44 20 7832 7429
F+ 44 20 7832 7001
Direct F+ 44 20 7108 7429
LDE No 23
E sarah.murphy@freshfields.com
W freshfields.com
DOC ID LON1032537/18
OUR REF SCM
YOUR REF
CLIENT MATTER NO. 103374-0210

2 October 2006

Ladies And Gentlemen

Re: Possible Cash Offer for Gondola Holdings plc

We are writing on a confidential basis on behalf of Paternoster Acquisitions Limited (*Paternoster*), a company organized under the laws of England and Wales at the direction of funds managed and advised by our client, Cinven Limited (*Cinven*) for the purpose of making a possible bid (the *Possible Bid*) for all of the issued and to be issued ordinary shares (the *Ordinary Shares*) of Gondola Holdings plc (*Gondola*), a public limited company organized under the laws of England and Wales.

Paternoster announced on September 12, 2006 (the *Possible Bid Announcement*) that it was considering a possible offer for all of the issued and to be issued share capital of Gondola at 415 pence in cash per Ordinary Share. Gondola has not yet recommended the Possible Bid. In the Possible Bid Announcement, Paternoster also stated that it had received irrevocable undertakings from TDR Capital LLP (*TDR*) and CV 1 Limited, a subsidiary of Capricorn Ventures International Limited (*Capricorn*) in respect of 33,804,227 Ordinary Shares, representing 25.1% of Gondola's total issued ordinary share capital. Pursuant to these undertakings, TDR and Capricorn have agreed arrangements with Paternoster whereby TDR and Capricorn will receive an effective 400 pence per ordinary share in cash across their entire Gondola shareholdings.

Previously, on September 6, 2006, Gondola announced that it had received an approach regarding a possible offer at a price of 415 pence in cash per Ordinary Share from an unnamed potential bidder. Shortly after the Possible Bid Announcement, on September 12, 2006, Gondola announced that it noted the Possible Bid Announcement and that it had agreed to grant Paternoster a limited period to undertake confirmatory due diligence.

There is currently no certainty as to whether the Possible Bid will be made or the form in which it will be made. The Possible Bid is currently structured as a scheme of arrangement (which is a court based statutory procedure in England and Wales, whereby Gondola would request its shareholders to approve in court-convened and general meetings various resolutions resulting in, amongst other things, the cancellation of the Ordinary Shares, the payment of the cash consideration to holders of the Ordinary Shares and the issue of new ordinary shares of Gondola to Paternoster). The Possible Bid may be structured (or restructured) as a tender offer if circumstances warrant. In either case, a loan note alternative to the cash consideration offered may be made available to Gondola shareholders for UK tax purposes (although this alternative would not be available to Gondola shareholders in the United States and certain other prohibited jurisdictions).

We emphasize that the announcement of the Possible Bid was made under Rule 2.4 of the City Code on Takeovers and Mergers in the United Kingdom (the *City Code*). Under this rule, a bidder is permitted to announce that it is considering making a bid. However, such an announcement does not obligate a bidder to make a bid or constitute a bid under the City Code. Only upon the announcement of a firm intention to make a bid (which is not subject to pre-conditions) under Rule 2.5 of the City Code is a bidder obligated to proceed with a bid under the City Code.

Accordingly, and as is permitted for a Rule 2.4 announcement, the Possible Bid Announcement did not state that Paternoster intended to make a bid, merely that it was considering such a bid.

As previously discussed with members of the staff (the *Staff*) of the Securities and Exchange Commission (the *Commission*), we, as US counsel to Cinven in connection with the Possible Bid and on behalf of Cinven and Paternoster are requesting exemptive relief from Rule 14e-5 (*Rule 14e-5*) promulgated under the Securities Exchange Act of 1934, as amended (the *Exchange Act*), allowing Paternoster, Cinven, their affiliates or subsidiaries, and any broker or other financial institution acting as their respective agents (including Citigroup Global Markets Limited and any other financial institution acting as financial advisor to Paternoster in connection with the Possible Bid) (collectively, the *Prospective Purchasers*) to purchase Ordinary Shares outside the Possible Bid when otherwise permissible under the City Code and other applicable UK rules and regulations.

BACKGROUND

Gondola

Gondola is a foreign private issuer as defined in Rule 3b-4(c) of the Exchange Act. The Ordinary Shares are not registered under Section 12 of the Exchange Act or listed on a US

national securities exchange or quoted on NASDAQ, nor is or has Gondola ever been subject to the periodic reporting requirements of the Exchange Act. Gondola does not have a sponsored program in place for American Depository Receipts evidencing the Ordinary Shares.

Gondola is a leading UK casual dining group operating three strong brands in the eat-in premium pizza/pasta segment – PizzaExpress, ASK and Zizzi. Prominent across the UK and in the Republic of Ireland, Gondola comprises a portfolio of 505 restaurants, commanding a strong position in a growing sector. Gondola was floated on the London Stock Exchange on November 8, 2005.

As at September 6, 2006, Gondola's issued share capital amounted to GBP 33.7 million divided into 134,678,196 ordinary shares with a nominal value of GBP 25 pence each and with a market capitalization of GBP 428.3 million.

For the year ended July 2, 2006, Gondola reported revenue of GBP 404.4 million, compared with GBP 378.8 million for the year ended July 26, 2005; reported operating profit of GBP 59.1 million, compared with GBP 53.5 million in the year ended July 26, 2005; and reported undiluted earnings per share of GBP 10.7 pence compared to undiluted loss per share of GBP 25.1 pence in the year ended July 26, 2005. As of July 2, 2006, Gondola had consolidated net assets of GBP 126.7 million.

Given the nature of holdings in ordinary shares of English companies and English law, Paternoster does not have access to specific information regarding the holders of the Ordinary Shares. However, based on public information available from Citywatch (an equity ownership database which identifies the beneficial owners behind nominee shareholdings in UK companies) and information received from Capricorn, Paternoster believes that US holders own approximately 23.48% of the Ordinary Shares (although no information is available regarding shareholders who in aggregate hold approximately 2.23% of the Ordinary Shares). There are two shareholders owning more than 10% of the Ordinary Shares, TDR with approximately 30.21% of the Ordinary Shares and Capricorn with approximately 17.80% of the Ordinary Shares, which are held through a nominee in the United States. After removing these holdings from the calculation, as required by Rule 14d-1 of the Exchange Act, Paternoster believes that US holders own approximately 10.9% of the remaining "free float."

Paternoster

Paternoster is a foreign private issuer as defined in Rule 3b-4(c) of the Exchange Act. It was formed as a bidding vehicle for the purpose of the Possible Bid at the direction of Cinven Capital Management IV LP, a fund managed and advised by Cinven.

Cinven is a private equity fund operating out of London, Frankfurt, Milan and Paris. Since 1977 Cinven has invested in transactions with a total value in excess of EUR 55 billion. Between 1996 and 2005, Cinven returned in excess of EUR 7 billion to its investors. It invests in businesses across all major sectors.

BACKGROUND TO THE POSSIBLE BID

As indicated above, the form of the Possible Bid is not yet certain. Paternoster currently intends to effect the Possible Bid by means of a scheme of arrangement, to which the requirements of Regulation 14E do not apply. Should, however, Paternoster proceed by manner of a tender offer for the Ordinary Shares, it expects that the offer would be structured as a single offer made concurrently under a single document in all jurisdictions in which it is extended. Paternoster's current intention would be to allow for participation by US holders of Ordinary Shares in Gondola. The tender offer would be structured to comply with (i) the rules and regulations of the Financial Services Authority, (ii) the City Code and (iii) except as otherwise requested herein or subsequently requested from the Commission, the requirements of Section 14(e) of the Exchange Act and the rules and regulations promulgated thereunder. The offering documents (the *Tender Offer Documents*) would comply with the rules and regulations of the UK Listing Authority, the City Code and the Exchange Act.

In such circumstances, the Tender Offer Documents would be mailed to all holders of record of the Ordinary Shares, as appropriate, including those with addresses in the United States. Language prohibiting the forwarding of the Tender Offer Documents by custodians, nominees, trustees and others to beneficial owners with addresses in the United States would not be included in the Tender Offer Documents. In the absence of such a prohibition, it is expected that the record owner would forward the Tender Offer Documents to the beneficial owner. As a result, we would expect that each beneficial owner of the Ordinary Shares that resides in the United States would, if the offer were made, receive the Tender Offer

Documents and thereby the notice described below with respect to the possibility of purchases of the Ordinary Shares outside of the offer.

The Tender Offer Documents would be mailed to all record holders of the Ordinary Shares in the United Kingdom and the United States no later than 28 days after the date of the announcement of the tender offer (the *Announcement Date*), as required by Rule 30.1 of the City Code. The tender offer would remain open for acceptance for not less than 20 US business days after it was made (upon mailing the Tender Offer Documents) and for such additional period or periods as may be determined by Paternoster and as may be mandated by the provisions of Regulation 14E under the Exchange Act or the City Code. To comply with the City Code, however, a tender offer must lapse unless it becomes or is declared unconditional as to acceptances by midnight on the 60th calendar day after mailing or such later date as to which the Panel on Takeovers and Mergers (the *Panel*), which administers the City Code, may agree.

If the tender offer became or was declared unconditional as to acceptances, the offer would, in order to comply with Rule 31.4 of the City Code, be required to remain open for acceptances for at least 14 calendar days following the date on which it would otherwise have expired and could remain open for such longer period as Paternoster deems appropriate. In addition, Rule 31.2 of the City Code requires that notice of the termination of any subsequent offer period must be given not less than 14 calendar days prior to such termination. An institution operating in the United Kingdom would act as the UK receiving agent to receive tenders of Ordinary Shares pursuant to the tender offer.

Pursuant to Rule 31.7 of the City Code, the tender offer would have to become or be declared wholly unconditional (i.e., all conditions to the offer have been satisfied or, where permissible, waived), no later than 21 calendar days after the date the offer had become or been declared unconditional as to acceptances (unless the Panel agrees to a later date).

If the tender offer became or was declared wholly unconditional, all Ordinary Shares validly tendered during the offer would be accepted and paid for by Paternoster within 14 calendar days of the later of the date when the offer became wholly unconditional and the date of receipt of an acceptance which was complete in all respects.

PURCHASES OUTSIDE THE TENDER OFFER AND RULE 14E-5

In the United Kingdom, purchases outside an offer are permitted, subject to certain limitations, and such purchases are quite common in connection with tender offers for UK companies. Under the City Code, the Prospective Purchasers would be permitted to purchase Ordinary Shares in the open market or otherwise before and during the conduct of, but outside, the tender offer, subject to certain limitations including as to price (as described below).

Subject to certain exceptions, Rule 14e-5 prohibits a covered person from directly or indirectly purchasing or arranging to purchase any securities to be acquired in a tender offer for equity securities or any securities immediately convertible into, exchangeable for or exercisable for such securities, except as part of the tender offer. This prohibition applies from the time an offer is publicly announced until it expires. Rule 14e-5 defines a covered person as (i) the offeror, its dealer-managers, and any of their respective affiliates, (ii) any advisors of the foregoing whose compensation is dependent on the completion of the offer and (iii) any person acting in concert either directly or indirectly with any of the foregoing.

As indicated above, Paternoster wants to maintain the flexibility to allow US-based holders of the Ordinary Shares to participate in the tender offer. At the same time, in the event that the Staff construes the Possible Bid Announcement as a “public announcement” within the meaning of Rule 14e-5, the Prospective Purchasers want to be in a position to purchase the Ordinary Shares at any time they are permitted to do so under the City Code and other applicable UK rules and regulations. Since the publication of the Possible Bid Announcement, neither Paternoster nor members of Paternoster have made any such purchases and no such purchases have been made on their behalf.

Purchases of the Ordinary Shares outside the offer by the Prospective Purchasers would not fall within any of the excepted activities specifically outlined in Rule 14e-5. Accordingly, in the absence of exemptive relief, if the Staff takes the view that the Possible Bid Announcement constitutes the “public announcement” of an offer, purchases of the Ordinary Shares outside such offer would be prohibited.

Rules 6.1 and 6.2 of the City Code provide protections similar to those provided by Rule 14e-5, making, we believe, exemptive relief appropriate in the circumstances of the tender offer, by requiring that the tender offer’s price, if and when the offer is made, be increased to

not less than the highest price paid outside the tender offer by Paternoster or members of Paternoster or their concert parties, as defined in the City Code.

Under Rule 8.1 of the City Code, any purchases by Paternoster or any other Prospective Purchaser outside the tender offer would be required to be disclosed on a next-day basis to the public through a Regulatory Information Service and to the Panel. Disclosures of these purchases attract significant publicity by their very nature and they are disseminated on dealers' trading screens throughout the London market.

The Commission has granted a number of exemptions from Rule 14e-5 and Rule 10b-13 (the predecessor to Rule 14e-5) to permit such purchases by offerors and persons acting on behalf of offerors. We believe the exemptive relief requested herein under Rule 14e-5 is consistent with that granted by the Commission in similar situations in the past, including the letter regarding the offer by WPD Limited for Hyder plc (available May 31, 2000), the letter regarding the offer by Schlumberger Limited for Sema Group plc (available February 15, 2001), the letter regarding the offer by Vinci for TBI plc (available August 23, 2001), the letter regarding the offer by Cinven for Fitness First Plc (available April 9, 2003), the letter regarding the offer by Songbird Acquisition Limited for Canary Wharf Group plc (available April 22, 2004) and the letter regarding the offer by Compagnie de Saint-Gobain for BPB plc (available August 8, 2005). Further, we believe exemptive relief in the context of a possible offer is consistent with that granted by the Commission in the letter regarding the possible offer by Bank of Ireland for Abbey National plc (available October 16, 2002), the letter regarding the possible offer by Anheuser-Busch Companies, Inc. for Harbin Brewery Group Limited (available May 7, 2004), the letter regarding the possible offer by Grupo Ferrovial, SA for BAA plc (dated March 23, 2006) and the letter regarding the possible consortium offer for Associated British Ports Holdings plc (dated June 8, 2006).

In addition, we note the existence of the Memorandum of Understanding on Exchange of Information between the Commission and the United Kingdom Department of Trade and Industry in Matters Relating to securities and the United States Commodity Futures Trading Commission and the United Kingdom Department of Trade and Industry in Matters Relating to Futures dated September 25, 1991.

In our view, there are serious doubts as to whether the jurisdictional predicate for the application of the Exchange Act—namely that there be a purchase of a security “by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of

any national securities exchange”—would be satisfied if the Prospective Purchasers made purchases of, or arrangements to purchase, Ordinary Shares outside the United States. We nonetheless apply, on behalf of such persons, for exemptive relief for such purchases from the provisions of Rule 14e-5 pursuant to Rule 14e-5, on the conditions set forth below. We have been requested by the Prospective Purchasers to emphasize that this letter does not reflect an admission that Rule 14e-5 would apply to such a purchase of Ordinary Shares outside the United States in the absence of such exemptive relief.

REQUESTED EXEMPTIVE RELIEF

Based on the foregoing, we respectfully request that the Prospective Purchasers be granted exemptive relief from the provisions of Rule 14e-5 in order to permit purchases of Ordinary Shares outside of the possible tender offer by any Prospective Purchaser that would otherwise be prohibited by Rule 14e-5, subject to the following conditions:

- (a) no purchases or arrangements to purchase Ordinary Shares, otherwise than pursuant to the tender offer, will be made in the United States;
- (b) disclosure of the possibility of such purchases by the Prospective Purchasers, otherwise than pursuant to the tender offer, will be included prominently in the Tender Offer Documents (when and if distributed);
- (c) the Prospective Purchasers shall disclose in the United States information regarding such purchases by making such information available on the London Stock Exchange website, www.londonstockexchange.com, to the extent such information is required to be made public in the United Kingdom pursuant to the City Code;
- (d) the Prospective Purchasers shall disclose to the Division of Market Regulation of the Commission (the *Division of Market Regulation*) upon request, a daily time-sequenced schedule of all purchases of Ordinary Shares made by any of them during the offer, on a transaction-by-transaction basis, including: (1) size, broker (if any), time of execution, and price of purchase and (2) if not executed on the London Stock Exchange, the exchange, quotation system or other facility through which the purchase occurred;
- (e) upon request of the Division of Market Regulation, the Prospective Purchasers shall transmit the information specified in (d)(1) and (d)(2) above to the Division of Market Regulation at its offices in Washington, D.C. within 30 days of its request;

- (f) the Prospective Purchasers shall comply with any applicable rules of UK organizations, including the City Code and the rules of the London Stock Exchange;
- (g) the Prospective Purchasers shall retain all documents and other information required to be maintained pursuant to this exemption for a period of not less than two years from the date of the termination of the tender offer;
- (h) representatives of the Prospective Purchasers shall be made available (in person at the offices of the Division of Market Regulation in Washington, D.C. or by telephone) to respond to inquiries of the Division of Market Regulation relating to such records; and
- (i) except as otherwise exempted herein, the Prospective Purchasers shall comply with Rule 14e-5.

CONCLUSION

Pursuant to Rule 81 under the Rules of Practice (17 CFR 200.81), we respectfully request on behalf of Paternoster that this exemptive request and the response be accorded confidential treatment until 120 days after the date of the response to such request or such earlier date as the Staff is advised that all of the information in this letter has been made public. This request for confidential treatment is made on behalf of Paternoster for the reason that certain of the facts set forth in this letter have not been made public.

In compliance with Securities Act Release No. 6269 (5 December 1980), seven additional copies of this letter are enclosed.

In view of the short timetable, we respectfully request that the Commission issue the requested exemptive relief as soon as practicable. If you require any further information or have any questions, please contact Sarah Murphy at +44 20 7832 7429 or Andrew Boyer at +44 20 7427 3580.

Yours faithfully



Sarah Murphy