

18 May 2018

Restructuring Milestone announcement

The Four Seasons Health Care Group (the "Group") and certain investment funds (the "Majority Holders") affiliated with H/2 Capital Partners ("H/2"), announce today that they have entered into a Restructuring Lock-up Agreement. This documents their agreement to proceed with a restructuring of the Group that will see ownership transfer to a new owner controlled by creditors ("NewCo"). Amongst other aspects of the restructuring, the Group will have significantly greater financial stability and lower leverage, thereby benefitting residents, patients, their families, the Group's employees and other important government and private stakeholders.

The restructuring has a target completion date on or before 31 July 2018. As a result, the Majority Holders and the Group have amended their existing standstill agreement to provide forbearance on the Group's next coupon payments that fall due on 15 June 2018. In preparation for the transfer to new ownership, the Group will undertake an intra-group reorganisation, the details of which will be finalised between the Majority Holders and the Group over the coming weeks.

NewCo will be capitalised by a combination of new cash equity, as well as more modest third-party senior financing. The equity component will be backstopped and provided by certain investment funds affiliated with H/2. As a sign of its continued commitment to the Group, H/2's investment of new cash equity is estimated to be sufficient to reduce the Group's leverage by approximately half, thereby achieving a key stakeholder objective of long-term financial stability to ensure continuity and quality of care for residents and patients.

As part of the restructuring:

1. The Group's existing £70 million super senior term loan is expected to be repaid in full. In addition, holders of the Group's £350 million Senior Secured Notes are expected to receive repayment in full, including accrued but unpaid interest. This treatment of the Senior Secured Notes is subject to the above referenced third-party senior financing (without an increase in the proposed new equity contribution), the Group's ongoing financial condition and assumes the restructuring is able to be finalised by 31 July 2018. If an alternative is required, a Scheme of Arrangement will be considered, pursuant to which holders of Senior Secured Notes are expected to receive repayment in full in respect of principal, but not in respect of accrued but unpaid interest.
2. The Group's £175 million existing Senior Notes will remain with Elli Investments Limited (which will not be transferred to NewCo) and holders are expected to receive a cash payment based on an independent valuation of the Group being transferred to NewCo. In addition, existing Senior Noteholders who agree to support the provisions of a Consent Solicitation which will propose certain amendments including the release of upstream guarantees from the Group ("Consenting Senior Noteholders") will also receive a cash consent fee and a contingent value right representing the right to subscribe for equity interests in NewCo (subject to limited minority shareholder protections, securities regulatory eligibility criteria and other limitations). As a potential alternative to Consenting Senior Noteholders' exercising such contingent value rights, NewCo currently expects to provide Consenting Senior Noteholders with the ability to receive cash upon NewCo's redemption of such rights in lieu of the existing Senior Noteholders' exercise of the rights. Existing Senior Noteholders will also continue to have the right to receive the benefit of amounts payable in respect of future debt and security realisations as a result of their continuing claim against Elli Investments Limited.
3. On or about 29 June 2018, Elli Investments Limited expects to launch the Consent Solicitation, which will provide existing Senior Noteholders with more detailed information regarding the proposed restructuring.

The objectives of the proposed restructuring include providing enhanced stability to ensure continuity of care for the Group's 17,000 residents and patients and employment for its 23,000 employees. In addition to creating a sustainable capital structure with substantially lower leverage, H/2's injection of new cash equity will also provide funds to invest in and improve the quality of the Group's facilities.

Spencer B. Haber, H/2's Chairman and Chief Executive Officer, commented: *"H/2 looks forward to Four Seasons Health Care beginning a new chapter. The restructuring we have proposed is intended to bring enhanced governance, financial stability and equity capital to support the Group's care homes and independent hospitals. At the heart of our plans is our belief that as a responsible private investor, our interests are best served by helping the Group provide high-quality care to the 17,000 residents and patients the Group is honoured to serve."*

Robbie Barr, Chairman of the Group commented: *"I am delighted that H/2 Capital Partners have developed a solution to the financial challenges that have been facing the Group for some time. The Board and senior management of the Group are committed to taking the steps necessary to support H/2 in their plans as we proceed to finalising the transfer to new ownership"*.

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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 (“**EFUK**”) and Elli Investments Limited (“**EIL**”, together with EFUK, the “**Issuers**”, and together with their subsidiaries, “**Four Seasons Health Care**” or the “**Group**”)

The Notes are admitted to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market

The Issuers today announce that they, certain of their subsidiaries and H/2 Capital Partners on behalf of its affiliated investment funds (“**H/2**”) have entered into a Restructuring Lock-Up Agreement and agreed an amendment to their existing standstill and deferral agreement (the “**Standstill and Deferral Agreement**”).

Stakeholders are encouraged to review the joint press release appended to this announcement and the amendment to the Standstill and Deferral Agreement (which can be found in its entirety on the “Investor” section of the Four Seasons Health Care website (please click the following link to view the document: <https://www.fshc.co.uk/investors>)).

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For more information on Four Seasons Health Care, please visit <https://www.fshc.co.uk/investors>.

This announcement has been given by the Issuers of the Notes:

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La Grand Rue

St Martin's, Guernsey

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FAO: Bruce Bell, Sarah Mook

18 May 2018

Ladies and Gentlemen,

Standstill and Deferral Agreement dated 14 December 2017, as amended and/or restated from time to time, between, among others, Elli Finance (UK) Plc (as the Senior Secured Notes Issuer), Elli Investments Limited (as the Senior Notes Issuer), and H/2 Credit Manager LLC ("H/2") for and on behalf of certain investment funds managed by it or its affiliates (the "Standstill Agreement")

1. Unless otherwise defined, words and expressions used in the Standstill Agreement shall bear the same meaning in this letter and section references in this letter shall reflect the section references in the Standstill Agreement.
2. Pursuant to Section 6.10 (*Amendment*), upon an original copy of this letter being countersigned by the Issuers and the Majority Holders, the Issuers and the Majority Holders agree that the Standstill Agreement shall be amended in accordance with the terms set out in Schedule 1 (*Amendments to the Standstill Agreement*).
3. It is agreed and acknowledged by the Issuers that nothing in this letter shall constitute a waiver, or prejudice, diminish or otherwise adversely affect, any present or future rights or remedies available to H/2 or any other creditor of the Group.

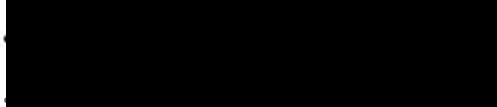
4. The provisions of Section 6 (*Miscellaneous*) shall apply to this letter as if set out in full herein, save that references therein to "this Agreement" shall be read as a reference to this letter.

Yours sincerely,

A large black rectangular redaction box covering the signature area.

H/2 CREDIT MANAGER LLC
for and on behalf of the Majority Holders

By:

A black rectangular redaction box covering the name of the signatory.

Name:

Title:

Acknowledged and agreed

[REDACTED]

for and on behalf of
ELLI FINANCE (UK) PLC

By:

Name: [REDACTED]

Title: *DIRECTOR*

for and on behalf of
ELLI INVESTMENTS LIMITED

By:

Name:

Title:

Acknowledged and agreed

for and on behalf of
ELLI FINANCE (UK) PLC

By:

Name:

Title:

for and on behalf of
ELLI INVESTMENTS LIMITED

By:

Name:

Title: *DIRECTOR*



SCHEDULE 1
AMENDMENTS TO THE STANDSTILL AGREEMENT

1. The definition of Steps Plan contained in Section 5.1 (*Definitions*) shall be amended to read as follows:

""Steps Plan" has the meaning given to the term "Restructuring Steps Plan" in the Restructuring Agreement;"

2. The definition of Restructuring contained in Section 5.1 (*Definitions*) shall be amended to read as follows:

""Restructuring" has the meaning given in the Restructuring Agreement;"

3. The definition of Restructuring Agreement contained in Section 5.1 (*Definitions*) shall be amended to read as follows:

""Restructuring Agreement" means the restructuring lock-up up agreement dated 18 May 2018 between, amongst others, the Issuers and the Majority Holders;"

4. Section 5.1(d)(ii) (*Forbearance Expiration Date*) shall be amended to read as follows:

"the commencement of any Insolvency Proceeding with respect to any member of the Group or any of the Unreported Asset Entities or otherwise involving the Unreported Assets, except where the Insolvency Proceeding is in respect of the Senior Notes Issuer and is commenced solely in accordance with the terms of the Restructuring;"

5. Section 5.1(d)(iv) (*Forbearance Expiration Date*) shall be amended to read as follows:

"an occurrence of an event of default (however described) under any Credit Facility, except for where such event of default arises: (i) as a result of failure to pay interest due under the Senior Secured Notes Indenture and the Senior Notes Indenture on 15 June 2018; or (ii) as a direct result, and solely for the express purpose, of the entry into and performance by members of the Group of the Restructuring Agreement."

6. Section 5.1(d)(ix) (*Forbearance Expiration Date*) shall be amended to read as follows:

"(A) the taking of any action by any member of the Group or the Sponsor Group, or any inaction by any member of the Group, in each case directly or indirectly; or (B) the making of any oral or written public communication (including, but not limited to, any press release or media statement) by any member of the Group or the Sponsor Group that may: (x) frustrate, impede or interfere with this Agreement, the Restructuring Agreement, the Consent Solicitation, the Restructuring or the restructuring process; or (y) impugn the reputation of, or disparage, any Holder, its Affiliates or its Representatives, or call into question their efforts taken in connection with the Restructuring, the restructuring process and/or related matters;"

7. Section 5.1(d) (*Forbearance Expiration Date*) shall be amended by inserting the following new paragraph (xiii):

"the termination of the Restructuring Agreement strictly in accordance with its terms;"

8. The paragraph at the end of Section 5.1(d) (*Forbearance Expiration Date*) shall be amended to read as follows:

"provided that, in relation to the events described in: (A) paragraphs (i) and (ii) above, the Forbearance Expiration Date shall occur immediately upon the occurrence of such event; and (B) paragraphs (iii) to (xiii) (inclusive), the Forbearance Expiration Date shall occur at a time determined by Majority Holders, falling within the two (2) Business Days commencing upon the occurrence of the relevant event, and upon giving written notice to the Issuers that such right to terminate the Forbearance or the December Coupon Deferral has been exercised. For information purposes only, the Issuers will deliver a copy of the notice of termination to key regulators having oversight of the Group's activities."

9. Exhibit C (*Subject Defaults*), shall be amended to read as follows:

"An Event of Default under Section 6.01 (Events of Default) of the Senior Secured Notes Indenture arising as a direct result of the Senior Secured Notes Issuer's:

- a) failure to pay interest due under the Senior Secured Notes Indenture on 15 December 2017 and 15 June 2018; or*
- b) entry into and performance of the Restructuring Agreement.*

An Event of Default under Section 6.01 (Events of Default) of the Senior Notes Indenture arising as a direct result of the Senior Notes Issuer's:

- a) failure to pay interest due under the Senior Notes Indenture on 15 December 2017 and 15 June 2018; or*
- b) entry into and performance of the Restructuring Agreement."*