



CHFP025

## COMPANIES FORM No. 155(6)b

# Declaration by the directors of a holding company in relation to assistance for the acquisition of shares

155(6)b

Please do not  
write in this  
margin

Pursuant to section 155(6) of the Companies Act 1985

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

To the Registrar of Companies  
(Address overleaf - Note 5)

For official use

Company number

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

2806856

Name of company

**Note**

Please read the notes  
on page 3 before  
completing this form.

\* Peverel Limited

\* insert full name  
of company

x/We ~~are~~ Martin Dalby of 5 Chewton Way, Highcliffe, Christchurch, Dorset BH23 5LS;

Patrick Francis Kennedy of 923 16th Avenue East, Seattle,

or insert name(s) and  
address(es) of all  
the directors

Washington 98112, USA;

John Gray of Crosstrees, Sway Road, Lymington, Hampshire SO41 8LR;

Nigel Gordon Bannister of 4 Beauchamps Place, Ravens Way, Milford on Sea, Hampshire

SG41 0PX; and

Keith Rutherford of 2 Ferndene Cottage, Bashley Cross Road, New Milton, Hampshire.

† delete as  
appropriate

~~[the sole director]~~ [all the directors]† of the above company (hereinafter called 'this company') do  
solemnly and sincerely declare that:

§ delete whichever  
is inappropriate

The business of this company is:

(a) ~~that of a recognised bank (licensed institution) within the meaning of the Banking Act 1979~~§(b) ~~that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on  
insurance business in the United Kingdom~~§

(c) something other than the above§

This company is [the] ~~a~~ holding company of\* Peverel Freeholds Limited

which is

proposing to give financial assistance in connection with the acquisition of shares

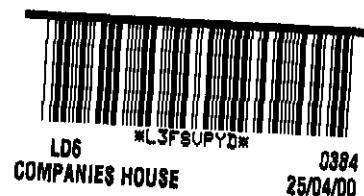
in ~~this company~~ [ Peverel Holdings Limited

the holding company of this company.]†

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

Nabarro Nathanson  
Lacon House  
Theobald's Road  
London  
WC1X 8RW  
DX 77 London Chancery  
1350855/v.1/AA/CYS

For official Use  
General Section



The assistance is for the purpose of [that acquisition] ~~reducing or discharging a liability incurred for the purpose of that acquisition~~† (note 1)

Please do not  
write in this  
margin

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

The number and class of the shares acquired or to be acquired is: 4,725 A Shares  
275 C Shares and 1,500,000 Preference Shares

The assistance is to be given to: (note 2) Peverel Holdings Limited (registered in  
England and Wales under company number 3073418) whose registered office is at  
Kings Court, 41-45 Kingston Road, Leatherhead, Surrey KT22 7SL (the  
"Purchaser").

The assistance will take the form of:

See Appendix 1 attached.

The person who ~~has acquired~~ [will acquire]† the shares is:  
the Purchaser

† delete as  
appropriate

The principal terms on which the assistance will be given are:

See Appendix 2 attached.

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced  
by giving it is NIL

The amount of cash to be transferred to the person assisted is £ Nil or as specified in Appendix 2

The value of any asset to be transferred to the person assisted is £ Nil or as specified in Appendix 2

The date on which the assistance is to be given is within 8 weeks of the date hereof

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

\*/We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ~~It~~We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date]\* (note 3)

\* delete either (a) or (b) as appropriate

(b) ~~It is intended to commence the winding-up of this company within 12 months of that date, and I/we have formed the opinion that this company will be able to pay its debts in full within 12 months of the commencement of the winding-up.)~~\* (note 3)

And I/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at Lacon House  
Theobald's Road  
London WC1X 8RW

Declarants to sign below

Day Month Year  
on 31 MAR 2000

before me Paul Edward Jensen  
A Commissioner for Oaths or Notary Public or Justice of  
the Peace or a Solicitor having the powers conferred on  
a Commissioner for Oaths.

## NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 *Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.*
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies  
Companies House  
37 Castle Terrace  
Edinburgh  
EH1 2EB

## FORM 155(6)A

### APPENDIX 1

#### FORM OF FINANCIAL ASSISTANCE

The Company will be or may be regarded as providing financial assistance by way of the execution and performance of those of the documents mentioned below to which the Company is a party, such financial assistance being in the form described in Appendix 2 to the statutory declaration to which this is Appendix 1.

1. The agreement to be entered into between (1) Peverel Properties Limited as borrower (the **"Borrower"**), (2) Balfour Freeholds Limited, Lincourt Management Services Limited, Meridian Land & Investments Limited, O.M. Limited, Peverel Freehold Reversions Limited, Peverel Investments, Peverel Property Investments Limited, Peverel Securitisation Limited and Retirement Care (Southern) Investments Limited all as charging companies (the **"Charging Companies"**), (3) Peverel Funding Limited as lender (the **"Lender"** or the **"Issuer"**) (4) Bankers Trustee Company Limited as security trustee (the **"Security Trustee"**) and (5) Bankers Trustee Company Limited as note trustee (the **"Note Trustee"**) (the **"Peverel/Issuer Loan Agreement"**);
2. The debenture to be entered into between (1) the Borrower, (2) the Lender (3) the Note Trustee (4) the Security Trustee and (5) Peverel Limited, Peverel Holdings Limited and Peverel Management Services Limited (the **"Borrower Debenture"**);
3. The bank agreement to be entered into between (1) the Issuer (2) the Borrower (3) Barclays Bank Plc (as account bank) (the **"Account Bank"**) (4) the Note Trustee (5) the Security Trustee and (6) Peverel Management Services Limited (as cash manager) (the **"Cash Manager"**) (the **"Bank Agreement"**).
4. The subordinated loan agreement to be entered into between (1) Peverel Holdings Limited as subordinated loan provider (the **"Subordinated Loan Provider"**) (2) the Borrower and (3) the Security Trustee (the **"Borrower Subordinated Loan Agreement"**).
5. The deed of charge to be entered into between (1) the Issuer (2) the Note Trustee (3) the Charging Companies (4) Peverel Limited (5) Lloyds TSB Bank Plc as liquidity facility provider (6) Deutsche Bank AG (as principal paying agent) and (7) Deutsche Bank Luxembourg S.A. (as paying agent) (the **"Deed of Charge"**).
6. the subscription agreement to be entered into between (1) the Issuer, (2) the Charging Companies and the Borrower as obligors (the **"Obligors"**), (3) Peverel Limited, (4) Peverel Management Services Limited (5) O.M. Management Services Limited and (5) Merrill Lynch International as manager (the **"Manager"**) (the **"Subscription Agreement"**);
7. the cash management agreement to be entered into between (1) the Cash Manager (2) the Borrower, (3) the Issuer, (4) the Security Trustee and (5) the Note Trustee (the **"Cash Management Agreement"**);

8. The option income shortfall loan agreement to be entered into between (1) Peverel Holdings Limited (as option income shortfall loan provider) and (2) the Borrower (the **"Option Income Shortfall Loan Agreement"**);
9. The tax deed of covenant to be entered into between (1) the Issuer (2) the Borrower (3) Peverel Optionholder Limited (the **"Optionholder"**) (4) Peverel Securitisation Limited, Peverel Limited and Peverel Holdings Limited (as Covenantors) (the **"Covenantors"**) and (5) the Security Trustee and the Note Trustee and (6) the Cash Manager (the **"Tax Deed of Covenant"**);
10. the inter company loan agreement to be entered into between (1) the Borrower as lender and (2) the Property Charging Companies (as defined below) as borrowers (3) Peverel Limited and (4) Peverel Freehold Reversions Limited (the **"Intra-Group Loan Agreement"**);
11. the Borrower voluntary loan agreement to be entered into between (1) the Borrower (2) Peverel Limited (3) Peverel Holdings Limited and (4) the Security Trustee (the **"Borrower Voluntary Loan Agreement"**);
12. the property management agreement to be entered into between (1) Peverel Management Services Limited (2) O.M. Management Services Limited and (3) Peverel Investments, Peverel Property Investments Limited, OM Limited, Meridian Land & Investments Limited, Retirement Care (Southern) Investments Limited, Balfour Freeholds Limited and Lincourt Management Services Limited (together the **"Property Charging Companies"**) and (4) the Security Trustee (the **"Property Management Agreement"**);
13. the share charge deed to be entered into between (1) Peverel Holdings Limited and (2) the Borrower (the **"PL Share Charge"**);
14. the share charge deed to be entered into between (1) Peverel Limited and (2) (the **"PSL Share Charge"**);
15. the sale and purchase agreement to be entered into between Meridian Property Group Limited and (2) the Borrower (the **"MLIL Sale Agreement"**);
16. the sale and purchase agreement to be entered into between (1) Peverel Management Services Limited and (2) Peverel Freehold Reversions Limited (the **"PI Sale Agreement"**);
17. the sale and purchase agreement to be entered into between (1) Peverel Management Services Limited and (2) the Borrower (the **"PFRL Sale Agreement"**);
18. the sale and purchase agreement to be entered into between (1) Retirement Care (Southern) Limited and (2) the Borrower (the **"RCSIL Sale Agreement"**);
19. the sale and purchase agreement to be entered into between (1) Meridian Property Group Limited (2) Peverel Management Services Limited (3) Retirement Care (Southern) Limited and (4) Peverel Securitisation Limited (the **"PPL Sale Agreement"**);

20. the sale and purchase agreement to be entered into between Meridian Property Group Limited (2) Peverel Management Services Limited (3) Retirement Care (Southern) Limited and (4) Peverel Limited (the **"PSL Sale Agreement"**);
21. the agreement to be entered into by (1) Peverel Limited as borrower, (2) Barclays Acquisition Finance as arranger, (3) Barclays Bank PLC as agent, (4) the banks and financial institutions named in Schedule 1 to the agreement, (5) Barclays Bank PLC as security trustee (the **"Barclays Security Trustee"**) and (6) Barclays Bank PLC as ancillary bank (the **"Barclays Loan Agreement"**);
22. the syndicated composite guarantee and debenture to be entered into by (1) Peverel Limited, Meridian Property Group Limited, Cirrus Communications Systems Limited, Meridian Retirement Housing Services Limited, O.M. Management Services Limited, Peverel Freeholds Limited, Peverel Management Services Limited, Meridian New Homes Limited, Retirement Care (Southern) Limited and Kingsborough Insurance Services Limited all as charging companies (together the **"Barclays Charging Companies"**) and (2) the Security Trustee (the **"Barclays Composite Debenture"**); and
23. the loan agreement to be entered into between (1) Peverel Limited and (2) Peverel Holdings Limited (the **"PH Loan Agreement"**).

## APPENDIX 2

### PRINCIPAL TERMS UPON WHICH THE FINANCIAL ASSISTANCE WILL OR MAY BE REGARDED AS BEING GIVEN

Terms defined in Appendix 1 to the statutory declaration to which this is Appendix 2 have the same meanings in this Appendix 2.

#### **1. PEVEREL/ISSUER LOAN AGREEMENT**

Under the terms of the Peverel/Issuer Loan Agreement the Issuer will make available to the Borrower advances (the “**Advances**”) in the respective principal amounts of £100,000,000 less a discount of £1,549,000 (the “**Class A Advance**”) and £3,000,000 less a discount of £10,290 (the “**Class B Advance**”).

The principal in respect of the Class A Advance will be repayable in part in two instalments per year during the term of the Peverel/Issuer Loan Agreement on specific dates in each year, commencing from May 2008, as set out in the Peverel/Issuer Loan Agreement (each a “**Loan Payment Date**”), up to the Loan Payment Date falling in November 2034.

The balance of the principal of the Class A Advance and the principal in respect of the Class B Advance will be repayable in full on the Loan Payment Date falling in November 2036. Interest on the Advances will accrue at the respective rates of 6.07 per cent. per annum in respect of the Class A Advance and 7.36 per cent. per annum in respect of the Class B Advance and will be payable on the Loan Payment Dates.

The Borrower is permitted to prepay the Advances in part or whole and if in part, the amount of the Advances remaining and the payments due in respect thereof shall be recalculated in respect of subsequent Loan Payment Dates. When making a prepayment, the Borrower shall be required to repay the principal amount together with interest thereon plus an amount, corresponding to the additional amount which would be payable on the prepayment of a like amount to the holders of the £100,000,000 Class A 6.06 per cent. Notes due 2036 and the £3,000,000 Class B 7.35 per cent. Notes due 2036 (“**Notes**”) to be issued on or about 31 March 2000 by Peverel Funding Limited (“**Additional Amount**”).

The Peverel/Issuer Loan Agreement also provides for certain mandatory prepayments on the occurrence of certain events, calculated on the basis of the ratio of certain income of the Borrower and its subsidiaries to certain of the Borrower’s obligations under the Peverel/Issuer Loan Agreement, together with interest accrued thereon and the applicable Additional Amount.

In terms of the Peverel/Issuer Loan Agreement, the Charging Companies and the Borrower give certain representations and warranties relating to each other and to themselves to the Lender and the Security Trustee, including warranties as to status, due incorporation, absence of litigation proceedings, the legality, validity and enforceability of various documents, the absence of security interests and the non-occurrence of events of default. Certain of such representations and warranties are repeated on each Loan Payment Date.

In addition, the Charging Companies and the Borrower give certain other covenants to the Lender and the Security Trustee (including covenants restricting the disposal of or creation of encumbrances over their respective assets). The Borrower and the Charging Companies also give certain indemnities to the Lender and/or the Security Trustee (including an indemnity to the Lender against any tax payable by the Lender in respect of any payment received from the Borrower or the Charging Company concerned and an indemnity to the Lender and the Security Trustee against any obligation of the Borrower or any Charging Company becoming or being void, voidable, unenforceable or ineffective against any of the Borrower or any Charging Company). The Borrower undertakes to pay a lending fee to the Lender (plus any value added tax thereon) in an amount equal to the costs and expenses incurred by the Lender in connection with the issue and listing of the Notes and any irrecoverable value added tax thereon and any amount required to compensate the Lender for non-deductability of any such costs. A similar obligation applies in relation to any further advances made by the Lender. The Borrower also undertakes on demand by the Lender, the Security Trustee or the Note Trustee to pay or reimburse the Lender for all costs and expenses (including legal fees) together with any value added tax and other taxes payable in respect thereof incurred by it in connection with the negotiation, preparation and execution of the Finance Documents and completion of the transactions contemplated by the Finance Documents. The Borrower is also liable for all stamp, registration and other taxes to which the Finance Documents or any judgment given in connection with them is or may be subject and is required on demand by the Lender, the Note Trustee or the Security Trustee to indemnify the Lender, the Note Trustee or the Security Trustee against any liabilities, costs, claims and expenses resulting from any failure to pay or delay in paying any such costs. The Borrower also undertakes on demand by the Lender, the Security Trustee or the Note Trustee to pay or reimburse or procure the payment or reimbursement of the Lender for its own account of all its costs and disbursements reasonably and properly incurred in connection with actions taken against the Borrower or any Charging Company. The Borrower undertakes from time to time prior to the date on which all liability under the Peverel/Issuer Loan Agreement is discharged, on demand by the Lender to pay the Lender an amount equal to the costs and expenses paid or due to be paid by the Lender under or in connection with the Finance Documents, as defined in a master definitions and interpretation schedule to be entered into by inter alios the parties to the Peverel/Issuer Loan Agreement, and including the documents referred to in paragraphs 1 to 15 of Appendix 1 ("**Finance Documents**") as well as the Conditions of the Notes together with any irrecoverable value added tax chargeable thereon. Any payment not made on the due date attracts interest at a rate which matches any borrowings required to have been undertaken by the Lender in respect of the unpaid sum and otherwise at a rate per annum which is 1% above the loan rate of interest terms.

Each of the Borrower and each Charging Company agrees as a primary obligation to indemnify the Lender and the Security Trustee on demand against any loss or liability arising out of a default under the Peverel/Issuer Loan Agreement or the acceleration of payment of the Advances or (other than by reason of the negligence or default of the Lender) any Advance not being advanced after the Borrower has requested it to be drawn down or any part of the Advances not being repaid in accordance with the notice of prepayment. The Borrower and each Charging Company irrevocably and unconditionally

agree to indemnify the Lender and the Security Trustee against any loss or liability arising by reason of the payment of any amount due by the Borrower or any Charging Company under any of the Finance Documents or in respect of any judgment relating thereto or conversion of any amount into a claim or proof in respect of the Borrower or any Charging Company in or into a currency other than the currency in which the amount is payable under the relevant Finance Document.

Under the Peverel/Issuer Loan Agreement, each Charging Company will grant to the Lender an unsecured guarantee of the obligations of each other Charging Company and the Borrower under the Finance Documents.

## **2. BORROWER DEBENTURE**

Under the Borrower Debenture, the Borrower will grant, *inter alia*, the following security in favour of the Security Trustee, who will hold such security on trust for the benefit of the Borrower Secured Creditors (as defined therein):

- (a) a first fixed equitable charge of all shares in any of the Lender, Peverel Optionholder Limited and the Charging Companies (the “**Securitisation Group**”);
- (b) a first fixed security by way of subcharge over all of the security interests granted to the Borrower by Peverel Limited in respect of its shares in Peverel Securitisation Limited and by Peverel Holdings Limited in respect of its shares in Peverel Limited.
- (c) a first fixed security by way of an assignment of all of the Borrower’s right title benefit and interest (present and future) in the following:-
  - (i) all bank accounts of the Borrower (other than the Working Capital Account) including any interest accruing on those accounts and
  - (ii) all contracts agreements deeds and documents to which the Borrower is a party (including rights to receive payment thereunder)
- (d) a first fixed equitable charge over all assets and undertaking of the Borrower not effectively charged in the Borrower Debenture including all present and future
  - (i) goodwill
  - (ii) rights to any uncalled shares capital
  - (iii) rights to recovery of VAT
  - (iv) book and other debts
  - (v) proceeds of any order of the court made in respect of transactions at an unclear value preferences or extortionate credit bargains

- (e) a first ranking floating charge over all the assets and undertaking of the Borrower not effectively charged by way of first ranking fixed security under the Borrower Debenture.

### 3. BANK AGREEMENT

In terms of the Bank Agreement, the Borrower and the Issuer undertake to establish certain bank accounts with the Barclays Bank plc ("**Account Bank**") and to execute certain mandates in respect thereof. Each of the Borrower and the Issuer undertakes insofar as it is reasonably able to procure the same, that such accounts will continue to be operative and that it shall not create or permit to subsist any encumbrance over any such accounts other than any encumbrance created or permitted under the Finance Documents or arising by operation of law.

The Borrower undertakes to pay the charges of the Account Bank. The Account Bank agrees to transfer amounts outstanding to the credit of the relevant accounts, subject to being properly directed to do so, within certain time limits. The Borrower indemnifies the Account Bank against any loss, cost, damage, charge or expense incurred by it in complying with any direction of the Issuer, the Cash Manager, the Borrower, the Note Trustee or the Security Trustee delivered pursuant to and in accordance with the Bank Agreement, save to the extent that the same arises from any breach by the Account Bank of the provisions of the agreement or the relevant bank mandates or from the unlawful default or negligence of the Account Bank.

### 4. BORROWER SUBORDINATED LOAN AGREEMENT

In terms of the Borrower Subordinated Loan Agreement Peverel Holdings Limited will lend to the Borrower the aggregate amount of £1,700,000 (the "**Subordinated Loan**") in order to fund a cash reserve account for the Borrower. Interest on the outstanding principal and accrued interest under the Subordinated Loan shall accrue semi annually at the rate of 10.634% per annum and shall be payable by the Borrower on demand, but only once all amounts due under the Peverel/Issuer Loan Agreement have been repaid in full. The outstanding balance of the Subordinated Loan shall be payable in full on demand, but only once all amounts owing under the Peverel/Issuer Loan Agreement have been paid in full.

All amounts due under the Borrower Subordinated Loan Agreement are secured by the Borrower Debenture, but will be subordinated to amounts ranking priority thereto under the provisions of the Cash Management Agreement and the Deed of Charge, which includes all amounts owing under the Peverel/Issuer Loan Agreement. Peverel Holdings Limited agrees that it will not institute against the Borrower or join any other person in instituting against the Borrower any winding up arrangement, reorganisation, liquidation, insolvency or other proceedings under any similar law for so long as the Advances are outstanding under the Peverel/Issuer Loan Agreement. In addition Peverel Holdings Limited acknowledges that the obligations of the Borrower under the Borrower's Subordinated Loan Agreement shall be equal to the lesser of the nominal amount of such obligations and the actual amount received or recovered by or for the account of the Borrower as applied in accordance with

the Cash Management Agreement and the Deed of Charge. Accordingly, all payments to be made by the Borrower under the Borrower Subordinated Loan Agreement will be made only from and to the extent of sums received or recovered by or on behalf of the Borrower. The Borrower makes certain representations and warranties to Peverel Holdings Limited under the Borrower Subordinated Loan Agreement including warranties as to the obligations thereunder being legal and valid obligations binding on the Borrower and being enforceable against it in accordance with the terms of the Borrower Subordination Agreement and as to its status, capacity and authority.

## **5. DEED OF CHARGE**

Unless otherwise defined herein, capitalised terms in this paragraph have the meaning assigned to them in the Borrower Debenture.

Under the Deed of Charge, each Charging Company guarantees all of the Issuer's obligations to the Note Trustee.

Under the Deed of Charge the Issuer grants the following security in favour of the Note Trustee who will hold such security on trust for the Secured Creditors:

- (a) a first fixed security by way of an assignment of all rights under:
  - (i) the Peverel/Issuer Loan Agreement
  - (ii) the Finance Documents
  - (iii) any other contracts to which the Issuer is a party (including rights to receive payments)
  - (iv) all rights to receive payments of sums due from any government or revenue authority;
- (b) a first fixed security by way of subcharge on all of the Issuer's rights and title to the security created under the Borrower Debenture;
- (c) a first fixed security by way of assignment over the Issuer's bank accounts (including the Issuer Transaction Account but excluding the bank account into which the capital on subscription for its first shares issued was paid);
- (d) a first fixed security by way of assignment over all of the Issuer's rights in any Eligible Investments (which includes gilt edged, securities bonds, certificates of deposit, calls or fixed deposits at building societies);
- (e) a first fixed security by way of assignment over rights to and under the Issuer Monetary Claims other than any which are the subject of fixed charge or assignment;
- (f) a first floating charge over all of the assets of the Issuer not otherwise charged in the Deed of Charge;

Under the Deed of Charge each of the Charging Companies will grant the following security in favour of the Note Trustee who will hold such security on trust for the Secured Creditors:

- (a) a first fixed legal mortgage over the Mortgaged Property excluding any for which landlords consent to a charge is required;

- (b) a first fixed equitable mortgage over the Charging Company's Shares and any other Investments held by any of the Charging Companies in any member of the Securitisation Group (other than the Option Holder)
- (c) a first fixed security by way of assignment over all:-
  - (i) agreements relating to the properties charged by the Deed of Charge;
  - (ii) any Ground Rent or Transfer Fees credited to the Estate Accounts and the PMS Client Account
  - (iii) licences in connection with the businesses carried on at any of the properties charged by the Deed of Charge
  - (iv) Rental Income and Capital Receipts
  - (v) The Peverel Options and any chattels hired or rented
- (d) a first fixed charge over all of the Charging Companies' assets not already charged including:
  - (i) goodwill
  - (ii) unquoted share capital
  - (iii) VAT
  - (iv) book and other debts
  - (v) sale proceeds of any order of the court made in respect of preferences, transactions at an undervalue or extortionate credit bargains
  - (vi) Investments
- (e) a first floating charge over all of the assets of the Charging Companies which *have not already been charged by the Deed of Charge including the shares in the Option Holder and each leasehold interest in respect of which the Landlord must give consent to a Charge;*

Under the Deed of Charge, Peverel Limited will grant as security in favour of the Note Trustee (who will hold such security on trust for the Secured Creditors) a first fixed equitable mortgage over the shares in Peverel Securitisation Limited and the income and rights in respect of those shares.

## 6. THE SUBSCRIPTION AGREEMENT

In terms of the Subscription Agreement the Issuer undertakes to the Manager that the Notes will be issued as provided therein and the Manager undertakes subject to the provisions of the agreement to subscribe and pay all the Notes on the Closing Date (as defined in the Subscription Agreement). The Issuer gives certain representations and warranties to the Manager. In addition each of the Obligors jointly and severally gives certain representations and warranties to the Manager. These representations and warranties relate *inter alia* to the truth and accuracy in all material respects of the offering circular (including the draft offering circular) and the preliminary offering circular issued by the Issuer relating *inter alia*, to the issue of the Notes and to the due incorporation, capacity,

authorisation and the legality, validity and binding nature of the obligations of each Obligor under the Subscription Agreement, as well as to the absence of any litigation or arbitration proceedings by or against such party. In addition Peverel Management Services Limited ("**PMSL**") represents and warrants to the Manager in similar terms in relation to information relating to it, as does O.M. Management Services Limited ("**OMMSL**") and Peverel Limited.

Each Property Charging Company jointly and severally represents and warrants to the Manager in the terms mutatis mutandis set out in specified warranty clauses of the Peverel/Issuer Loan Agreement. In addition each of the Issuer, the Obligors, PMSL, OMMSL and Peverel Limited jointly and severally undertake to the Manager that it will forthwith notify the Manager of anything which has or may occur or will, or is likely to render incorrect in any material respect any of the representations and warranties given by each of them and undertakes to execute the Finance Documents to which it is a party. Each of the Issuer, the Obligors, PMSL, OMMSL and Peverel Limited jointly and severally further undertake to the Manager with regard to it not being involved in certain selling efforts in relation to United States law. Each of the Charging Companies and the Issuer undertake to file particulars of certain charges constituted by the Deed of Charge. The Borrower undertakes to the Manager to deliver particulars of the charges constituted by the Borrower Debenture. Each of the Obligors jointly and severally also gives to the Manager undertakings in the same terms as set out in specified clauses in the Peverel/Issuer Loan Agreement. The Issuer undertakes to indemnify the Manager, its affiliates and each officer, director, employee and agent of the Manager or any such affiliate (each an "**Indemnified Person**") against any claim, proceedings, demand, action, liability, damages, cost, loss or expense (each a "**Claim**") which it might incur as a result of or arising out of or in relation to any breach or alleged breach of any of the representations and warranties given by the Issuer in the agreement or any omission or omission to disclose any material facts or circumstance in relation to such representations and warranties and any breach or alleged breach of any undertakings under the Subscription Agreement. Each of the Obligors, PMSL, OMMSL and Peverel Limited jointly and severally indemnify each Indemnified Person against Claims in similar terms in relation to any breach or alleged breach of any of the representations and warranties given by it under the Subscription Agreement or any omission or alleged omission to disclose any material fact or circumstances in relation to such representations and warranties and any breach of the undertakings under the Subscription Agreement. The Issuer agrees to pay a combined management, underwriting and selling commission to the Manager and to pay or to procure payment of the reasonable costs, charges and expenses incurred by the Manager in connection with the transactions contemplated in the Subscription Agreement. The Borrower agrees in consideration of the making of the Advances to it under the Peverel/Issuer Loan Agreement to be responsible for all other costs, fees and expenses incurred by the Issuer and each of the other parties to the Subscription Agreement (other than the Manager) in respect of the issue of the Notes (including but not limited to the costs of its own legal and professional advisers). The Manager is authorised to deduct from the proceeds of the issue of the Notes the commissions, fees, costs and expenses referred to in the Subscription Agreement and to pay them to such person as they are due (including the Manager) and the Borrower agrees that such amounts shall be deemed in turn to have been deducted from the Advances made to it.

The Borrower undertakes that in the event of the Issuer shall fail to pay any amount so due, the Borrower shall pay the same.

The Obligors PMSL, OMMSL and Peverel Limited agree that they shall not be entitled to institute against or join any person instituting against the Issuer any bankruptcy, winding up, insolvency organisation, arrangement, insolvency or liquidation proceeding or other similar proceeding under any similar law until one year and one day has elapsed since all obligations of the Issuer under the Notes have been discharged in full.

## **7. THE CASH MANAGEMENT AGREEMENT**

In terms of the Cash Management Agreement, PMSL is appointed as Cash Manager by the Borrower and the Issuer to manage and make certain investments of their respective cash receipts and to track the movements of cash and liabilities through various accounts as provided in the Cash Management Agreement. PMSL undertakes to use all reasonable professional care and diligence in the performance of its services, to maintain all licences, approvals and authorisations to enable it to comply with legal and regulatory requirements binding on it in the performance of its obligations under the Cash Management Agreement. The Cash Manager undertakes to provide certain information to the Security Trustee and the Note Trustee.

Provisions for termination of the Cash Management Agreement are included. PMSL gives certain warranties and representations to each of the Issuer, the Borrower, the Note Trustee and the Security Trustee relating inter alia to its due incorporation, capacity and authorisation, as to the legality, validity and binding nature of the obligations undertaken by it in the Cash Management Agreement and their enforceability in accordance with the terms thereof. Such warranties are repeated on each date during the subsistence of the Cash Management Agreement. Each of the Borrower and Issuer agrees to indemnify and keep indemnified the Cash Manager in respect of any actions, claims, loss or damage arising from the performance by the Cash Manager of its obligations under the Cash Management Agreement save to the extent that such actions, claims, loss or damages are due to the lawful default or negligence of the Cash Manager. The Cash Manager agrees that it will not be entitled to set off or otherwise deduct any amount which the Borrower and/or the Issuer are or will become obliged to pay to it under the Cash Management Agreement or otherwise against any amount from time to time standing to the credit of or to be credited to any of the accounts managed by it nor to make or exercise any claims or demands or any right of counterclaim or right to deduct or any other equities against or withhold the payment of any and all sums of money which may at any time and from time to time be standing to the credit of any of such accounts. The Cash Manager further confirms that no sum payable to it shall be paid by the Borrower except in accordance with the provisions of the Cash Management Agreement and no such sums shall be paid by the Borrower unless and until all sums required to be paid or provided in priority thereto in accordance with the provisions of the Cash Management Agreement and the Deed of Charge has been paid provided for or discharged in full. The Cash Manager also agrees that it shall not until one year and one day has elapsed since all obligations of the Issuer under the Notes have been discharged in full take any corporate action or other steps or legal proceedings for the

winding up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator or similar officer of the Issuer or the Borrower or of any or all the Issuer's or the Borrower's revenues and assets. The Borrower undertakes to pay to the Cash Manager remuneration for the Cash Manager's services under the Cash Management Agreement at such rate as may from time to time be agreed between the Borrower, the Security Trustee and the Cash Manager.

## **8. THE OPTION INCOME SHORTFALL LOAN AGREEMENT**

In terms of the Option Income Shortfall Loan Agreement, Peverel Limited undertakes to lend to the Borrower the amount of £1,068,750 by way of an unsecured interest free loan. The Borrower undertakes to repay the outstanding balance of such loan in full on the Final Redemption Date (as defined therein, and expected to be the final date of redemption for the Notes in December 2036), provided that the Borrower may repay all or any part of such loan at any time before that date without penalty.

Peverel Holdings Limited agrees that it will not institute against the Borrower or join any other person in instituting against the Borrower any winding up arrangement, reorganisation, liquidation, insolvency or other proceedings under any similar law for so long as the Advances are outstanding under the Peverel/Issuer Loan Agreement. In addition Peverel Holdings Limited acknowledges that the obligations of the Borrower under the Option Income Shortfall Loan Agreement shall be equal to the lesser of the nominal amount of such obligations and the actual amount received or recovered by or for the account of the Borrower as applied in accordance with the Cash Management Agreement and the Deed of Charge. Accordingly, all payments to be made by the Borrower under the Option Income Shortfall Loan Agreement will be made only from and to the extent of sums received or recovered by or on behalf of the Borrower. The Borrower makes certain representations and warranties to Peverel Limited under the Option Income Shortfall Loan Agreement including warranties as to the obligations thereunder being legal and valid obligations binding on the Borrower and being enforceable against it in accordance with the terms of the Borrower's Subordination Agreement and as to its status, tax status capacity and authority.

## **9. TAX DEED OF COVENANT**

This Deed of Covenant is made between the Issuer, the Borrower, the Optionholder, PSL, PHL, PL, Security Trustee and Note Trustee. In this document the Issuer:-

- 9.1 gives covenants as to its tax residence, VAT status, a group income election with the Borrower and that it would prepare its accounts on a specific basis.
- 9.2 Further it represents and covenants:
  - (a) that it would not carry on any business other than as described in the offering circular save for certain specified activities;

- (b) that it will not incur any indebtedness or create any security interest over its assets and will not merge in each case save as permitted by the finance documents;
- (c) it will not have any employees or premises, will not become the head of a CGT group, will not become a director of a company, will not surrender or receive group relief save in limited circumstances, will not make loans which could be treated as a quasi distribution or act as a paying agent in respect of the Notes.

The Borrower represents and covenants in respect of its tax residence, its VAT status, group income elections which are made by it and the Charging Companies and that it will adopt specified accounting treatments for loans.

PSL similarly makes covenants and representations concerning its tax residence, VAT status and group income elections and that it will not acquire assets other than shares in the Borrower, the Issuer or the Optionholder or pursuant to distributions from these companies.

The Optionholder covenants as to his residence and VAT status and that it will not transact any business other than as contemplated in the offering circular, Trust Deed and Post Enforcement Call Option.

#### 9.3 Each of PSL, PHL and PL:

- (a) covenants and represents concerning their tax residence, the ability of their subsidiaries to obtain relief in respect of the Loan Agreement or the Borrower Subordinated Loan Agreement and unless approved elsewhere in the Tax Covenant that their subsidiaries do not take part in transactions which could result in the Issuer or the Borrower or PSL incurring a secondary liability to tax or a liability to tax which arose from the company ceasing to be part of the Peverel CGT group;
- (b) covenants that each of the subsidiaries have duly paid tax and generally complied with tax laws and that relevant group income elections have been made.

#### 9.4 Each of the Borrower, PSL and the Optionholder:

- (a) covenants and represents that subject to a limited number of exceptions they will not carry on business, incur indebtedness, charge assets, consolidate or merge with another company, have employees, premises or shares in certain overseas companies, will not become a principal of a CGT group or a member of a CGT group other than Peverel CGT group, will not become a paying agent, a director of another company, or make a loan or advance which could be treated as a quasi-distribution and that they will not surrender or receive group relief save in limited circumstances; and
- (b) covenant that they and their subsidiaries will not take any steps which might give rise to a secondary liability or a joint and several liability falling on any Charging Company, PSL, the Borrower or the Issuer.

- (a) covenant represent and warrant with the exception of the Pre-Securitisation Re-organisation *neither they nor their subsidiaries* haven taken any steps which would give rise to a secondary liability falling on the Issuer, the Borrower, PSL or any of the charging companies unless they ensure that adequate security is given for such taxation;
- (b) covenant that all outstanding tax due from the charging companies PSL, the Borrower or the Issuer will be duly paid;
- (c) covenant as to their VAT status and that of their group and that they will not sell a company in circumstances where a secondary liability could arise to the group save where that secondary liability either has been satisfactorily dealt with by the provision of adequate security or indemnity or it has been determined that no secondary liability will arise;
- (d) that they will require any person taking security over for shares of any companies which fall into the covenant secondary liabilities on sales of companies to enter into a similar covenant.

PHL also represents, warrants and covenants that with the exception of the Pre-Securitisation of Re-organisation no steps have been taken which can give rise to a capital gains tax de-grouping charge. It also covenants that it is the principal company of the capital gains tax group and that it will on ceasing to be such principal company require anyone succeeding it in that position to enter into similar covenants.

PHL further covenants that it will not take any steps which would give rise to the capital gains tax de-grouping charge unless it has adequate security for that de-grouping charge. It also provides that holdings will enter into a charge over its shares in PL in respect of a de-grouping charge which may arise as a result of the pre-securitisation organisation.

Similarly, PL represents warrants and covenants that no steps have been taken by it which could give rise to a de-grouping charge and that it will not take any steps which could give rise to a CGT de-grouping charge unless it shall first have provided adequate security for the de-grouping charge. PL will also enter into a charge over its shares in PSL by way of security. Holdings and PL also give covenants in respect of potential VAT liabilities of the charging group. A VAT deposit is given by PHL in respect of the VAT liabilities of the Peverel VAT Group and the Cash Manager administers that deposit.

All covenants are limited to the extent that where a party fails to comply with a covenant representation or warranty as a result of the action of Securities Trustee or Note Trustee, the covenant representation or warranty will not be treated as broken.

## 10. THE INTRA-GROUP LOAN AGREEMENT

In terms of the Intra-Group Loan Agreement, the Borrower undertakes to lend to the Property Charging Companies such amounts as are required to enable each such Property Charging Company to repay all of the amounts due by it on the date of the closing of the issue of the Notes in respect of the Intra-Group Debt (as defined below) to any member of

the Non-Securitisation Group (as defined below). The Intra-Group Loan Agreement also acknowledges that certain dividends declared by the Property Charging Companies or Peverel Freehold Reversions Limited (as their immediate parent) (together "**Group Debtors**") to the extent declared but unpaid will be treated as forming part of such loans. All amounts from time to time owing to the Borrower by the respective Group Debtor (collectively "**Inter-Company Loans**") shall be unsecured, repayable on demand and shall bear interest at 7.5 per cent. per annum or such other rate as may from time to time be agreed between the Borrower and the respective Group Debtors. In addition each of the Group Debtors appoints the Borrower to act as its agent to receive all amounts due to it from time to time and to effect payments of all amounts due by it from time to time and to maintain and operate a bank account in the name of the Borrower for such purposes. The Borrower may from time to time make additional loans to the Group Debtors, which shall be deemed to be lent on the same terms as are set out above. Each of the Group Debtors further undertakes to declare all such dividends as it is able lawfully to declare from time to time, forthwith upon becoming entitled so to declare and agrees that the Borrower may from time to time and at any time apply any amounts held by the Borrower as agent for the relevant Group Debtor in reduction of all or any amounts owing by such Group Debtor to the Borrower in respect of any such loans made by the Borrower, or any interest thereon. The Borrower agrees that without the consent of the Security Trustee it will not, for so long as Advances are outstanding, institute legal proceedings against the Group Debtors to recover the loans made by it.

Each of the Group Debtors gives warranties to the Borrower and the Borrower gives warranties to the Group Debtors concerning inter alia, its status, authority, the absence of litigation against it and its tax status.

## **11. THE BORROWER VOLUNTARY LOAN AGREEMENT**

In the terms of the Borrower Voluntary Loan Agreement, each of Peverel Limited ("**PL**") and Peverel Holdings Limited ("**PHL**") shall be entitled from time to time and at any time to make loans to the Borrower either for general purposes or for a purpose specified at the time of making such loan. Each such loan shall be made on an interest free unsecured basis and shall be repayable on the final redemption date of the Notes, (expected to fall in December 2036) provided that the Borrower shall be entitled to repay such loans or the applicable part thereof on an earlier date to the extent that it is able to do so without thereby being in breach of the provisions of the Cash Management Agreement or the Deed of Charge. In certain circumstances, the Borrower is entitled with the agreement of the relevant lender under the Borrower Voluntary Loan Agreement to satisfy all or part of its indebtedness under or in respect of any particular loan by the transfer of property for the acquisition of which such loan was specifically made.

All amounts due under the Borrower Voluntary Loan Agreement will be subordinated to amounts ranking priority thereto under the provisions of the Cash Management Agreement and the Deed of Charge, which includes the amounts due under the Peverel/Issuer Loan Agreement. Each of PHL and PL agrees that it will not institute against the Borrower or join any other person in instituting against the Borrower any winding up arrangement,

reorganisation, liquidation, insolvency or other proceedings under any similar law for so long as the Advances are outstanding under the Peverel/Issuer Loan Agreement. In addition each of PHL and PL acknowledges that the obligations of the Borrower under the Borrower Voluntary Loan Agreement shall be equal to the lesser of the nominal amount of such obligations and the actual amount received or recovered by or for the account of the Borrower as applied in accordance with the Cash Management Agreement and the Deed of Charge. Accordingly, all payments to be made by the Borrower under the Borrower Voluntary Loan Agreement will be made only from and to the extent of sums received or recovered by or on behalf of the Borrower. The Borrower makes certain representations and warranties to each of PHL and PL under the Borrower Loan Agreement including warranties as to the obligations thereunder being legal and valid obligations binding on the Borrower and being enforceable in accordance with the terms of the Agreement and as to its status, capacity and authority.

## **12. PROPERTY MANAGEMENT AGREEMENT**

Pursuant to the Property Management Agreement, each Property Charging Company will appoint either Peverel Management Services Limited or O.M. Management Services Limited (the “**Managing Agents**”) to provide property management services to the relevant Property Charging Companies in accordance with the terms of the relevant leases relating to the properties owned by the respective Property Charging Companies. The Property Management Agreement is terminable on twelve months’ notice by either party, which may only be served after all indebtedness under the Finance Documents has been discharged in full, subject to earlier termination for breach on the occurrence of certain events. The Managing Agents will covenant to use their best endeavours to collect all sums owed by the tenants under the relevant leases (without, however, being obliged themselves to pay any such amounts or any costs of collection thereof) and to deposit monies collected into specified accounts. The respective Managing Agents are liable to pay the service charges attributable to unsold apartments in the properties owned by the respective Property Charging Companies or arising from fractional errors in the relevant leases which result in a shortfall in such service charges. Each Managing Agent gives certain warranties to the Property Charging Companies by which it is appointed and to the Security Trustee relating *inter alia* to its status and due incorporation, the legality and enforceability of its obligations and the absence of litigation or insolvency proceedings against it.

## **13. THE PHL SHARE CHARGE**

In terms of the PHL Share Charge, Peverel Holdings Limited (“**PHL**”) charges all and any shares held by it in Peverel Limited as well as all dividends, interest and other rights and benefits in respect of or derived therefrom to the Borrower as security for the due performance by PHL of its obligations under the Tax Deed of Covenant, by way of first fixed security. Such charge will be released when the auditors of Peverel Limited confirm that the tax liability secured thereby can no longer arise. PHL gives certain warranties to the Borrower relating *inter alia* to it being the sole legal and beneficial owner of the charged interest, that it has not and will not sell the same whilst subject to the charge and

that it has the necessary capacity and authority to enter into and perform its obligations under the deed.

#### 14. THE PSL SHARE CHARGE

In terms of the PSL Share Charge, Peverel Limited ("PL") charges all and any shares held by it in Peverel Securitisation Limited as well as all dividends, interest and other rights and benefits in respect of or derived therefrom to the Borrower as security for the due performance by PL of its obligations under the Tax Deed of Covenant, by way of second fixed security. Such charge will be released when the obligations secured thereby are discharged in full or can no longer arise. PL gives certain warranties to the Borrower relating *inter alia* to it being the sole legal and beneficial owner of the charged interest, that it has not and will not sell the same whilst subject to the charge and that it has the necessary capacity and authority to enter into and perform its obligations under the deed. The Borrower undertakes not to take steps for the winding up, administration or liquidation or similar insolvency procedure until one year and a day has elapsed after the obligations of the Issuer under the Notes have been discharged in full.

#### 15. THE MLIL SALE AGREEMENT

In terms of the MMIL Sale Agreement Meridian Property Group Limited ("MPG") sells to the Borrower the entire issued share capital of Meridian Land & Investment ("MLI") for an initial consideration ("**Initial Consideration**") of £2,491,029 less the aggregate amount ("**Intra-Group Debt**") owing by MLI and any subsidiary of it to any of Peverel Holdings Limited and any subsidiary of it (other than Peverel Securitisation Limited or any subsidiary of Peverel Securitisation Limited) ("**Non-Securitisation Group**"), such Intra-Group Debt (estimated at £268,153 is to be determined by reference to completion accounts) ("**Completion Accounts**") to be prepared as at the close of business on 31 March 2000. The Initial Consideration is subject to adjustment by reference to the Completion Accounts such that any excess or shortfall of:

- (i) the sum of the current assets as shown in the Completion Accounts and the shortfall in costs payable by Peverel Securitisation Limited and its subsidiaries ("**Securitisation Group**") below the amount of £3,200,000 ("**Estimated Costs**");

above or below

- (ii) the sum of the current liabilities as shown in the Completion Accounts and any excess of costs payable by the Securitisation Group above the Estimated Costs;

will increase or reduce the Consideration.

Any payments required to be made pursuant to such adjustment will be made within 3 business days of determination thereof. The Initial Consideration is to be satisfied in part by the issue of shares in the Borrower immediately after exchange of the agreement ("**Completion**") and in part in cash. On the date ("**Closing Date**") on which the issue of the Notes takes place and the initial subscription therefore is made, a partial payment will be made in the amount of £1,729,328, on which date the Borrower is also obliged to

procure repayment of the Intra-Group Debt in the estimated amount thereof. The balance ("**Deferred Consideration**") is payable at a future date, and shall remain outstanding as a debt owed by the Borrower on the basis that as and when the Borrower is able to do so, subject to and in accordance with the provisions of the Loan Agreement, the Deed of Charge, the Borrower Debenture and the Cash Management Agreement, it will pay to MPG such amount as it is then so able to pay in reduction of such balance. The Deferred Consideration shall not bear interest and shall be unsecured and shall not be due and payable before such time. The initial payment is expected to occur after Completion and such deferred payment together with the deferred payment of the Deferred Consideration may be regarded as a loan to the Borrower. The Borrower is also obliged to pay an additional amount, expected to be £11,172, upon proof being provided to the Security Trustee that stamp duty is not payable or (if payable) has been paid in respect of the transfer of the shares sold under the agreement. This payment may be regarded as a deferred payment or a loan. MPG is obliged to transfer the shares sold on Completion. In terms of the agreement MPG gives certain warranties, representations and undertakings to the Borrower (including as to capacity and authority, share capital and warranties relating to the shares sold, accuracy of accounts, absence of insolvency proceedings, title to assets, compliance with environmental laws, insurance obligations, accuracy of certain information provided, absence of litigation, contractual arrangements, intra-group debt, employees, the effect of the sale and the absence of certain liabilities). The agreement also provides that MPG shall indemnify and keep indemnified the Borrower for itself and as agent or trustee for MLI and any subsidiary of MLI against losses, claims, liabilities, demands, proceedings, costs and expenses (including all professional costs and legal costs and expenses) which any of the forementioned may suffer, sustain or incur as a consequence of any undischarged liability for tax before the Closing Date which has not been taken into account in calculating the adjustment referred to above, as well as, any other liability not so taken into account which has arisen by virtue of any matter, fact or circumstance occurring on or before the Completion Date as well as in consequence of the sale recorded in the agreement being set aside. These warranties and indemnities are subject to certain limitations and exceptions provided for in the agreement.

## 16. THE PI SALE AGREEMENT

In terms of the PI Sale Agreement PMS sells to Peverel Freehold Reversion Limited ("**PFR**") the entire issued share capital of Peverel Investments ("**PI**") for a consideration to be satisfied by the issue of 999 shares in PFR to PMS, credited as fully paid.

In terms of the agreement PMS gives certain warranties, representations and undertakings to PFR relating to itself (including as to capacity and authority,) and relating to PI and its subsidiaries (including as to share capital and warranties relating to the shares sold, absence of insolvency proceedings, and the effect of the sale). These warranties are subject to certain limitations and exceptions provided for in the agreement. PMS is to pay any stamp duty payable on the transfer of the shares sold.

## 17. THE PFRL SALE AGREEMENT

In terms of the PFR Sale Agreement PMS sells to the Borrower the entire issued share capital of Peverel Freehold Reversions Limited ("**PFR**") for an initial consideration ("**Initial Consideration**") of £104,671,394 less the aggregate amount ("**Intra-Group Debt**") owing by PFR and any subsidiary of it to any of Peverel Holdings Limited and any subsidiary of it (other than Peverel Securitisation Limited or any subsidiary of Peverel Securitisation Limited) ("**Non-Securitisation Group**"). Such Intra-Group Debt (estimated at £44,339,023 is to be determined by reference to completion accounts) ("**Completion Accounts**") to be prepared as at the close of business on 31 March 2000. The Initial Consideration is subject to adjustment by reference to the Completion Accounts such that any excess or shortfall of:

- (i) the sum of the current assets as shown in the Completion Accounts and the shortfall in costs payable by Peverel Securitisation Limited and its subsidiaries ("**Securitisation Group**") below the amount of £3,200,000 ("**Estimated Costs**");

above or below

- (ii) the sum of the current liabilities as shown in the Completion Accounts and any excess of costs payable by the Securitisation Group above the Estimated Costs;

will increase or reduce the Consideration.

Any payments required to be made pursuant to such adjustment will be made within 3 business days of determination thereof. The Initial Consideration is to be satisfied in part by the issue of shares in the Borrower immediately after exchange of the agreement ("**Completion**") and in part in cash. On the date ("**Closing Date**") on which the issue of the Notes takes place and the initial subscription therefore is made, a partial payment will be made in the amount of £42,204,989, on which date the Borrower is also obliged to procure repayment of the Intra-Group Debt in the estimated amount thereof. The balance ("**Deferred Consideration**") is payable at a future date, and shall remain outstanding as a debt owed by the Borrower to PMS on the basis that as and when the Borrower is able to do so, subject to and in accordance with the provisions of the Peverel/Issuer Loan Agreement, the Deed of Charge, the Borrower Debenture and the Cash Management Agreement, it will pay to PMS such amount as it is then so able to pay in reduction of such balance. The Deferred Consideration shall not bear interest and shall be unsecured and shall not be due and payable before such time. The initial payment is expected to occur after Completion and such deferred payment together with the deferred payment of the Deferred Consideration may be regarded as a loan to the Borrower. The Borrower is also obliged to pay an additional amount, expected to be £2,432,831, upon proof being provided to the Security Trustee that stamp duty is not payable or (if payable) has been paid in respect of the transfer of the shares sold under the agreement and that PL and O.M. Limited have good title to specified properties or, in relation to certain other specified properties, there has been obtained any necessary landlords consent to charge the same. This payment may be regarded as a deferred payment or a loan. PMS is obliged to transfer the shares sold on Completion. In terms of the agreement PMS gives certain warranties, representations and undertakings to the Borrower (including as to capacity and authority, share capital and warranties relating to the shares sold, accuracy of accounts, absence of insolvency

proceedings, title to assets, compliance with environmental laws, insurance obligations, accuracy of certain information provided, absence of litigation, contractual arrangements, intra-group debt, employees, the effect of the sale and the absence of certain liabilities). The agreement also provides that PMS shall indemnify and keep indemnified the Borrower for itself and as agent or trustee for PFR and any subsidiary of PFR against losses, claims, liabilities, demands, proceedings, costs and expenses (including all professional costs and legal costs and expenses) which any of the forementioned may suffer, sustain or incur as a consequence of any undischarged liability for tax before the Closing Date which has not been taken into account in calculating the adjustment referred to above, as well as, any other liability not so taken into account which has arisen by virtue of any matter, fact or circumstance occurring on or before the Completion Date as well as in consequence of the sale recorded in the agreement being set aside and also against certain liabilities to employees and a related pension fund. These warranties and indemnities are subject to certain limitations and exceptions provided for in the agreement.

## 18. THE RCSIL SALE AGREEMENT

In terms of the RCSIL Sale Agreement, Retirement Care (Southern) Limited ("**RCS**") sells to the Borrower the entire issued share capital of Retirement Care (Southern) Investments Limited ("**RCSIL**") for an initial consideration ("**Initial Consideration**") of £1,366,848 less the aggregate amount ("**Intra-Group Debt**") owing by RCSIL to any of Peverel Holdings Limited and any subsidiary of it (other than Peverel Securitisation Limited or any subsidiary of Peverel Securitisation Limited) ("**Non-Securitisation Group**"). Such Intra-Group Debt (estimated at £323,796) is to be determined by reference to completion accounts ("**Completion Accounts**") to be prepared as at the close of business on 31 March 2000. The Initial Consideration is subject to adjustment by reference to the Completion Accounts such that any excess or shortfall of:

- (i) the sum of the current assets as shown in the Completion Accounts and the shortfall in costs payable by Peverel Securitisation Limited and its subsidiaries ("**Securitisation Group**") below the amount of £3,200,000 ("**Estimated Costs**");

above or below

- (ii) the sum of the current liabilities as shown in the Completion Accounts and any excess of costs payable by the Securitisation Group above the Estimated Costs;

will increase or reduce the Consideration.

Any payments required to be made pursuant to such adjustment will be made within 3 business days of determination thereof. The Initial Consideration is to be satisfied in part by the issue of shares in the Borrower immediately after exchange of the agreement ("**Completion**") and in part in cash. On the date ("**Closing Date**") on which the issue of the Notes takes place and the initial subscription therefore is made, a partial payment will be made in the amount of £824,070, on which date the Borrower is also obliged to procure repayment of the Intra-Group Debt in the estimated amount thereof. The balance ("**Deferred Consideration**") is payable at a future date, and shall remain outstanding as a debt owed by the Borrower due to RCS on the basis that as and when the Borrower is able

to do so, subject to and in accordance with the provisions of the Peverel/Issuer Loan Agreement, the Deed of Charge, the Borrower Debenture and the Cash Management Agreement, it will pay to RCS such amount as it is then so able to pay in reduction of such balance. The Deferred Consideration shall not bear interest and shall be unsecured and shall not be due and payable before such time. The initial payment is expected to occur after Completion and such deferred payment together with the deferred payment of the Deferred Consideration may be regarded as a loan to the Borrower. The Borrower is also obliged to pay an additional amount, expected to be £5,422, upon proof being provided to the Security Trustee that stamp duty is not payable or (if payable) has been paid in respect of the transfer of the shares sold under the agreement. This payment may be regarded as a deferred payment or a loan. RCS is obliged to transfer the shares sold on Completion. In terms of the agreement RCS gives certain warranties, representations and undertakings to the Borrower (including as to capacity and authority, share capital and warranties relating to the shares sold, accuracy of accounts, absence of insolvency proceedings, title to assets, compliance with environmental laws, insurance obligations, accuracy of certain information provided, absence of litigation, contractual arrangements, intra-group debt, employees, the effect of the sale and the absence of certain liabilities). The agreement also provides that RCS shall indemnify and keep indemnified the Borrower for itself and as agent or trustee for RCSIL against losses, claims, liabilities, demands, proceedings, costs and expenses (including all professional costs and legal costs and expenses) which any of the forementioned may suffer, sustain or incur as a consequence of any undischarged liability for tax before the Closing Date which has not been taken into account in calculating the adjustment referred to above, as well as, any other liability not so taken into account which has arisen by virtue of any matter, fact or circumstance occurring on or before the Completion Date as well as in consequence of the sale recorded in the agreement being set aside. These warranties and indemnities are subject to certain limitations and exceptions provided for in the agreement.

## **19. THE PPL SALE AGREEMENT**

In terms of the PPL Sale Agreement each of MPG, PLS and RCSL sells to Peverel Securitisation Limited ("PSL") all and any shares held by it in the share capital of the Borrower for a consideration to be satisfied by the issue of shares in Peverel Securitisation Limited, having an aggregate par value of £12m credited as fully paid, such issue to take place immediately following exchange of the agreement ("**Completion**").

Each of MPG, PCS and RCSL is obliged to transfer the shares sold on Completion. In terms of the agreement each of them gives certain warranties, representations and undertakings to PSL (including as to capacity and authority, share capital and warranties relating to the shares sold, absence of insolvency proceedings and the effect of the sale). These warranties and indemnities are subject to certain limitations and exceptions provided for in the agreement. Each seller is responsible for the payment of any stamp duty payable on the transfer of the shares sold by it.

## 20. THE PSL SALE AGREEMENT

In terms of the PSL Sale Agreement, each of MPG, PMS and RCSL sell to Peverel Limited all and any shares held by it in the share capital of Peverel Securitisation Limited for a consideration of £12,000,000, payment of which shall be made on demand, such obligation to be unsecured and interest free. Each of MPG, PMS and RCSL gives certain warranties and representations to Peverel Limited in relation to itself and to the shares held by it.

Each seller is obliged to transfer the shares sold on Completion. In terms of the agreement each seller gives certain warranties, representations and undertakings to Peverel Limited (including as to capacity and authority, share capital and warranties relating to the shares sold, absence of insolvency proceedings and the effect of the sale). These warranties and indemnities are subject to certain limitations and exceptions provided for in the agreement. Each seller is responsible for the payment of any stamp duty payable on the transfer of the shares sold by it.

## 21. BARCLAYS LOAN AGREEMENT

Terms defined in the Barclays Loan Agreement shall have the same meaning when used in this paragraph 21 (Barclays Loan Agreement) and in paragraph 22 (Barclays Debenture).

Under the terms of the Barclays Loan Agreement

(a) the Banks will make available to the Borrower :-

- (i) a five year term loan facility in a maximum aggregate amount of £15,000,000 (the “**MTL Facility**”);
- (ii) a revolving credit facility (comprising a working capital element not exceeding £5,000,000) in a maximum aggregate amount not exceeding £10,000,000 (the “**RCF Facility**”), and

(b) Barclays Bank plc will provide an Ancillary Facility.

The MTL Facility will be used by The Borrower to assist in the refinancing of the existing banking arrangements of the Borrower.

The RCF Facility is intended to provide general working capital for the Borrower and for future Permitted Acquisitions by the Borrower.

The Ancillary Facility will enable the Borrower to make automated payments and to receive funds by direct debit.

The MTL Facility will be repaid by the Borrower in the instalment amounts and on the Repayment Dates set out in the Barclays Loan Agreement. The amount outstanding under the RCF Facility shall be repaid by the Borrower, and all Commitments in relation to the RCF Facility shall be cancelled on or before, the Termination Date. Interest on the outstanding principal amount of any advance under the MTL Facility (the “**MTL Advance**”) and under the RCF Facility the outstanding principal amounts of any advances (each an “**RCF Advance**”) will accrue at the rate per annum which is the sum of (a) one

and a half per cent per annum (subject to adjustment) (b) LIBOR and (c) the Associated Costs Rate.

the Borrower shall pay accrued interest on the last day of each Interest Period on the MTL Advance except that, if any Interest Period exceeds six months, accrued interest shall also be payable at the end of the first six months.

Interest on the amount outstanding of any RCF Advance is payable on the Maturity Date (the last day of the term) of that RCF Advance except that if RCF Advance is longer than six months in which case, accrued interest is payable at the end of the first six months.

The Borrower may prepay such part of the MTL Advance that represents surplus funds for the refinancing of the existing banking arrangements of the Borrower at any time within 21 Business Days of the date of the Barclays Loan Agreement. In addition the Borrower may prepay the MTL Advance (in whole or in part subject to such part being an amount or integral multiple of £100,000) at any other time on payment of the appropriate breakage costs under the Barclays Loan Agreement. Any prepayment by the Borrower pursuant to the Barclays Loan Agreement shall be applied in or towards satisfying the Borrower's obligations to repay the MTL Facility in inverse chronological order.

## **22. BARCLAYS DEBENTURE**

Terms defined in the Barclays Loan Agreement and Debenture shall have the same meaning when used in this paragraph 22..

### **22.1 Under the terms of the Debenture, each of the Obligors:**

guarantees to the Security Trustee (as trustee for and on behalf of each of the Beneficiaries) the due and punctual payment, performance and discharge by each other Obligor (including the Borrower) of the Secured Obligations;

### **22.2 Under the Debenture each Obligor grants to the Security Trustee (in each case as trustee for and on behalf of each of the Beneficiaries) :-**

- (a) a legal mortgage over each property specified in Part I of Schedule 2 of the Debenture which is set opposite its name;
- (b) an equitable mortgage of its Property, other than the property or properties specified in Part I of Schedule 2 of the Debenture and set opposite its name;
- (c) a charge of its Investments (excluding any shares held by The Borrower in Peverel Securitisation Limited) subject to a proviso that the Security Trustee agrees to comply with the provisions of clause 7.3 of the Tax Deed);
- (d) a specific charge of its Debts, its Intellectual Property, its Licences and all deeds and documents from time to time relating to its Charged Assets;
- (e) a specific charge of its goodwill (including, without limitation, all brand names) and all its uncalled capital both present and future;

- (f) a specific charge of all its rights, title and interest in and to the Policies and to the compensation monies payable under the policies;
- (g) a specific charge of all its rights, title and interest in and to all chattels from time to time hired, leased or rented by it to any other person together, with the benefit of the related hiring, leasing or rental contract and any guarantee, indemnity or other security for the performance of the obligation under any such contract;
- (h) a specific charge of the benefit of any covenants for title given or entered into by any of its predecessors in title to its Property, all proceeds of disposals of its Property, the benefit of any contract for any disposal of its Property and all present and future options to renew leases or purchase reversions;
- (i) a specific charge of the benefit of all of its rights and claims of against all lessees from time to time of the whole or any parts of its Property and all guarantors and sureties for the obligations of such lessees and all persons who are under any obligation it in respect of any works of design, construction, repair or replacement to, on or about its Property;
- (j) a specific charge of all its fixed plant, machinery and equipment from time to time in or on its Property including the benefit of all rights and claims against any person in respect of the design, construction, repair or replacement of the same;
- (k) (so far as permitted under the relevant document), a specific charge of its rights, title and interest in and to all contracts, agreements or warranties which affects its Property with building contractors, architects, quantity surveyors, structural and mechanical engineers and other like professionals;
- (l) a specific charge of any of its accounts with the Agent and/or the Security Trustee and any monies other than monies held by any Obligor in trust for and on behalf of residents of properties managed by Peverel Management Services Limited or O.M. Management Services Limited from time to time standing to the credit of any such account.
- (m) a floating charge of its undertaking and all property, assets and rights of both present and future other than those otherwise charged by way of specific charge or assigned by way of security in the Debenture.
- (n) an assignment by way of security of:-
  - (i) all its rights, title and interest in and to the proceeds of the Policies; and
  - (ii) all its rights, title and interest in and to each Receivables Account or other account maintained by it maintained by it with a bank other than the Agent or the Security Trustee and any monies standing to the credit of any such account from time to time.

## 23. THE PH LOAN AGREEMENT

In terms of the PH Loan Agreement Peverel Limited agrees to lend to Peverel Holdings Limited (“**PHL**”) on the Closing Date the amount of £8,612,520 (“**Loan**”), for the purpose of assisting PHL to redeem or purchase certain loan notes, A shares and preference shares

in its capital. The Loan shall be unsecured and shall be repayable in full on demand at any time after the sixth anniversary hereof or at such other time as the parties may agree. The Loan shall bear interest, calculated and payable annually in arrears, at the rate of 7% per annum or such other rate as may from time to time be agreed between the parties. If PHL should have a receiver or administrative receiver appointed in respect of it or any part of its assets or revenues or be wound up or dissolved, or should an encumbrancer take possession of the whole or substantially the whole of PHL's assets, the Loan will become immediately due and payable together with all interest thereon.

The Directors  
Peverel Limited  
Queensway House  
11 Queensway  
New Milton  
Hampshire  
BH25 5NR

31 March 2000

**REPORT OF THE AUDITORS TO THE DIRECTORS OF PEVEREL LIMITED  
("THE COMPANY") PURSUANT TO SECTION 156(4) OF THE COMPANIES ACT  
1985**

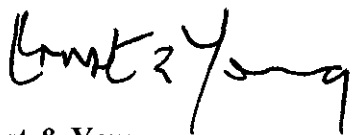
We have examined the attached statutory declaration of the directors dated 31 March 2000 in connection with the proposal that the Company will enter into arrangements that will or may constitute the giving of financial assistance by the Company's subsidiary Peverel Freeholds Limited, particulars of which are given in the attached copy of the statutory declaration made this day by the directors pursuant to Section 155(6) of the Companies Act 1985.

**Basis of Opinion**

We have enquired into the state of affairs of the Company so far as is necessary for us to review the bases for the statutory declaration.

**Opinion**

We are not aware of anything to indicate that the opinion expressed by the directors in the attached statutory declaration as to any of the matters mentioned in section 156(2) of the Companies Act 1985 is unreasonable in all of the circumstances.



**Ernst & Young  
Southampton  
Registered Auditor**



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