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McCARTHY & STONE (HOME EQUITY INTERESTS) LIMITED

MCCARTHY & STONE RETIREMENT LIFESTYLES LIMITED

**SUBSCRIPTION AND RELEASE OF DEBT
AGREEMENT**

TUESDAY



LD4 "L6FFM9S8" 72
12/05/2009
COMPANIES HOUSE

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This Agreement is made on 8th May 2009.

BETWEEN:

- (1) **McCarthy & Stone (Home Equity Interests) Limited**, a company incorporated in England and Wales with the registration number 05984851, whose registered office is at Homelife House, 26-32 Oxford Road, Bournemouth, Dorset BH8 8EZ (the *Company*); and
- (2) **McCarthy & Stone Retirement Lifestyles Limited**, a company incorporated in England and Wales with the registration number 6622231, whose registered office is at Homelife House, 26-32 Oxford Road, Bournemouth, Dorset BH8 8EZ (the *Parent*).

WHEREAS:

- (A) As at the date hereof the Company has an authorised share capital of £1000 divided into 1000 ordinary shares of £1 each.
- (B) The Parent has agreed to subscribe for, and the Company has agreed to allot and issue, the Subscription Shares (as defined below) on the terms, and subject to the conditions of this Agreement.
- (C) The Company is indebted to the Parent in the amount of £13,189,000 (the *Debt*).
- (D) On and subject to the terms of this Agreement, the Parent has agreed to cancel, and to release the Company from its obligations to repay, £8,200,000 of the Debt in consideration for the Subscription Shares.

IT IS HEREBY AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement, the following words and expressions, unless the context otherwise requires, shall have the following meanings respectively:

Business Day means a day (excluding Saturdays and Sundays) on which banks generally are open in London for normal business;

Completion means completion of the subscription of the Subscription Shares pursuant to Clause 4;

Completion Date means 8th May 2009;

Directors means the directors of the Company from time to time;

Subscription Shares means 8,200,000 ordinary shares of nominal value 100 pence each in the capital of the Company to be subscribed by the Parent; and

Subscription Consideration has the meaning given to it in Clause 3.

1.2 The headings in this Agreement shall not affect its interpretation.

1.3 Except as specified otherwise, references to Clauses are to Clauses of this Agreement.

1.4 Unless the context otherwise requires, words importing the singular only shall include the plural and vice versa and references to natural persons shall include bodies corporate.

2. AGREEMENT TO SUBSCRIBE FOR SUBSCRIPTION SHARES

2.1 In consideration for the release of the Debt referred to in Clause 3 below, the Parent shall subscribe for, and the Company shall allot and issue to the Parent, the Subscription Shares on Completion in accordance with Clause 4.

2.2 The Subscription Shares to be allotted and issued pursuant to Clause 2.1 shall rank *pari passu* in all respects with all other ordinary shares of the Company then in issue.

3. CONSIDERATION

In consideration for the allotment and subscription of Subscription Shares under Clause 2.1, the Debt shall be immediately and irrevocably released in full and cancelled as at the date of this Agreement (the *Subscription Consideration*).

4. COMPLETION

4.1 Completion shall take place on the Completion Date at such time and place as may be agreed between the Parent and the Company.

4.2 On or prior to the Completion Date:

- (a) the Company shall deliver duly executed written resolutions of its members authorising the Directors to (i) increase the Company's authorised share capital; (ii) allot and issue the Subscription Shares in accordance with this Agreement; and (iii) disapply any applicable pre-emption rights of the members;
- (b) the Company shall deliver duly executed resolutions of the Directors approving (i) the application by the Parent for the Subscription Shares and allotting the Subscription Shares; and (ii) authorising the name of the Parent to be entered in the members' register of the Company as holder of the Subscription Shares so allotted and directing the sealing of share certificates in respect thereof;
- (c) the Parent shall satisfy the Subscription Consideration; and
- (d) upon satisfaction of the Subscription Consideration, the Company shall issue the Subscription Shares to the Parent and shall enter the name of the Parent in the register of members of the Company as the registered holder of the Subscription Shares, and issue and deliver to the Parent a share certificate in respect of the Subscription Shares in its name.

5. REPRESENTATIONS AND WARRANTIES

Each of the Company and the Parent represents and warrants to the other that:

5.1 it has the full power and authority to enter into and to perform its obligations under this Agreement which when executed will constitute valid and binding obligations on it in accordance with its terms;

5.2 the entry and delivery of, and the performance by it of its obligations under this Agreement will not result in any breach of any provision of its memorandum and articles of association or result in any claim by a third party against the other party; and

5.3 the entry into and delivery of, and the performance by it of its obligations under this Agreement will not result in the breach of any law or regulation binding upon it.

6. FURTHER ASSURANCE

Each of the Company and the Parent shall cooperate with the other and execute and deliver to the other such other instruments and documents and take such other actions as may be reasonably requested by the other party from time to time in order to carry out, evidence and confirm their rights and the intended purpose of this Agreement.

7. NOTICES

Any notice, claim or demand in connection with this Agreement shall be given in writing to the relevant party at the address stated in this Agreement (or such other address or fax number as it shall previously have notified to the other party). Any notice sent by fax shall be deemed received when sent, any notice sent by hand shall be deemed received when delivered and any notice sent by first class post shall be deemed received 48 hours after posting.

8. SUCCESSORS AND ASSIGNS

This Agreement shall be binding on the parties hereto and their respective successors and assigns.

9. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

10. WHOLE AGREEMENT

10.1 This Agreement contains the whole agreement between the Company and the Parent relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Company and the Parent in relation to the matters dealt with in this Agreement.

10.2 The Parent acknowledges that it has not been induced to enter this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

10.3 So far as is permitted by law and except in the case of fraud, each of the Company and the Parent agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement to the exclusion of all other rights and remedies (including those in tort or arising under statute).

11. VARIATION

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the Company and the Parent.

12. SEVERABILITY

If any term or provision of this Agreement shall be held to be illegal or unenforceable, in whole or in part, under any enactment or rule of law, such term or provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity or enforceability of the remainder of this Agreement shall not be affected.

13. COUNTERPARTS

This letter may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart signature page of this letter by e-mail (PDF) to telecopy shall be as effective as delivery of a manually executed counterpart of this letter. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page to the final text of this letter, such counterpart signature page shall take effect together with such final text as a complete authoritative counterpart.

14. GOVERNING LAW AND JURISDICTION

14.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

14.2 The parties irrevocably agree that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

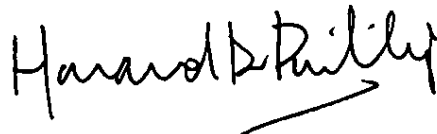
In witness whereof this Agreement has been duly executed on the date first stated above.

SIGNED by *T. L. GARDNER*)
on behalf of)
McCARTHY & STONE (HOME EQUITY)
INTERESTS) LIMITED)
in the presence of:)



Name: *Selfie. D. J. PRICE*
Address: *25 MARTIN CLOSE, CREEKMOOR, POOLE, BH17 7XS.*

SIGNED by *H. P. S. PHILLIPS*)
on behalf of)
McCARTHY & STONE RETIREMENT)
LIFESTYLES LIMITED)
in the presence of:)



Name: *Selfie. D. J. PRICE*
Address: *25 MARTIN CLOSE*
CREEKMOOR
POOLE
BH17 7XS.