

No. 1796064

THE COMPANIES ACTs 1948 to 1983

COMPANY LIMITED BY SHARES

Memorandum

(Amended by Special Resolution passed on 4th May, 1984)

AND

NEW

Articles of Association

(Adopted by Special Resolution passed on 27th October, 1986)

OF

QUALITY HOTELS LIMITED

LINKLATERS & PAINES,
Barrington House,
59-67, Gresham Street,
LONDON, EC2V 7JA.

Ref: DLW

Tel: oL-6067080

THE COMPANIES ACTS 1948 to 1983

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION
(Amended by Special Resolution passed on 4th May, 1984)

- of -

QUALITY HOTELS LIMITED

1. The name of the Company is "QUALITY HOTELS LIMITED".
2. The registered office of the Company will be situate in England.
3. The objects for which the company is established are:-
 - (a) to carry on the business of hotel, motel, apartment house, casino, caravan site, road house, resort, inn, lodging and boarding house, restaurant, cafe, refreshment room, snack bar, canteen, fast food shop, cake shop, bakery shop, confectioner, delicatessen and other shop proprietors, keepers or managers and to fit up and furnish any property for the purpose of letting the same to visitors or guests in any form;
 - (b) to carry on the business of bear, wine and spirit merchants, distillers, brewers, traders and manufacturers of aerated and mineral waters and other drinks, licensed victuallers, cigar merchants and tobacconists and of caterers and purveyors of all types and to manufacture, buy, sell, refind, prepare, grow, import, export and deal in provisions of all kinds both wholesale and retail and whether solid or liquid;

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- * Notes: (1) The Company was incorporated under the name of Q.I. Hotels (U.K.) Limited;
- (2) By Special Resolution of the Company passed on 4th May, 1984 the name of the Company was changed to Quality Hotels Limited.

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- (c) to carry on the business of ticket agents for theatres, opera houses and other places of entertainment and agents for all means of transport and travel;
- (d) to carry on the business of hairdressers, perfumers, chemists, and proprietors or managers of clubs, baths, dressing rooms, laundries, and places of amusement, recreation, sport, entertainment and instruction of all kinds; and
- (e) to acquire licences of any description, including licences for billiard rooms, music and dancing, betting, lotteries, gambling, competitions and the supply of intoxicating liquors or for any other purpose which the Company may require or the Directors deem it desirable to have in the course or for the purposes of its business or otherwise;
- (f) to acquire and grant franchises in respect of any of the businesses hereinbefore or hereinafter authorised in the United Kingdom under the name "Quality Inns" or "Quality Hotels" or "Quality International Hotels" or "Quality Royale" and all additions and variations to any of the foregoing such other name as shall be decided by the Company;
- (g) to carry on any other business of any nature whatsoever which may seem to the Directors to be capable of being conveniently carried on in connection or in conjunction with any business of the Company hereinbefore or hereinafter authorised or be expedient with a view to rendering profitable or more profitable any of the Company's assets or utilising its know-how or expertise;
- (h) to subscribe, underwrite, purchase, or otherwise acquire, and to hold, dispose of, and deal with, any shares or other securities or investments of any nature whatsoever, and any options or rights in respect thereof, and to buy and sell foreign exchange;
- (i) to draw, make, accept, endorse, discount, negotiate, execute, and issue, and to buy, sell and deal with bills of exchange, promissory notes, and other negotiable or transferable instruments or securities;
- (j) to purchase, or otherwise acquire for any estate or interest any property or assets or any concessions, licences, grants, patents, trade marks, copyrights or other exclusive or non-exclusive rights of any kind and to develop and turn to account and deal with the same in such manner as may be thought fit and to make experiments and tests and to carry on all kinds of research work;
- (k) to build, construct, equip, execute, carry on, improve, work, develop, administer, maintain, manage or control works, plants, factories, wharves, jetties, roads, railways, warehouses, depots, offices and other buildings, structures or facilities, of all kinds, whether for the purposes of the Company or for sale, letting or hire to or in return for any consideration from any company, firm or person, and to contribute to or assist in or carry out any part of any such operation;

- (l) to amalgamate or enter into partnership or any joint venture or profit-sharing arrangement or other association with any company, firm or person;
- (m) to purchase or otherwise acquire and undertake all or any part of the business, property and liabilities of any company, firm or person carrying on any business which the Company is authorised to carry on or possessed of any property suitable for the purposes of the Company;
- (n) to promote, join in the promotion of or counsel the management of, any company, whether or not having objects similar to those of the Company;
- (o) to borrow and raise money and to secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit and in particular by mortgages and charges upon all or any part of the undertaking, property and assets (present and future) and the uncalled capital of the Company, or by the creation and issue of debentures, debenture stock or other securities of any description;
- (p) to advance, lend or deposit money or give credit to or with any company, firm or person on such terms as may be thought fit and with or without the security;
- (q) to guarantee or give indemnities or provide security, whether by personal covenant or by mortgage or charge upon all or any part of the undertaking, property and assets (present and future) and the uncalled capital of the Company, or by all or any such methods, for the performance of any contracts or obligations, and the payment of capital or principal (together with any premium) and dividends or interest on any shares, debentures or other securities, of any person, firm or company including (without limiting the generality of the foregoing) any company which is for the time being a holding company of the Company or another subsidiary of any such holding company or is associated with the Company in business;
- (r) to issue any securities which the Company has power to issue for any other purpose by way of security or indemnity or in satisfaction of any liability undertaken or agreed to be undertaken by the Company;
- (s) to sell, lease, grant licences, easements and other rights over, and in any other manner deal with or dispose of, the undertaking, property, assets, rights and effects of the Company or any part thereof for such consideration as may be thought fit, and in particular for shares or other securities, whether fully or partly paid up;
- (t) to procure the registration or incorporation of the Company in or under the laws of any territory outside England;
- (u) to subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object or for any purpose which may be considered likely directly or indirectly to further the interests of the Company or of its members;

- (v) to establish and maintain or contribute to any pension or superannuation funds for the benefit of, and to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any individuals who are or were at any time in the employment or service of the Company or of any company which is its holding company or is a subsidiary of the Company or any such holding company or otherwise is allied to or associated with the Company, or who are or were at any time directors or officers of the Company or of any such other company and the wives, widows, families and dependants of any such individuals; to establish and subsidise or subscribe to any institutions, associations, clubs or funds which may be considered likely to benefit any such persons or to further the interest of the Company or of any such other company; and to make payments for or towards the insurance of any such persons;
- (w) to establish and maintain, and to contribute to, any scheme for encouraging or facilitating the holding of shares or debentures in the Company or its holding company by or for the benefit of its employees or former employees, or those of its subsidiary or holding company or any subsidiary of its holding company, or by or for the benefit of such other persons as may for the time being be permitted by law, or any scheme for sharing profits with its employees or those of its subsidiary and/or associated companies, and (so far as for the time being permitted by law) to lend money to the Company's employees (other than directors) with a view to enabling them to acquire shares in the Company or its holding company;
- (x) to distribute among members of the Company in specie or otherwise, by way of dividend or bonus or by way of reduction of capital, all or any of the property or assets of the Company, or any proceeds of sale or other disposal of any property or assets of the Company, with and subject to any incident authorised and consent required by law;
- (y) to do all or any of the things and matters aforesaid in any part of the world, and either as principals, agents, contractors, trustees or otherwise, and by or through trustees, agents, subsidiary companies or otherwise, and either alone or in conjunction with others;
- (z) to do all such other things as may be considered to be incidental or conducive to any of the above objects;

And it is hereby declared that the objects of the Company as specified in each of the foregoing paragraphs of this Clause (except only if and so far as otherwise expressly provided in any paragraph) shall be separate and distinct objects of the Company and shall not be in any way limited by reference to any other paragraph or the order in which the same occur or the name of the Company.

4. The liability of the members is limited.

5. The share capital of the Company is £100 divided into 100 shares of £1 each.

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- * Notes: (1) By Ordinary Resolution of the Company passed on 4th May, 1984, the existing 100 Shares were designated as "A" Shares and the share capital of the Company was increased to £100,000 by the creation of 79,900 "A" Shares of £1 each and 20,000 "B" Shares of £1 each.
- (2) By Special Resolution of the Company passed on 27th October, 1986, the "A" Shares and the "B" Shares were redesignated as Ordinary Shares of £1 each.
- (3) On 27th October, 1986 the share capital was £100,000 divided into 100,000 Ordinary Shares of £1 each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the capital of the Company set opposite our respective names.

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS	Number of Shares taken by each Subscriber
Sylvia G. Ladd, Barrington House, 59-67 Gresham Street, London EC2V 7JA.	One
Secretary	
D. F. Holloway, Barrington House, 59-67 Gresham Street, London EC2V 7JA.	One
Secretary	
Total Shares taken:	Two

DATED the 9th day of February, 1984

WITNESS to the above Signatures:-

K. P. Grant,
Barrington House,
59-67 Gresham Street,
London EC2V 7JA.

Secretary

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

NEW

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed on 27th October, 1986)

OF

QUALITY HOTELS LIMITED

PRELIMINARY

1. The regulations contained in Table A in The Companies (Tables A to F) Regulations 1985 (as amended so as to affect companies first registered on the date of the adoption of these Articles) shall, except as hereinafter provided and so far as not inconsistent with the provisions of these Articles, apply to the Company to the exclusion of all other regulations or Articles of Association. References herein to regulations are to regulations in the said Table A unless otherwise stated.

SHARE CAPITAL

2. The share capital of the Company at the date of the adoption of these Articles is £100,000 divided into 100,000 Ordinary Shares of £1 each.

3. Subject to Section 80 of the Companies Act 1985, all unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them to such persons, at such times, and on such terms as they think proper and Section 89(1) of the Companies Act 1985 shall not apply.

PROCEEDINGS AT GENERAL MEETINGS

4. In the case of a corporation a resolution in writing may be signed on its behalf by a Director or the Secretary thereof or by its duly appointed attorney or duly authorised representative. Regulation 53 shall be extended accordingly.

5. An instrument appointing a proxy (and, where it is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof) must either be delivered at such place or one of such places (if any) as may be specified for that purpose in or by way of note to the notice convening the meeting (or, if no place is so specified,



at the registered office) [at least [one] hour] before the time appointed for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or be delivered to the Secretary (or the chairman of the meeting) on the day and at the place of, but in any event before the time appointed for holding, the meeting or adjourned meeting or poll. An instrument of proxy shall not be treated as valid until such delivery shall have been effected. Regulation 62 shall not apply.

NUMBER OF DIRECTORS

6. The Directors shall not be less than 2 in number. Regulation 64 shall be modified accordingly.

DELEGATION OF DIRECTORS' POWERS

7. In addition to the powers to delegate contained in Regulation 72, the Directors may delegate any of their powers to any committee consisting of one or more Directors and one or more co-opted persons. The Directors may authorise the co-option to such a committee of persons other than Directors and for such co-opted members to have voting rights as members of the committee but so that (i) the number of co-opted members shall be less than one-half of the total number of members of the committee and (ii) no resolution of the committee shall be effective unless a majority of the members of the committee present at the meeting are Directors. Regulation 72 shall be modified accordingly.

APPOINTMENT AND RETIREMENT OF DIRECTORS

8. The Directors shall not be subject to retirement by rotation and references thereto in Regulations 73 to 80 shall be disregarded.

DISQUALIFICATION AND REMOVAL OF DIRECTORS

9. The office of a Director shall be vacated in any of the events specified in Regulation 81 and also if he shall in writing offer to resign and the Directors shall resolve to accept such offer.

REMUNERATION OF DIRECTORS

10. Any Director who serves on any committee, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine. Regulation 82 shall be extended accordingly.

PROCEEDINGS OF DIRECTORS

11. On any matter in which a Director is in any way interested he may nevertheless vote and be taken into account for the purposes of a quorum and (save as otherwise agreed) may retain for his own absolute use and benefit all profits and advantages directly or indirectly accruing to him thereunder or in consequence thereof. Regulations 94 to 98 shall not apply.

INDEMNITY

12. Subject to the provisions of and so far as may be permitted by law, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court. Regulation 118 shall not apply.

OVERRIDING PROVISIONS

13. Whenever Manorcare Inc. (the "Parent Company"), or any subsidiary of the Parent Company or together with such subsidiary, shall be the holder or holders of not less than 90 per cent. of the issued Ordinary Shares the following provisions shall apply and to the extent of any inconsistency shall have overriding effect as against all other provisions of these Articles:-

- (A) the Parent Company may at any time and from time to time appoint any person to be a Director or remove from office any Director howsoever appointed but so that in the case of a Managing Director his removal from office shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company;
- (B) no unissued shares shall be issued or agreed to be issued or put under option without the consent of the Parent Company;
- (C) any or all powers of the Directors shall be restricted in such respects and to such extent as the Parent Company may by notice to the Company from time to time prescribe.

Any such appointment, removal, consent or notice shall be in writing served on the Company and signed on behalf of the Parent Company by any two of its Directors or by any one of its Directors and its Secretary or some other person duly authorised for the purpose. No person dealing with the Company shall be concerned to see or enquire as to whether the powers of the Directors have been in any way restricted hereunder or as to whether any requisite consent of the Parent Company has been obtained and no obligation incurred or security given or transaction effected by the Company to or with any third party shall be invalid or ineffectual unless the third party had at the time express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction was in excess of the powers of the Directors.

No 1796)64

THE COMPANIES ACTs 1948 to 198

COMPANY LIMITED BY SHARES

Memorandum

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Tel: 01-6067080