

ANNOUNCEMENT

£350,000,000 of 8.750% Senior Secured Notes due 2019 (the **Senior Secured Notes**)
£175,000,000 of 12.250% Senior Notes due 2020 (the **Senior Notes**)
(Collectively referred to as the **Notes**)

(ISIN: XS0794786011 / ISIN: XS0794785633
ISIN: XS0794787415 / ISIN: XS0794787175)

Issued by Elli Finance (UK) Plc and Elli Investments Limited (the **Note Issuers**)

The Notes are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market.

2016 Accession Deeds – require rectification and should not be relied upon

On 18 November 2016, FSHC Group Holdings Limited in its capacity as a Shareholder Creditor (the **Parent**) (the indirect parent company of the Notes Issuers) and Barclays Bank PLC in its capacity as security agent (the **Security Agent**) executed two deeds of accession (the **2016 Accession Deeds**) to ensure compliance with the terms of the intercreditor agreement dated 27 June 2012 between, amongst others, the Note Issuers and the Security Agent (the **Intercreditor Agreement**). The Intercreditor Agreement requires the Parent, in its capacity as a Shareholder Creditor, to pledge to the Security Agent its rights and interests under a shareholder loan dated 6 July 2012 between the Parent and Carmel VIII S.a.r.l (**Luxco 1**) (the **2012 Parent Shareholder Loan**). As explained below, the Parent considers that the 2016 Accession Deeds do not accurately reflect the intention of the parties to the 2016 Accession Deeds and accordingly require rectification.

We refer to the diagram at page 6 of the offering memorandum dated 14 June 2012 (the **2012 Offering Memorandum**) for the issue of the Senior Notes and Senior Secured Notes. A copy of the page 6 diagram titled ‘Corporate Structure and Certain Financing Arrangements’, which references the 2012 Parent Shareholder Loan between the Parent and the Third Party Chargor/Security Provider, Luxco 1 is attached to this announcement for your convenience. Since 2012 the Parent acquired 24 care homes through an indirect subsidiary, brighterkind (CB) Limited, that sits outside the Senior Notes and Senior Secured Notes Restricted Group. A copy of the audited accounts for brighterkind (CB) Limited for the year ended 31 December 2016 can be viewed on the investors page of the Four Seasons Heath Care website (www.fshc.co.uk/investors).

In 2016 it was identified that the Parent may not have pledged to the Security Agent its rights and interests under the 2012 Parent Shareholder Loan as required by Clause 10.6(b) (*Security:*

Shareholder Creditors) of the Intercreditor Agreement (the **Shareholder Creditor Third Party Security Obligation**). Subsequent enquiries and searches, including by the Security Agent and their legal counsel, were unable to locate a copy of any security document executed in compliance with the Shareholder Creditor Third Party Security Obligation.

The background to the entry into of the 2016 Accession Deeds is set out in the Recitals to the second ranking 2016 Accession Deed which states:

- “(A) Elli Investments Limited (the **Issuer**) issued £175,000,000 of senior notes pursuant to the terms of the indenture dated 28 June 2012 (as amended from time to time) (the **SN Indenture**).
- (B) The [Parent] has entered into an intercompany loan agreement with Carmel VIII S.à r.l. (the **Debtor**) dated 6 July 2012 (the **Shareholder Loan**). In accordance with the terms of an intercreditor agreement dated 27 June 2012 (as amended from time to time) (the **Intercreditor Agreement**), both the Debtor and the [Parent] acceded to the Intercreditor Agreement as a Debtor and a Shareholder Creditor respectively.
- (C) Certain Group companies (the **Assignors**) entered into a first ranking security assignment of intercompany receivables dated 12 July 2012 (the **First Ranking Security Assignment**) with the Security Agent as security for the Secured Obligations (as defined in the Intercreditor Agreement).
- (D) The Assignors entered into a second ranking security assignment of intercompany receivables dated 12 July 2012 (the **Second Ranking Security Assignment**) with the Security Agent as security for the Secured Obligations.
- (E) On or about the date of this Deed, the [Parent] pledged to the Security Agent its rights and interests under Shareholder Loan as security for the Secured Obligations (as defined in the Intercreditor Agreement) by acceding to the First Ranking Security Assignment.
- (F) In accordance with the terms of the Intercreditor Agreement, the [Parent] is required to pledge to the Security Agent its rights and interests under Shareholder Loan as security for the Secured Obligations. The [Parent] has agreed to enter into this Deed in order for the Shareholder Loan to become an Assigned Agreement and to become an Assignor under the Second Ranking Security Assignment.”

It has recently come to the attention of the Parent that, as executed, the 2016 Accession Deeds would result in the Parent acceding to obligations under the First Ranking Security Assignment and the Second Ranking Security Assignment that would go beyond the Shareholder Creditor Third Party Security Obligation and would not accord with the intention of the parties when executing the 2016 Accession Deeds, as reflected in the Recitals (see above). In particular, these additional obligations impose primary debt (guarantee) obligations and certain holding company restrictions on the Parent, which were wholly unintended.

Rectification of the 2016 Accession Deeds

The Parent has now therefore sought rectification of the 2016 Accession Deeds to reflect the intention of the parties at the date of execution (the **Rectification Claim**). The rectification sought is reflected in the Part 8 Claim Form and deeds annexed to the Part 8 Claim Form, copies of which can be viewed on the investors page of the Four Seasons Heath Care website (www.fshc.co.uk/investors).

The Parent has asked the Security Agent to consider whether, in order to assist the Rectification Claim, it would be prepared to confirm in writing the evidential background leading up to the execution of the 2016 Accession Deeds and its intention in entering into the 2016 Accession Deeds, in particular to confirm in writing that:

- (i) the intention of the Security Agent upon execution of the 2016 Accession Deeds was to put in place documents that would ensure that the Parent was in compliance with its existing obligations under the Intercreditor Agreement as a result of the fact that the parties were unable to locate a security document from 2012 granting security over the 2012 Parent Shareholder Loan; and
- (ii) the Security Agent did not intend to fundamentally alter the existing capital structure by executing documentation that made the Parent jointly and severally liable for the Secured Obligations and subject to additional contractual obligations and prohibitions not provided for under the Intercreditor Agreement and Finance Documents.

The Security Agent has indicated that it would be prepared to consider whether it could provide any confirmations, and if so what, in support of any action by the Parent for rectification if it receives appropriate instructions from the Secured Parties (as defined in the Intercreditor Agreement).

Pending the hearing for rectification of the 2016 Accession Deeds, reliance should not be placed on the 2016 Accession Deeds. The Parent is confident that it will obtain the rectification orders it seeks.

This notice is given by:

Elli Finance (UK) Plc	Elli Investments Limited
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This announcement has been issued through the Companies Announcement Service of the Irish Stock Exchange.

END

Corporate Structure and Certain Financing Arrangements

On the Closing Date, the Company will acquire all of the outstanding shares of FSHC, which is the direct or indirect parent company of all of the Target entities. Following the Acquisition, we will undergo a series of internal restructuring steps (the “**Post-Closing Restructuring**”), pursuant to which Rhyme (Jersey) Limited will be transferred to the Company and Fino SeniorCo Limited will be transferred to the Senior Secured Notes Issuer. The following diagram summarises our corporate structure and principal outstanding financing arrangements after giving effect to (i) the Transactions, which comprise the Acquisition and the Financing, including the issuance and sale of the Notes offered hereby and (ii) the Post-Closing Restructuring. Pending completion of the Acquisition and the satisfaction of certain other conditions as described below, an amount equal to the gross proceeds of the Offerings plus the interest on the Notes through the latest possible special mandatory redemption date will be deposited into segregated escrow accounts. If the Acquisition is not completed on or prior to September 3, 2012 (or upon certain other events), the Notes will be redeemed at a price equal to 100% of the issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date. For a summary of the debt obligations identified in this diagram, see the sections entitled “*Capitalisation*,” “*Description of Certain Financing Arrangements*,” “*Description of Senior Secured Notes*” and “*Description of Senior Notes*.”

