COMPANIES FORM No. 395 08219357O

Particulars of a mortgage or charge

395

A fee of £10 is payable to Companies House in respect of each register entry for a mortgage or charge.

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 6)

For official use | Company number

17 | 2582268

Name of company

* Ferguson Care Limited (the "Company")

Date of creation of the charge

13 August 2003

Description of the instrument (if any) creating or evidencing the charge (note 2)

Borrower Deed of Charge (the "Charge") between, amongst others, the Company, Craegmoor Funding (No.2) Limited (the "Issuer") and Prudential Trustee Company Limited (the "Borrower Security Trustee") dated 13 August 2003

Amount secured by the mortgage or charge

All monies and liabilities whatsoever which were at the date of the Charge or at any time thereafter may (whether before or after demand) become due, owing or payable to the Borrower Security Trustee (whether for its own account or as trustee) for the Borrower Secured Creditors or any of the other Borrower Secured Creditors (and whether solely or jointly with one or more persons and whether as principal or surety) by the Initial Borrowers actually or contingently, under or in respect of the Transaction Documents, provided that there shall be excluded from the foregoing any liability or sum (or any part thereof) which would, but for this proviso, constitute unlawful financial assistance within the meaning of sections 151 and 152 of the Companies Act 1985 and all claims, demands and damages for breach of any covenants to pay such monies or discharge such liabilities and following substitution of the Issuer in accordance with the Issuer/Borrowers Agreement, the Issuer Secured Amounts ("Borrower Secured Amounts")

Names and addresses of the mortgagees or persons entitled to the charge

Prudential Trustee Company Limited of Laurence Pountney Hill, London

Postcode EC4R 0HH

Presentor's name address and reference (if any):

Barlow Lyde & Gilbert
Beaufort House
15 Botolph Street
London
EC3A 7NJ

1353846

Time critical reference

40210.46/3159077/7.18/RNJ/MSXM

For official Use
Mortgage Section

Post room

L0E75N2X
LD4 0353
COMPANIES HOUSE 01/09/03

CHFP025

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

*insert full name of Company

Short particulars of all the property mortgaged or charged

See Schedule 1 for particulars of the property mortgaged or charged and Schedule 2 for the definitions to this Form 395 and Schedule 1.

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

Particulars as to commission allowance or discount (note 3)

N/A

A fee of £10 is payable to Companies House in respect of each register entry for a mortgage or charge. (See Note 5)

Signed Barlow Lyde & Gilbert Date 1 September 2003

On behalf of [company] [~~mortgagee/chargee~~]†

†delete as appropriate

Notes

1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.

2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.

3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
(a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
(b) procuring or agreeing to procure subscriptions, whether absolute or conditional,
for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.

4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.

5 Cheques and Postal Orders are to be made payable to **Companies House.**

6 The address of the Registrar of Companies is:-

Companies House, Crown Way, Cardiff CF14 3UZ

SCHEDULE 1 TO FORM 395
SHORT PARTICULARS OF PROPERTY CHARGED

1 INITIAL OBLIGORS' SECURITY

1.1 Mortgaged Properties etc.

Each of the Initial Obligors, as security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors):

(a) by way of a first legal mortgage, all its right, title, interest and benefit, present and future, in and to the freehold and leasehold property set out in Part 1 of Schedule 2 (Initial Obligors' freehold and leasehold Property) of the Charge;

(b) by way of first fixed charge, all its right, title, interest and benefit, present and future, in and to all estates or interests in any other freehold or leasehold property in England and Wales (except as specified in paragraph 1.1(a)) now or hereafter belonging to it; and

(c) by way of first legal mortgage over all trade and other fixtures, fixed plant and machinery from time to time on such freehold or leasehold property.

1.2 Securities

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), mortgaged (in the case of paragraph (a) below) and charged (in the case of paragraph (b) below) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors):

(a) by way of first mortgage all of its right, title, interest and benefit, present and future, in and to the Original Securities set out in Schedule 3 (Original Securities) of the Charge; and

(b) by way of first fixed charge, all of its rights, title interest and benefit, present and future, in and to all shares, stocks, debentures and other securities of any subsidiaries owned by it or by any nominee on its behalf now or in the future from time to time and all its rights, title, interest and benefit in, and options to acquire, securities for the time being owned by it and/or any nominee on its behalf now or in the future,

and all dividends, interest paid or payable in relation thereto and all shares, securities, rights, monies or property accruing or offered at any time in relation to such shares or other securities by way of redemption, substitution, exchange, bonus or preference in respect of or incidental or ancillary thereto.

SCHEDULE 1 TO FORM 395 – (CONT.)

1.3 **Contractual rights**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable, charged) to the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to:

(a) the Transaction Documents to which it is a party;

(b) any other Transaction Document to which it is or becomes a party (other than the Borrower Standard Securities);

(c) the Acquisition Documents to which it is a party;

(d) the Reorganisation Documents to which it is a party;

(e) the Management Contracts to which it is a party; and

(f) all other contracts, agreements, deeds, instruments and documents to which it is a party or in which it has an interest (other than the Care Contracts) now or in the future,

including, all rights to receive payment of any amounts which may become payable to it thereunder and all payments received by it thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain relief in respect thereof.

1.4 **Insurance Policies etc.**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable charged) to the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to:

(a) the Insurance Policies set out in Schedule 4 of the Charge;

(b) the Insurance Policies (other than the Insurance Policies set out in Schedule 4 of the Charge); and

(c) subject to the relevant provisions of the Issuer/Borrowers Facility Agreement, all rights and claims to which it is or may hereafter become entitled in relation to the proceeds of such Insurance Policies.

SCHEDULE 1 TO FORM 395 – (CONT.)

1.5 **Intellectual Property Rights**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee all of its right, title, interest and benefit, present and future, in and to all of its Intellectual Property Rights and all fees, royalties and other rights derived therefrom or incidental thereto.

1.6 **Ancillary Property Rights**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property) and other relevant provisions of the Charge, assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to its Ancillary Property Rights.

1.7 **Book Debts**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to all its book debts and other debts (including, without limitation, all receivables payable to it under the Care Contracts) (but excluding for these purposes any book debts and other debts governed by the laws of Scotland).

1.8 **Care Contracts**

Each of the Initial Obligors, by way of first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all its right, title, interest and benefit, present and future, in and to all sums of monies now or in the future which may become payable to it and all payments received by it under or pursuant to the terms of any Care Contract to which it is or becomes a party or in which it has an interest (but excluding for these purposes any Care Contract governed by the laws of Scotland).

1.9 **Bank accounts**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its

right, title, interest and benefit, present and future, in and to all monies now or at any time hereafter standing to the credit of:

(a) the Home Accounts;

(b) the Operating Accounts;

(c) the Escrow Accounts;

(d) the Capex Reserve Account;

(e) the Stamp Duty Reserve Account;

(f) the Remedy Account; and

(g) any other account in which it has an interest now or in the future,

and the debts represented by them together with all rights relating or attached thereto.

1.10 **Licences and consents**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to the benefit of all licences, consents and authorisations (statutory or otherwise) held (now or after the date of the Charge) in connection with its business or the use of any of the Borrower Charged Property and the right to recover and receive all compensation which may be payable to it in respect of them.

1.11 **Eligible Investments**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to all Eligible Investments purchased or made by it or on its behalf and all rights in respect of or incidental or ancillary thereto.

1.12 **Negotiable Instruments**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of the Borrower Charged Property), assigned (or, to the extent not assignable, charged) in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to all Negotiable Instruments at any time owned or

held by it and all of its right, title, interest and benefit under any performance bond or guarantee or similar agreement entered into by it or in which it has an interest.

1.13 **Goodwill and uncalled capital**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all its right, title, interest and benefit present and future in and to all goodwill and uncalled capital (if any).

1.14 **Plant and equipment**

Each of the Initial Obligors, as first fixed security for the payment or discharge of the Borrower Secured Amounts, subject to paragraph 4 (Release of Borrower Charged Property), charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) all of its right, title, interest and benefit, present and future, in and to all plant and equipment owned by it or in which it has an interest, excluding any plant and equipment referred to in paragraph 1.1 (Mortgaged Properties) and any plant and equipment situated in Scotland.

2 **FLOATING CHARGES**

Each of the Obligors, as security for the payment or discharge of the Borrower Secured Amounts, subject to the provisions stated in paragraph 4 (Release of Borrower Charged Property) charged in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) by way of a first floating charge all of its property, assets and undertaking, present and future, not effectively subject to fixed security interests detailed in paragraph 1 above, including all and any part of its undertaking and assets, present and future, situated in Scotland or the rights to which are governed by the laws of Scotland.

Each floating charge referred to above is a qualifying floating charge for the purpose of paragraph 14 of Schedule B1 to the Insolvency Act 1986.

3 **SECOND CHARGES**

3.1 Until the release of the Existing Borrower Security on the Loan Funding Date:

(a) the first legal mortgages granted by the Existing Obligors and set out in paragraph 1 above (Initial Obligors' Security) take effect as second legal mortgages, ranking after the first legal mortgages granted by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, to the extent effectively mortgaged thereunder;

(b) the first equitable mortgages granted by the Existing Obligors set out in paragraph 1 above (Initial Obligors' Security) take effect as second equitable mortgages, ranking after the first equitable mortgages granted by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, to the extent effectively mortgaged thereunder;

(c) the first fixed charges granted by the Existing Obligors set out in paragraph 1 above (Initial Obligors' Security) take effect as second fixed charges, ranking after the first fixed charges granted by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, to the extent effectively charged thereunder;

(d) the Borrower Standard Securities granted by the Existing Obligors take effect as second ranking standard securities, ranking after the Craegmoor Security Group Standard Securities, to the extent effectively charged thereunder; and

(e) the first floating charges granted by the Existing Obligors set out in paragraph 2 above (Floating Charges) take effect as second floating charges, ranking after the first floating charges granted by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, to the extent effectively charged thereunder,

in each case, subject to the provisions of the Subordination Deed.

3.2 To the extent that any Existing Obligor purports to assign any right, title interest or benefit in any property or assets set out in paragraph 1 above (Initial Obligors' Security) already effectively assigned as first fixed security by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, such assignment shall not take effect as first fixed security until release of the Existing Borrower Security on the Senior Discharge Date (as defined in the Subordination Deed) and prior thereto the first fixed charges granted by the Existing Obligors in respect of such property or assets pursuant to paragraph 1 (Initial Obligors' Security) shall take effect as second fixed charges, ranking after the first fixed charges granted by the Existing Obligors pursuant to the Craegmoor Security Group Debenture, to the extent effectively charged thereunder.

4 RELEASE OF BORROWER CHARGED PROPERTY

4.1 On the irrevocable and unconditional payment or discharge by each Obligor (or any combination of the foregoing) of all the Borrower Secured Amounts, the Borrower Security Trustee agreed at the request and cost of the relevant Obligor to release, reassign or discharge all the relevant Borrower Charged Property to, or to the order of, the relevant Obligor.

SCHEDULE 1 TO FORM 395 – (CONT.)

4.2 On:

(a) the making at any time by an Obligor of a Permitted Disposal pursuant to the Issuer/Borrowers Facility Agreement (provided that the conditions set out therein have been met); or

(b) the making at any time by an Obligor of an Intra-Group Transfer pursuant to the Issuer/Borrowers Facility Agreement (provided that the conditions set out therein have been met); or

(c) the making at any time by an Obligor of a disposal of any Eligible Investment charged pursuant to the Charge; or

(d) the making at any time by an Obligor of any other disposal or the withdrawal of funds from any Borrower Bank Account permitted by any of the Transaction Documents; or

(e) the transfer of any Non-Mortgaged Care Homes or any part thereof to a Non-Securitisation Group Entity; or

4.3 The Borrower Security Trustee agreed to, if so requested by and at the sole cost and expense (on an indemnity basis) of the relevant Obligor, but without being responsible for any loss, costs, claims or liabilities whatsoever occasioned by so acting upon such request, to release, reassign transfer or discharge from the Borrower Security by executing all relevant deeds of release and HM Land Registry forms DS1 provided by the relevant Obligor and any other documentation:

(i) the relevant assets or property which are the subject of the Permitted Disposal; or

(ii) the relevant assets or property which are subject to the Intra-Group Transfer; or

(iii) the relevant Eligible Investment, provided that the Borrower Security Trustee is satisfied that the proceeds of such disposal are to be forthwith paid by the relevant Obligor into the Borrower Bank Account from which the monies used to acquire such Eligible Investment were originally withdrawn; or

(iv) the relevant funds from the relevant Borrower Bank Account;; or

(v) the relevant title to or interest in any Non-Mortgaged Care Homes or any part thereof,

and, in all cases, subject to and in accordance with the provisions of the Issuer/Borrowers Facility Agreement, the Bank Agreement and the Charge.

SCHEDULE 1 TO FORM 395 – (CONT.)

5 SUBORDINATION

5.1 Subject to the provisions of the Charge, each of the Borrower Secured Creditors agreed to be bound by the terms of the order of priority set out in the Charge. Without prejudice to the provisions of the Charge, each of the Borrower Secured Creditors further agreed with each other party to the Charge that, notwithstanding any other provision contained therein or in any other Transaction Document:

(a) it will not demand or receive payment of any distribution in respect of or on account of any amounts payable by any Obligor or the Borrower Security Trustee (as applicable) to the Borrower Secured Creditor under the Transaction Documents, in cash or in kind, and will not apply any monies or assets in discharge of any such amounts payable to it (whether by set-off or by any other method), unless all amounts then due and payable by the Obligors to all other Borrower Secured Creditors ranking higher in the order of priority set out in the Charge had been paid in full; and

(b) without prejudice to the foregoing, whether in the liquidation of any Obligor or any other party to the Transaction Documents or otherwise, if any payment or distribution (or the proceeds of any enforcement of any security) is received by a Borrower Secured Creditor in respect of any amount payable by the Obligors or the Borrower Security Trustee (as applicable) to that Borrower Secured Creditor under the relevant Transaction Document at a time when, by virtue of the provisions of the relevant Transaction Document and the Charge, no payment or distribution should have been made, the amount so received shall be held by the Borrower Secured Creditor upon trust for the entity from which such payment was received and would be paid over to such entity forthwith upon receipt (whereupon the relevant payment or distribution shall be deemed not to have been made or received).

5.2 The Borrower Security Trustee agreed it shall not pay or repay, or make any distribution in respect of, any amount, owing to a Borrower Secured Creditor under the relevant Transaction Documents, in cash or in kind, unless and until all amounts then due and payable by the Borrower Security Trustee to all other Borrower Secured Creditors ranking higher in the order of priority set out in the Charge had been paid in full based on the information provided to it by the Servicer and/or the Issuer.

6 NEGATIVE COVENANTS

Each Obligor hereby jointly and severally undertook that, for so long as any Borrower Secured Amounts remained outstanding, it would not (without the written prior consent of the Borrower Security Trustee):

6.1 permit any person other than itself or the Borrower Security Trustee (or its duly appointed nominee) to be registered as or become the holder of the Original Securities;

SCHEDULE 1 TO FORM 395 – (CONT.)

6.2 other than in accordance with the Bank Agreement, the Charge and the other Transaction Documents:

(a) open or maintain any bank account or deposit account with any bank or any other financial institution other than accounts operated on behalf of others;

(b) close any account maintained by it;

(c) vary the terms of the mandate in relation to any accounts maintained by it, or

6.3 waive or vary nor permit to be waived or varied the terms of any of the documents relating to or affecting its freehold, leasehold or heritable property, and not in any manner or by any means to lessen materially the value of any Obligor's interest in any of the freehold, leasehold or heritable property for the time being owned by such Obligor and not to part with possession (otherwise than on determination of any tenancy or licence) of any of its freehold, leasehold or heritable property in each case other than pursuant to the provisions of the Issuer/Borrowers Facility Agreement and paragraph 4(2) above.

SCHEDULE 2 – DEFINITIONS TO FORM 395

Account Banks means the Borrower Account Banks and the Issuer Account Bank, and each an Account Bank;

Acquisition Documents means the agreements relating to the acquisition of companies by an Obligor;

Additional Borrower means a person who accedes to the Issuer/Borrowers Facility Agreement as a borrower in accordance with **Clause 5.9** of the Issuer/Borrowers Facility Agreement;

Additional Guarantor means a person who accedes to the Issuer/Borrowers Facility Agreement as a guarantor in accordance with **Clause 5.9** of the Issuer/Borrowers Facility Agreement;

Agency Agreement means the agreement dated the Closing Date between the Issuer, the Principal Paying Agent, the Luxembourg Paying Agent, the Agent Bank, the Note Trustee and the Issuer Security Trustee;

Agent Bank means Deutsche Bank AG London of Winchester House, 1 Great Winchester Street, London EC2N 2DB or such person or persons from time to time appointed as agent bank, subject to and in accordance with the terms of the Agency Agreement;

Ancillary Property Rights means all rights and claims in relation to the property referred to in Clause 3.1, Clause 4 and Clause 6.3 of the Charge, including (without limitation) those against any manufacturer, supplier or installer of such property, any builder, contractor or professional advisor engaged in relation to any such property and any lessee, sub-lessee or licensee of any such property and any obligor or surety for the obligations of such person and, to the extent that such property is now or at any time hereafter hired, leased or rented by an Initial Obligor to any other person, the rights under the hiring, leasing or rental contract and any guarantee, indemnity or security for the performance of the obligations of such person and any other rights and benefits relating thereto;

Asset Administrator means Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR or such other person as is appointed to act as such pursuant to the Financial Advisory and Asset Administration Agreement;

Bank Agreement means the agreement dated the Closing Date between the Issuer, the Obligors, the Servicer, the Issuer Security Trustee, the Borrower Security Trustee and the Account Banks in connection with the maintenance of banking arrangements for the Issuer and the Obligors at the Account Banks;

Block Contract means each long term and block funding contract for the provision of care services to which an Obligor is a party as of the Closing Date and all future such contracts entered into by an Obligor thereafter;

Book debts means book debts (including, without limitation, all receivables payable under the Care Contracts) and other debts, rents and all other moniesand liabilities whatsoever for the time being due, owing or payable to an Obligor (including the

benefit of any judgment, order or decree to pay a sum of monies), the proceeds of the same and benefit of any guarantee, Security Interest and securities for the time being held by an Obligor in respect of any such debts or monies and all bills of exchange, promissory notes and negotiable instruments of any description at any time owned or held by an Obligor;

Borrowers means the Initial Borrowers and any Additional Borrowers, and **Borrower** means any one of them;

Borrowers Account Banks means the Existing Account Bank and the New Account Bank;

Borrower Bank Accounts means the Operating Accounts, the Home Accounts, the Escrow Accounts, the Stamp Duty Reserve Account and the Capex Reserve Account, and **Borrower Bank Account** means any one of them;

Borrower Charged Property means the property, assets and rights of the Obligors which are subject to the security interests in favour of the Borrower Security Trustee created by each of the Initial Obligors pursuant to Clause 3, Clause 4 and Clause 6.3 of the Charge, and references to the **Borrower Charged Property** include references to any part of it;

Borrower Secured Creditors means each of the Borrower Security Trustee, the Issuer, the Account Bank, any Receiver appointed under the Charge, the Subordinated Lender and any combination of them and such other creditor who may accede to the terms of the Charge from time to time in accordance with the terms thereof, and Borrower Secured Creditor includes references to any one of them;

Borrower Security means the Security Interests from time to time constituted by or pursuant to the Charge, the Borrower Standard Securities or any other Borrower Security Document;

Borrower Standard Security means each standard security granted over a Scottish Property in substantially the form of Schedule 5 to the Charge pursuant to Clause 6.3 of the Charge, and Borrower Standard Securities means all of them from time to time;

Capex Reserve Account means the bank account identified in Part 5 of Schedule to the Bank Agreement of Parkcare held at the New Account Bank (or any other account in the name of Parkcare Homes Limited subsequently opened to replace such first mentioned account);

Care Contracts means the Block Contracts and the Spot Contracts;

CGL means Craegmoor Group Limited (registered in England and Wales No. 02825572) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9, 8DJ;

SCHEDULE 2 – DEFINITIONS TO FORM 395

CGL Tax Deed of Charge means the deed of charge in respect of certain tax and related matters dated on or about the Closing Date granted by CGL in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Class A Couponholders means the several persons who are for the time being the holders of the Class A2 Coupons;

Class A1 Notes means the Original Class A1 Notes and any Further Class A1 Notes or, as the context may require, any combination of the same and references to the Class A1 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Class A1 Permanent Global Note means a permanent global note to be issued by the Issuer pursuant to Clause 5.2 of the Trust Deed representing the Class A1 Notes, substantially in the form of Part 2 of Schedule 1 to the Trust Deed;

Class A1 Temporary Global Note means a temporary global note to be issued by the Issuer pursuant to Clause 5.1 of the Trust Deed representing the Class A1 Notes, substantially in the form of Part 1 of Schedule 1 to the Trust Deed;

Class A2 Notes means the Original Class A2 Notes and any Further Class A2 Notes or, as the context may require, any combination of the same and references to the Class A2 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Class A2 Permanent Global Note means a permanent global note to be issued by the Issuer pursuant to Clause 5.2 of the Trust Deed representing the Class A2 Notes, substantially in the form of Part 2 of Schedule 1 to the Trust Deed;

Class A2 Temporary Global Note means a temporary global note to be issued by the Issuer pursuant to Clause 5.1 of the Trust Deed representing the Class A2 Notes, substantially in the form of Part 1 of Schedule 1 to the Trust Deed;

Class B Couponholders means the several persons who are for the time being the holders of the Class B Coupons;

Class B Coupons means, as the context so requires, the Class B1 Coupons and/or the Class B2 Coupons;

Class B1 Notes means the Original Class B1 Notes and any Further Class B1 Notes or, as the context may require, any combination of the same and references to the Class B1 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Class B1 Permanent Global Note means a permanent global note to be issued by the Issuer pursuant to Clause 5.2 of the Trust Deed representing the Class B1 Notes, substantially in the form of Part 2 of Schedule 1 to the Trust Deed;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Class B1 Temporary Global Note means a temporary global note to be issued by the Issuer pursuant to Clause 5.1 of the Trust Deed representing the Class B1 Notes, substantially in the form of Part 1 of Schedule 1 to the Trust Deed;

Class B2 Notes means the Original Class B2 Notes and any Further Class B2 Notes or, as the context may require, any combination of the same and references to the Class B2 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Class B2 Permanent Global Note means a permanent global note to be issued by the Issuer pursuant to Clause 5.2 of the Trust Deed representing the Class B2 Notes, substantially in the form of Part 2 of Schedule 1 to the Trust Deed;

Class B2 Temporary Global Note means a temporary global note to be issued by the Issuer pursuant to Clause 5.1 of the Trust Deed representing the Class B2 Notes, substantially in the form of Part 1 of Schedule 1 to the Trust Deed;

Class M Couponholders means the several persons who are for the time being the holders of the Class M Coupons;

Class M Coupons means, in respect of the Class M Notes, the bearer interest coupons in or substantially in the form set out in Part 4 to Schedule 1 to the Trust Deed, appertaining to the Definitive Class M Notes and includes, where applicable, the Talon(s) appertaining thereto and any replacement for Coupons and Talons issued pursuant to Condition 13;

Class M Notes means the Original Class M Notes and any Further Class M Notes or, as the context may require, any combination of the same and references to the Class M Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Class M Permanent Global Note means a permanent global note to be issued by the Issuer pursuant to Clause 5.2 of the Trust Deed representing the Class M Notes, substantially in the form of Part 2 of Schedule 1 to the Trust Deed;

Class M Temporary Global Note means a temporary global note to be issued by the Issuer pursuant to Clause 5.1 of the Trust Deed representing the Class M Notes, substantially in the form of Part 1 of Schedule 1 to the Trust Deed;

Closing Date means 13th August, 2003 or such later date the Issuer, the Manager and MBIA may agree;

Conditions means in relation to the Original Notes, the terms and conditions applicable to the Original Notes in the form set out in Schedule 2 to the Trust Deed and, in relation to any Further Notes, New Notes or Replacement Notes, the terms and conditions applicable thereto in the form set out or referred to in the supplemental deed relating thereto, as any of the same may from time to time be altered in accordance with the provisions of the Trust Deed and any reference in the Trust Deed to a particular numbered Condition shall be construed accordingly; reference to any

particular numbered Condition shall be construed, in relation to any Further Notes, as a reference to the provision (if any) in the Conditions thereof which corresponds to that particular Condition in the Original Notes, and in relation to any Further Notes, New Notes or Replacement Notes, the terms and conditions applicable thereto in the form set out or referred to in the supplemental deed relating thereto;

Coupons means the Class A Coupons, the Class B Coupons, the Class M Coupons and any further coupons appertaining to any Further Notes or New Notes that may from time to time be issued and, in each case, for the time being outstanding or, as the context may require, a specific number thereof, and any replacement Coupons;

Craegmoor means Craegmoor Limited registered in England and Wales No. 4204571) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Craegmoor Group means Craegmoor Limited and each of its subsidiaries from time to time;

Craegmoor No.2 means Craegmoor No.2 Limited (registered in England and Wales No. 04229516) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Craegmoor Tax Deed of Charge means the deed of charge in respect of certain tax related matters dated on or about the Closing Date granted by Craegmoor in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Craegmoor No.2 Tax Deed of Charge means the deed of charge in respect of certain tax related matters dated on or about the Closing Date granted by Craegmoor No.2 in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Craegmoor Security Group Debenture means the deed of charge and assignment dated on or about the Existing Closing Date between the Existing Borrowers, the Issuer, the Existing Account Bank, the Subordinated Lender and the Borrower Security Trustee pursuant to which the obligations and liabilities of the Existing Borrowers under the Existing Issuer/Borrowers Facility Agreement and the other Transaction Documents to which the Existing Borrowers were party are secured;

Craegmoor Security Group Standard Security means each standard security granted in favour of the Borrower Security Trustee pursuant to **Clause 3.7** of the Craegmoor Security Group Debenture;

Definitive Class A1 Notes means the bearer notes in definitive form which may be issued in respect of the Class A1 Notes pursuant to, and in the circumstances specified in, Clause 5.11 of the Trust Deed and includes any replacements for Definitive Class A1 Notes issued pursuant to Condition 13 and are issued substantially in the form described in the Trust Deed and as set out in Part 3 of Schedule 1 to the Trust Deed;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Definitive Class A2 Notes means the bearer notes in definitive form which may be issued in respect of the Class A2 Notes pursuant to, and in the circumstances specified in, Clause 5.11 of the Trust Deed and includes any replacements for Definitive Class A2 Notes issued pursuant to Condition 13 and are issued substantially in the form described in the Trust Deed and as set out in Part 3 of Schedule 1 to the Trust Deed;

Definitive Class B Notes means Definitive Class B1 Notes and Definitive Class B2 Notes;

Definitive Class B1 Notes means the bearer notes in definitive form which may be issued in respect of the Class B1 Notes pursuant to, and in the circumstances specified in, Clause 5.11 of the Trust Deed and includes any replacements for Definitive Class B1 Notes issued pursuant to Condition 13 and are issued substantially in the form described in the Trust Deed and as set out in Part 3 of Schedule 1 to the Trust Deed;

Definitive Class B2 Notes means the bearer notes in definitive form which may be issued in respect of the Class B2 Notes pursuant to, and in the circumstances specified in, Clause 5.11 of the Trust Deed and includes any replacements for Definitive Class B2 Notes issued pursuant to Condition 13 and are issued substantially in the form described in the Trust Deed and as set out in Part 3 of Schedule 1 to the Trust Deed;

Definitive Class M Notes means the bearer notes in definitive form which may be issued in respect of the Class M Notes pursuant to, and in the circumstances specified in, Clause 5.11 of the Trust Deed and includes any replacements for Definitive Class M Notes issued pursuant to Condition 13 and are issued substantially in the form described in the Trust Deed and as set out in Part 3 of Schedule 1 to the Trust Deed;

Eligible Bank means an authorised institution, acting through an office or branch in England or Wales, the short, unsecured and unsubordinated debt obligations of which are rated at least 'A1' by S&P, 'P1' by Moody's or 'F1' by Fitch (or their respective equivalents);

Eligible Investments means:

(a) sterling gilt edged securities; and

(b) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments have a maturity date falling no later than the next following Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised bank under the Banking Act 1987) are rated 'F1' by Fitch 'P1' by Moody's and/or 'A1' by S&P (or its equivalent) or such other short-term ratings as is acceptable to the Rating Agencies and MBIA (for so long as MBIA is the Note Controlling Party);

Escrow Accounts means the Existing Escrow Accounts and the New Escrow Accounts, and Escrow Account shall mean any one of them;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Existing Account Bank means National Westminster Bank PLC;

Existing Borrower Accounts means the bank accounts identified in Schedule 2 to the Bank Agreement of the Borrowers held at the Existing Account Bank or any other account(s) in the name of any Borrower subsequently opened to replace any such first-mentioned account and any similar accounts in the name of any Additional Borrower subsequently opened with another Eligible Bank;

Existing Borrowers means the borrowers under the Existing Issuer/Borrowers Facility Agreement;

Existing Borrower Security means the Security Interests created by the Existing Security Documents

Existing Escrow Accounts means the bank accounts identified in Part 5 of Schedule 2 to the Bank Agreement of the Existing Borrowers held at the Existing Account Bank;

Existing Issuer means Craegmoor Funding PLC;

Existing Mezzanine Lender means RBS Mezzanine Limited;

Existing Issuer/Borrowers Facility Agreement means the facility agreement dated on or about 23rd November, 2000 between, inter alios, the Existing Borrowers and the Existing Issuer;

Existing Mezzanine Notes means the floating rate secured loan notes of Craegmoor No. 2 constituted by the Existing Mezzanine Notes Instrument;

Existing Mezzanine Notes Instrument means a loan note instrument dated 27th July, 2001 between, *inter alios*, Craegmoor No. 2 and the Existing Mezzanine Lender;

Existing Obligors means the guarantors and obligors party to the Existing Issuer/Borrowers Facility Agreement;

Existing Security Documents means the Craegmoor Security Group Debenture, each Craegmoor Security Group Standard Security and the security documents relating to the Existing Mezzanine Notes;

Expenses Loan Agreement means the expenses loan agreement made between Parkcare, the Borrower Security Trustee and the Expenses Loan Provider dated 23 November 2000;

Expenses Loan Provider means Barclays Bank PLC;

Financial Adviser means Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR or such other person as is appointed to act as such pursuant to the Financial Advisory and Asset Administration Agreement;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Financial Advisory and Asset Administration Agreement means the agreement dated on or about the Closing Date, made between the Obligors, the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee, MBIA, the Servicer and the Financial Adviser and the Asset Administrator;

Further Class A1 Notes means any Class A1 Notes of the Issuer issued in accordance with **Clause 2.7** of the Trust Deed and constituted by a deed supplemental to the Trust Deed pursuant to **Clause 5.4** of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the Class A1 Temporary Global Note (or any part thereof) representing the same, the Class A1 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Definitive Class A1 Notes (or any of them) representing the same;

Further Class A2 Notes means any Class A2 Notes of the Issuer issued in accordance with **Clause 2.7** of the Trust Deed and constituted by a deed supplemental to the Trust Deed pursuant to **Clause 5.4** of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the Class A2 Temporary Global Note (or any part thereof) representing the same, the Class A2 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Definitive Class A2 Notes (or any of them) representing the same;

Further Class B1 Notes means any Class B1 Notes of the Issuer issued in accordance with **Clause 2.7** of the Trust Deed and constituted by a deed supplemental to the Trust Deed pursuant to **Clause 5.4** of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the Class B1 Temporary Global Note (or any part thereof) representing the same, the Class B1 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Definitive Class B1 Notes (or any of them) representing the same;

Further Class B2 Notes means any Class B2 Notes of the Issuer issued in accordance with **Clause 2.7** of the Trust Deed and constituted by a deed supplemental to the Trust Deed pursuant to **Clause 5.4** of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the Class B2 Temporary Global Note (or any part thereof) representing the same, the Class B2 Permanent Global Note (or any part thereof) representing the same, and (if issued) the Definitive Class B2 Notes (or any of them) representing the same;

Further Class M Notes means any Class M Notes of the Issuer constituted by a deed supplemental to the Trust Deed pursuant to **Clause 5.4** of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the Class M Temporary Global Note (or any part thereof) representing the same, the Class M Permanent Global Note (or any part thereof) representing the same, and (if issued) the Definitive Class M Notes (or any of them) representing the same;

Guarantee and Reimbursement Agreement means the guarantee and reimbursement agreement dated on or about the Closing Date between, *inter alios,* the Issuer, the Initial Obligors, the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee and MBIA;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Guarantors means each Initial Guarantor and any Additional Guarantors;

Healthcare means Craegmoor Healthcare Company Limited (registered in England and Wales No. 03830455) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Healthcare Tax Deed of Charge means the deed of charge dated on or about the Closing Date granted by Healthcare in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Holdings means Craegmoor Holdings Limited (registered in England and Wales No. 03830300) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire, WR9 8DJ;

Holdings Tax Deed of Charge means the deed of charge on or about the Closing Date granted by Holdings in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Home Accounts means the bank accounts identified in Schedule 3 to the Bank Agreement of the Initial Borrowers held at the New Account Bank (or any other account(s) in the name of any Initial Borrowers subsequently opened to replace any such account); and **Home Account** means any one of them;

Initial Borrowers means Parkcare Homes Limited, Parkcare Homes (No.2) Limited, Independent Community Living Limited, Craegmoor Investments Limited, Craegmoor Healthcare Company Limited, Ferguson Care Limited, London Parkcare Limited, Southern Counties Care Limited, Yorkshire Parkcare Company Limited, Health & Care Services (UK) Limited, Health & Care Services (NW) Limited, Health & Care Services Humbs. Limited, Speciality Healthcare Limited, Speciality Care (Rehab) Limited, Speciality Care (Learning Disabilities) Limited, Speciality Care (Care Homes) Limited, Lansdowne Road Limited, Alphabet Children's Services Limited, Conquest Care Homes (Soham) Limited, Conquest Care Homes (Peterborough) Limited, Conquest Care Homes (Norfolk) Limited, JC Care Limited, Heddfan Care Limited, R.J. Homes Limited, Lothlorien Community Limited, Johnston Care Limited, Cotswold Care Services Limited, Treehome Limited, La Pierre Homes Limited, Strathmore Care Services Limited and Strathmore College Limited and **Initial Borrower** means any one of them;

Initial Guarantors means Craegmoor Holdings Limited, Inputrelate Limited, Independent Community Living (Holdings) Limited, Ty-Craig Nursing Homes Limited, Boughton Manor Nursing Home Limited, Speciality Care (Rest Care) Limited, Southbank Private Nursing Home Limited, Concept Care Limited, Grovedraft Limited, GWS Claremont Limited, Apdale Limited, Spring Crescent Limited, Forward Housing Limited, Challenge Care Limited, Alphabet Children's (Fostering) Services Limited, Yorkshire Care Homes Limited, Conquest Care Homes (March) Limited and Health & Care Services Yorks. Limited and **Initial Guarantor** means any of them;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Initial Obligors means, the Initial Guarantors and the Initial Borrowers, and **Initial Obligor** means any one of them;

Insurance Policies means as at the Closing Date, those insurance policies set out in Part 4 of Schedule 2 to the Charge and, from time to time, each of the insurance policies (and any cover notes in respect thereof) pursuant to which any Obligor is an insured party and all other insurance policies at any time in the future taken out by any Obligor, either in addition to or by way of renewal, extension, variation, supplement, amendment or endorsement of such insurance policies;

Intellectual Property Rights means all interests in any part of the world in or relating to registered and unregistered trademarks and service marks, patents, registered designs, trade names, titles, registered or unregistered copyrights in published and unpublished works, unregistered designs, inventions registered or unregistered, confidential information, any other intellectual property rights and any applications for any of the foregoing;

Interest Payment Date means:

(a) in relation to the Notes, the Term Facilities (other than New Term Facilities), the Servicing Agreement, the Liquidity Facility Agreement, the Financial Advisory and Asset Administration Agreement and the Guarantee and Reimbursement Agreement, 15th March, 15th June, 15th September and 15th December in each year (or, if such day is not a Business Day, the next succeeding Business Day), commencing on the Interest Payment Date falling in December 2003; and

(b) in relation to the New Term Facilities, unless otherwise agreed in writing, shall match the interest payment date on the relevant issue of New Notes made or to be made by the Issuer to fund such New Term Advance which date shall be agreed between the Obligors, the Issuer and the Borrower Security Trustee and MBIA (for so long as MBIA is the Note Controlling Party) at the time the New Notes are issued;

Intra-Group Transfer has the meaning given to it in Clause 16.17 of the Issuer/Borrowers Facility Agreement;

Investments means Craegmoor Investments Limited (registered in England and Wales No. 04790555) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Investments Tax Deed of Charge means the deed of charge dated on or about the Closing Date granted by Investments in favour of the Trustee (as defined therein) on behalf of the Beneficiaries (as defined therein);

Issuer means Craegmoor Funding (No.2) Limited, a limited liability company incorporated in the Cayman Islands with registered number 125919 and whose registered office is at the offices of Maples and Calder, Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Issuer Account Bank means Barclays Bank PLC or such other person or persons from time to time appointed as Account Bank to the Issuer, subject to and in accordance with the terms of the Bank Agreement;

Issuer/Borrowers Facility Agreement means the agreement dated the Closing Date between, *inter alios* the Initial Obligors, the Issuer, the Borrower Security Trustee and MBIA pursuant to which the Issuer agrees to make available, from time to time, certain loan facilities to the Borrowers upon and subject to the terms set out therein;

Issuer Charged Property means the whole of the right, title, benefit and interest of the Issuer in the property, assets and rights of the Issuer described in Clause 3 of the Issuer Deed of Charge and all other property, assets and rights whatsoever of the Issuer and wheresoever situate, present and future, including without limitation any uncalled share capital of the Issuer (but excluding always the sum of £1 retained by the Issuer);

Issuer Deed of Charge means the deed dated the Closing Date between the Issuer, the Issuer Security Trustee, the Note Trustee, MBIA, the Liquidity Facility Provider, the Issuer Account Bank, the Servicer, the Swap Provider, the Financial Adviser, the Asset Administrator, the Principal Paying Agent, the Luxembourg Paying Agent and the Agent Bank (and includes, where the context so admits, each supplemental Issuer Deed of Charge thereto);

Issued Secured Amounts means the aggregate of all monies and other liabilities for the time being due or owing by the Issuer:

(a) to the Issuer Security Trustee, any Receiver, the Note Trustee, the Class A Noteholders, the Class A Couponholders (if any), the Class M Noteholders, the Class M Couponholders (if any) , the Class B Noteholders, the Class B Couponholders (if any), any New Noteholders and any New Couponholders under or pursuant to the Issuer Deed of Charge, the Class A Notes, the Class A Coupons, the Class M Notes, the Class M Couponholders, Class B Notes, the Class B Coupons, any New Notes, any New Coupons, any Replacement Notes, any Replacement Coupons, the Trust Deed and the Agency Agreement;

(b) to MBIA under the Guarantee and Reimbursement Agreement, MBIA Financial Guarantee Fee Letter and the Issuer Deed of Charge;

(c) to the Liquidity Facility Provider under the Liquidity Facility Agreement and the Issuer Deed of Charge;

(d) to the Principal Paying Agent, the Luxembourg Paying Agent and the Agent Bank under the Agency Agreement and the Issuer Deed of Charge;

(e) to the Servicer under the Servicing Agreement and the Issuer Deed of Charge;

(f) to the Financial Adviser report and/or the Asset Administrator under the Financial Advisory and Asset Administration Agreement and the Issuer Deed of Charge;

(g) to the Swap Provider under the Swap Agreements and the Issuer Deed of Charge; and

(h) to the Issuer Account Bank under the Bank Agreement and the Issuer Deed of Charge.

Issuer Security Trustee means Prudential Trustee Company Limited whose registered office is at Laurence Pountney Hill, London EC4R 0HH (registered number 1863305) or any other person or persons for the time being acting as the security trustee pursuant to the terms of the Issuer Deed of Charge;

Liquidity Facility Agreement means the agreement dated the Closing Date between the Issuer, the Liquidity Facility Provider and the Issuer Security Trustee pursuant to which the Liquidity Facility Provider agrees to provide the Issuer, from time to time, with advances for the purposes specified therein, subject to and in accordance with its terms;

Liquidity Facility Provider means Barclays Bank PLC acting through its office at 54 Lombard Street, London EC3P 3AH or such other bank or banks with at least the Liquidity Facility Provider Requisite Ratings which agrees to provide a liquidity facility to the Issuer on substantially similar terms to the Liquidity Facility Agreement;

Loan Funding Date means 15th September, 2003;

Luxembourg Paying Agent means Deutsche Bank Luxembourg S.A;

Management Contracts means any contract entered into by an Obligor for the purpose of or in relation to the management of its interest in any freehold, heritable or leasehold property belonging to it or in which it has an interest and the redevelopment of such property;

Manager means each of Barclays Bank PLC and The Royal Bank of Scotland plc as managers under the Subscription Agreement, and **Managers** means each of them;

MBIA means MBIA Assurance S.A., a *société anonyme* which was created and incorporated under French law, acting through its branch office in England and Wales (registration No. B377883293 (98B05130));

MBIA Financial Guarantee means the financial guarantee issued by MBIA in respect of the Class A Notes on the Closing Date pursuant to the Guarantee and Reimbursement Agreement;

SCHEDULE 2 – DEFINITIONS TO FORM 395

MBIA Financial Guarantee Fees Letter means the letter agreement entered into on or about the Closing Date between MBIA and the Issuer relating to the fee payable to MBIA in respect of the issue of the MBIA Guarantee;

Mortgaged Care Home means a Care Home owned and/or operated by any member of the Borrower Security Group or a Non-Obligor and which is the subject of a first legal mortgage or first-ranking standard security in favour of the Borrower Security Trustee pursuant to the Borrower Deed of Charge, a Borrower Standard Security or any other Borrower Security Document;

Mortgaged Properties means (a) each of the properties as at the Closing Date which are mortgaged or secured under or pursuant to the Charge and/or the Borrower Standard Securities and (b) any other freehold, heritable or leasehold property mortgaged or secured under or pursuant to the Charge and/or the Borrower Standard Securities other than, in each case, any property formerly a mortgaged property which has been disposed of in accordance with the provisions of the Issuer/Borrowers Facility Agreement and released from the Borrower Security and, for greater certainty, excludes the Non-Mortgaged Care Homes and includes the Mortgaged Care Homes and Mortgaged Property shall be construed accordingly;

Negotiable Instruments means all bills of exchange, letters of credit (issued in favour), promissory notes and negotiable instruments of any description;

New Account Bank means Barclays Bank PLC or such other person or persons from time to time appointed as account bank, subject to and in accordance with the terms of the Bank Agreement;

New Couponholders means the holders of the New Coupons from time to time;

New Coupons means in respect of New Notes, the bearer interests coupons in or substantially in the form set out in one of the relevant parts of the relevant schedule to the Trust Deed of the New Notes, appertaining to the definitive new notes and including, where applicable, the Talon(s) appertaining thereto and any replacement for such Coupons and Talons issued pursuant to the relevant condition;

New Escrow Accounts means the bank accounts identified in Schedule 3 to the Bank Agreement of the Borrowers held at the New Account Bank or any other account(s) in the name of any Borrower subsequently opened to replace any such first-mentioned account and any similar accounts in the name of any Additional Borrower subsequently opened with the New Account Bank or another Eligible Bank;

New Term Facility means a term facility funded by the issue of New Notes which rank no higher than the Term A Facilities, requested from the Issuer by a Borrower pursuant to Clause 2.7 of the Issuer/Borrowers Facility Agreement and made available to the relevant Borrower by the Issuer in accordance with and subject to the provisions of Clause 2.8 of the Issuer/Borrowers Facility Agreement;

Non-Mortgaged Care Homes means the Care Home known as Suttons Manor, part of the Care Home known as Holbeach Nursing Home (save for the Orchard

Apartments) and part of the land at St Joseph's, and Non-Mortgaged Care Home means any one of them;

New Non-Obligor means the holders of New Notes from time to time;

New Notes means any Notes of the Issuer which do not forma single series with the existing Notes and which are constituted by a deed supplemental to the Trust Deed pursuant to Clause 2.4 of the Trust Deed and for the time being outstanding or, as the context may require, a specific number thereof and includes the new temporary global note (or any part thereof) representing the same, the new permanent global note (or any part thereof) representing the same, and (if issued) the definitive new notes (or any of them) representing the same;

Non-Mortgaged Care Homes means the Care Home known as Suttons Manor part of the Care Home known as Holbeach Nursing Home (save for the Orchard Apartments) and part of the land at St Joseph's and **Non-Mortgaged Care Homes** means any one of them;

Non-Securitisation Group means Craegmoor, Craegmoor No.2, CGL, Craegmoor Homes, Speciality Care Limited, Speciality Care (Cedar Grove) Limited, Speciality Care (Rest Homes) Limited, Innova Healthcare Limited, Speciality Care (Addison Court) Limited, Speciality Care (Reit Homes) Limited, Speciality Care (UK Lease Homes) Limited, Speciality Care (Medicare) Limited, Irvine Care Limited, Speciality Care (EMI) Plc, Speciality Equestrian Centre Limited, Specialised Courses Offering Purposeful Education Limited, Craegmoor Finance PLC, Craegmoor Finance (No.2) Plc and Craegmoor Funding PLC, each a **Non-Securitisation Group Entity**;

Note Trustee means Prudential Trustee Company Limited whose registered office is at Laurence Pountney Hill, London EC4R 0HH (registered number 1863305) or any other person or persons for the time being acting as the note trustee or note trustees pursuant to the Trust Deed;

Obligors means the Guarantors and the Borrowers, and Obligor means any of them;

Operating Accounts means certain operating accounts (including the Home Accounts) maintained on behalf of the Obligors more particularly described in the Bank Agreement;

Original Class A1 Notes means the £57,500,000 Class A1 Secured Floating Rate Notes due 2013 constituted by the Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class A1 Temporary Global Notes (or any part thereof) and the Class A1 Permanent Global Notes (or any part thereof) representing the same, and (if issued) the Definitive Class A1 Notes (or any of them) representing the same and references to the Original Class A1 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Original Class A2 Notes means the £100,000,000 5.321 per cent. Class A2 Notes due 2023 constituted by the Trust Deed or the principal amount thereof for the time

being outstanding or, as the context may require, a specific number thereof and includes the Class A2 Temporary Global Notes (or any part thereof) and the Class A2 Permanent Global Notes (or any part thereof) representing the same, and (if issued) the Definitive Class A2 Notes (or any of them) representing the same and references to the Original Class A2 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Original Class B1 Notes means the £15,000,000 Class B1 Notes due 2023 constituted by the Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class B1 Temporary Global Notes (or any part thereof) and the Class B1 Permanent Global Notes (or any part thereof) representing the same, and (if issued) the Definitive Class B1 Notes (or any of them) representing the same and references to the Original Class B1 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Original Class B2 Notes means the £42,200,000 7.782 per cent. Class B2 Notes due 2023 constituted by the Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class B2 Temporary Global Notes (or any part thereof) and the Class B2 Permanent Global Notes (or any part thereof) representing the same, and (if issued) the Definitive Class B2 Notes (or any of them) representing the same and references to the Original Class B2 Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Original Class M Notes means the £30,000,000 Class M Notes due 2023 constituted by the Trust Deed or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Class M Temporary Global Notes (or any part thereof) and the Class M Permanent Global Notes (or any part thereof) representing the same, and (if issued) the Definitive Class M Notes (or any of them) representing the same and references to the Original Class M Notes shall, except where the context otherwise requires, include the Conditions applicable thereto;

Original Securities means the securities listed in Part 1 of Schedule 3 to the Charge and any other securities which, with the prior written consent of the Borrower Security Trustee, may be substituted therefor;

Parkcare means Parkcare Homes Limited (registered in England and Wales No. 02155276) whose registered office is at "Hillcairnie", St Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Parkcare 2 means Parkcare Homes (No. 2) Limited (registered in England and Wales No. 04000281) whose registered office is at "Hillcairnie", St. Andrews Road, Droitwich, Worcestershire WR9 8DJ;

Permitted Disposal means a disposal or substitution made in accordance with Clause 16.4 of the Issuer/Borrowers Facility Agreement;

SCHEDULE 2 – DEFINITIONS TO FORM 395

Principal Paying Agent means Deutsche Bank AG London, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB or such other person from time to time appointed as the principal paying agent, subject to and in accordance with the terms of the Agency Agreement;

Rating Agencies means the internationally recognised rating agencies currently rating the Notes (on a "solicited rating" basis) and which as at the Closing Date means Moody's, Fitch and S&P;

Receiver means any person or persons appointed (and any additional person or persons appointed or substituted) as administrative receiver, receiver, manager, or receiver and manager of the Issuer Charged Property or Borrower Charged Property, by the Issuer Security Trustee under the Issuer Deed of Charge or by the Borrower Security Trustee under the Charge, respectively, as the context may require or otherwise;

Remedy Account means an account to be opened and maintained, with an Eligible Bank, in the name of the Borrower Security Trustee the designated purpose of which is to receive Shortfall Amounts;

Reorganisation Documents means the documents relating to the reorganisation of certain Craegmoor Group companies prior to the Closing Date and Reorganisation Document means any one of them;

Replacement Notes means any Notes of the Issuer of one or more class which shall carry the same terms and conditions in all respects (except in relation to the rate of interest applicable to the Replacement Notes (which must be lower than the rate of interest applicable to the class of Notes it replaces)) as the class of Notes which it replaces;

Scottish Properties means the heritable and leasehold properties, details of which are set out in Part 2 of Schedule 2 to the Charge, and any other heritable or leasehold property located in Scotland acquired in the future by an Obligor which becomes subject to a Borrower Standard Security subject to and in accordance with the terms of the Charge, and Scottish Property shall be construed accordingly;

Security Interest means any mortgage, standard security, charge (whether legal or equitable), pledge, lien, right of set off, assignment or assignation by way of security, retention of title, hypothecation, or any security interest whatsoever or any other agreement or arrangement having the effect of conferring security, howsoever created or arising and whether expressed to be conditional or otherwise and any agreement to sell or otherwise dispose of any asset on terms whereby such asset is or may be released to or re-acquired or acquired by the relevant company;

Servicer means Craegmoor Healthcare Company Limited acting as such pursuant to the terms of the Servicing Agreement;

Shortfall Amount means, in respect of a Financial Covenant Testing Date, an amount equal to four times the amount which, if it had been available to the Obligors as

earnings in respect of the Financial Quarter ending on the Financial Covenant Testing Date, would have meant that there would have been no reported breach of the DCSR Covenant as at that date, less any amount already standing to the credit of the Remedy Account;

Spot Contract means each spot contract relating to the provision of specific care services to specific residents, in or other clients of, the Mortgaged Care Homes to which an Obligor is a party and all future such contracts entered into by any Obligor;

Stamp Duty Reserve Account means the bank account identified in Schedule 3 to the Bank Agreement of Parkcare 2 held at the New Account Bank (or any other account in the name of Investments subsequently opened to replace such first mentioned account);

Stamp Duty Reserve Amount means an amount equal to the amount of stamp duty calculated to be payable in the event that stamp duty clearances are not obtained and to be deposited into the Stamp Duty Reserve Account on the Closing Date;

St Josephs means part of the land comprised in title number REN 27909;

Subordinated Lender means Craegmoor Group Limited;

Subordinated Loan Agreement means the loan agreement dated the Loan Funding Date made between Parkcare, Parkcare 2 and the Subordinated Lender;

Subordination Deed means the deed entered into on the Closing Date between the Existing Borrowers, Healthcare, Prudential Trustee Company Limited (as Senior Trustee) and Prudential Trustee Company Limited (as Junior Trustee);

Subscription Agreement means the agreement dated 11th August, 2003 between the Issuer, each Obligor, MBIA and the Manager relating to the issue of, and subscription for, the Original Notes;

Suttons Manor means the Care Home known as such;

Swap Agreements means, as the context so requires, the agreements relating to the Class Al Swap Agreement, the Class A2 Swap, the Class M Swap, the Class Bl Swap or the Class B2 Swap, or any replacement swap agreement and Swap Agreement shall be construed accordingly;

Swap Provider means Barclays Bank PLC acting through Barclays Capital, 5 The North Colonnade, Canary Wharf, London E14 4BB or such other entity with at least the Requisite Ratings which agrees to enter into an interest rate hedging agreement with the Issuer on substantially similar terms to the Swap Agreements;

Talons means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to a Definitive Note, such talons being in the form or substantially in the form set out in Parts 6 and 7 to Schedule 1 to the Trust Deed or in such other form as may be agreed between the

SCHEDULE 2 – DEFINITIONS TO FORM 395

Issuer and the Principal Paying Agent and includes any replacements for Talons issued pursuant to Condition 13;

Tax Deeds of Charge means the Craegmoor Tax Deed of Charge, Craegmoor No.2 Tax Deed of Charge, the CGL Tax Deed of Charge, the Investments Tax Deed of Charge, the Healthcare Tax Deed of Charge and the Holdings Tax Deed of Charge;

Tax Deed of Covenant means the deed of covenant in respect of certain tax and related matters to be entered into on the Closing Date between Craegmoor, Craegmoor No. 2, CGL, the Obligors, the Issuer, the Issuer Security Trustee, the Borrower Security Trustee and each other Craegmoor Group entity;

Term Facilities means the Term A Facilities, the Term M Facility, the Term B Facilities, any Further Term Facilities and any New Term Facilities;

Transaction Documents means:

(a) Issuer/Borrowers Facility Agreement;

(b) Master Definitions and Construction Schedule;

(c) the Charge;

(d) Borrower Standard Securities;

(e) Issuer Deed of Charge;

(f) Swap Agreements;

(g) Liquidity Facility Agreement;

(h) Bank Agreement;

(i) Servicing Agreement;

(j) Financial Advisory and Asset Administration Agreement;

(k) Trust Deed;

(l) Agency Agreement;

(m) Subscription Agreement;

(n) MBIA Financial Guarantee;

(o) Guarantee and Reimbursement Agreement;

(p) Subordinated Loan Agreement;

(q) Tax Deed of Covenant;

SCHEDULE 2 – DEFINITIONS TO FORM 395

(r) Craegmoor Tax Deed of Charge;

(s) Craegmoor No. 2 Tax Deed of Charge;

(t) CGL Tax Deed of Charge;

(u) Investments Tax Deed of Charge;

(v) Healthcare Tax Deed of Charge;

(w) Holdings Tax Deed of Charge;

(x) Expenses Loan Agreement;

(y) Subordination Deed;

(z) Class Al Temporary Global Note;

(aa) Class Al Permanent Global Note;

(bb) Class A2 Temporary Global Note;

(cc) Class A2 Permanent Global Note;

(dd) Class M Temporary Global Note;

(ee) Class M Permanent Global Note;

(ff) Class B1 Temporary Global Note;

(gg) Class Bl Permanent Global Note;

(hh) Class B2 Temporary Global Note;

(ii) Class B2 Permanent Global Note; and

(jj) any other agreement or document, from time to time, agreed to be as such by the Borrower Security Trustee, the Issuer Security Trustee, MBIA (for so long as MBIA is the Note Controlling Party), the Issuer and any of the Obligors; and

Trust Deed means the trust deed dated the Closing Date between the Issuer, MBIA and the Note Trustee constituting the Class A Notes, the Class M Notes and the Class B Notes together with any deed supplemental thereto.

FILE COPY

CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 02582268

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A BORROWER DEED OF CHARGE DATED THE 13th AUGUST 2003 AND CREATED BY FERGUSON CARE LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE INITIAL BORROWERS TO PRUDENTIAL TRUSTEE COMPANY LIMITED (THE BORROWER SECURITY TRUSTEE) FOR THE BORROWER SECURED CREDITORS OR ANY OF THE OTHER BORROWER SECURED CREDITORS UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 1st SEPTEMBER 2003.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 4th SEPTEMBER 2003.

REGISTRAR OF COMPANIES FOR ENGLAND AND WALES

THE OFFICIAL SEAL OF THE REGISTRAR OF COMPANIES

Companies House

— for the record —

HC026B