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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION  
FOR IMMEDIATE RELEASE**

**23 October 2020**

**RECOMMENDED CASH OFFER**

for

**MCCARTHY & STONE PLC  
("McCarthy & Stone")**

by

**MASTIFF BIDCO LIMITED  
("Bidco")**

**which is a company indirectly wholly-owned by Lone Star Real Estate Fund VI  
to be effected by means of a Scheme of Arrangement  
under Part 26 of the Companies Act 2006**

**Summary and highlights**

• The boards of directors of Bidco and McCarthy & Stone are pleased to announce that they have reached agreement on the terms of a recommended cash offer by Bidco, a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI, for the acquisition of the entire issued and to be issued share capital of McCarthy & Stone. The Acquisition is intended to be effected by means of a scheme of arrangement under Part 26 of the Companies Act.

• Under the terms of the Acquisition, each McCarthy & Stone Shareholder will be entitled to receive:

**for each McCarthy & Stone Share held                      115 pence in cash**

• The Acquisition values the entire issued and to be issued share capital of McCarthy & Stone at approximately £630 million, and represents a premium of approximately:

- 38.6 per cent. to the Closing Price of 83.0 pence per McCarthy & Stone Share on 22 October 2020 (being the last Business Day prior to the date of this Announcement);
- 57.3 per cent. to the three-month volume weighted average price of 73.1 pence per McCarthy & Stone Share to 22 October 2020 (being the last Business Day prior to the date of this Announcement); and
- 57.9 per cent. to the six-month volume weighted average price of 72.8 pence per McCarthy & Stone Share to 22 October 2020 (being the last Business Day prior to the date of this Announcement).

**Background to and reasons for the Acquisition**

• Bidco believes that the acquisition of McCarthy & Stone represents an attractive opportunity for Lone Star to gain exposure to the retirement living sector.

- Bidco recognises the progress achieved by the management team of McCarthy & Stone in its implementation and current execution of its two-stage strategy to become the UK's leading developer, owner and manager of retirement communities with best in class customer satisfaction rating.
- As a long-term and patient investor with significant experience in real estate investing, Lone Star is strongly positioned to support McCarthy & Stone in delivering on the announced strategy.

### **McCarthy & Stone recommendation**

- The McCarthy & Stone Directors, who have been so advised by Rothschild & Co and Deutsche Bank as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the McCarthy & Stone Directors, Rothschild & Co and Deutsche Bank have taken into account the commercial assessments of the McCarthy & Stone Directors. Rothschild & Co and Deutsche Bank are providing independent financial advice to the McCarthy & Stone Directors for the purposes of Rule 3 of the Code.
- **Accordingly, the McCarthy & Stone Directors unanimously intend to recommend that McCarthy & Stone Shareholders vote in favour of the Scheme at the Court Meeting and the Resolutions to be proposed at the General Meeting as the McCarthy & Stone Directors who hold McCarthy & Stone Shares have irrevocably undertaken to do in respect of their own beneficial holdings, amounting in aggregate to 902,565 McCarthy & Stone Shares, representing approximately 0.2 per cent. of the issued share capital of McCarthy & Stone.**

### **Irrevocable undertakings**

- Bidco has received an irrevocable undertaking to vote (or procure the voting) in favour of the Scheme at the Court Meeting and in favour of the Resolutions to be proposed at the General Meeting (or, in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Offer) from funds and entities managed by Anchorage Capital in respect of a total of 91,740,467 McCarthy & Stone Shares representing approximately 17.1 per cent. of the issued share capital of McCarthy & Stone.
- Bidco has also received irrevocable undertakings to vote (or procure the voting) in favour of the Scheme at the Court Meeting and in favour of the Resolutions to be proposed at the General Meeting (or, in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Offer) from each of the McCarthy & Stone Directors who hold McCarthy & Stone Shares, amounting in aggregate to 902,565 McCarthy & Stone Shares, representing approximately 0.2 per cent. of the issued share capital of McCarthy & Stone.
- Therefore, Bidco has received irrevocable undertakings in respect of, in aggregate, 92,643,032 McCarthy & Stone Shares representing approximately 17.2 per cent. of the issued share capital of McCarthy & Stone.
- Further details of these irrevocable undertakings are set out in Appendix III to this Announcement.

### **General**

- If any dividend, other distribution or return of capital is announced, declared, made, payable or is paid in respect of the McCarthy & Stone Shares on or after the date of this Announcement and with a record date prior to the Effective Date, Bidco reserves the right to reduce the consideration payable in respect of each McCarthy & Stone Share by the amount of all or part of any such dividend, other distribution or return of capital, except where McCarthy & Stone Shares are or will be acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, other distribution or return of capital, and retain it. If Bidco exercises this right or makes such a reduction in respect of a dividend, other distribution or return of capital, McCarthy & Stone Shareholders will be entitled to receive and retain that dividend, other distribution or return of capital.
- It is intended that the Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

- R• The Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and the General Meeting, together with an indicative timetable for implementation of the Scheme, will be published as soon as reasonably practicable and, in any event (save with the consent of the Panel), within 28 days of this Announcement.
- R• Completion of the Acquisition will be subject to the Conditions and certain further terms set out in Appendix I to this Announcement, including:

  - the approval of the Scheme at the Court Meeting and the passing of the Resolutions at the General Meeting, in each case by the requisite majority of McCarthy & Stone Shareholders (described in further detail in paragraph 13 of this Announcement); and
  - satisfaction of the EU Anti-trust Condition.
- R• Subject to satisfaction or (where applicable) waiver of the Conditions and to the further terms set out in Appendix I to this Announcement, it is expected that the Scheme will become Effective in the first quarter of 2021.

Commenting on the Acquisition, Paul Lester, Chairman of McCarthy & Stone, said:

*"The McCarthy & Stone Directors believe that the offer from Lone Star represents fair value for shareholders and unanimously intends to recommend the offer. The all-cash offer represents a compelling and attractive opportunity for shareholders to realise and crystallise their investment in McCarthy & Stone in the near term and also provides a meaningful premium to the prevailing share price notwithstanding the backdrop of the wider risks posed by the political and macro-economic environment.*

*We believe that Lone Star would provide a complementary partner for McCarthy & Stone's stakeholders and along with the investment in the business that Lone Star can provide, will enable further improvements of its transformation strategy and allow McCarthy & Stone to capitalise on its growing rental and multi-tenure offering which would underpin the long-term growth of McCarthy & Stone."*

Commenting on the Acquisition, Donald Quintin, President, Lone Star Europe, said:

*"As a leading developer and manager of retirement communities in the UK, McCarthy & Stone represents an attractive opportunity in a market underpinned by clear fundamentals: a rapidly ageing population and a structural undersupply of suitable housing options for older people.*

*Lone Star shares the McCarthy & Stone management team's vision for growth. With our proven experience in developing property-related businesses, we believe our partnership will enable McCarthy & Stone to accelerate its transformation, which aligns with the Government's goal of increasing the supply of attractive housing options in the UK. We look forward to partnering with McCarthy & Stone's management and employees to further support the company's ongoing transformation."*

***This summary should be read in conjunction with, and is subject to, the full text of this Announcement. The Acquisition will be subject to the Conditions and further terms set out in Appendix I to this Announcement and to the full terms and conditions which will be set out in the Scheme Document. Appendix II contains the sources and bases of certain information contained in this Announcement. Appendix III contains details of the irrevocable undertakings given to Bidco in relation to the Acquisition. Appendix IV contains definitions of certain expressions used in this summary and in this Announcement.***

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Weil, Gotshal & Manges (London) LLP is providing legal advice to Bidco and Lone Star. Allen & Overy LLP is providing legal advice to McCarthy & Stone.

## **Important notices**

*Rothschild & Co, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for McCarthy & Stone and for no one else in connection with the matters set out in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than McCarthy & Stone for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matter or arrangement referred to in this Announcement.*

*Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the PRA. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the PRA and the FCA. Details about the extent of its authorisation and regulation by the PRA, and regulation by the FCA, are available on request. Deutsche Bank, acting through its London branch ("Deutsche Bank"), is acting as joint broker to McCarthy & Stone and no other person in connection with the contents of this Announcement. Neither Deutsche Bank, nor any of its subsidiaries, branches or affiliates will be responsible to any person other than McCarthy & Stone for providing any of the protections afforded to clients of Deutsche Bank nor for providing advice in relation to any matters referred to in this Announcement. Neither Deutsche Bank, nor any of its subsidiaries, branches or affiliates, nor any of its or their respective directors, officers or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Deutsche Bank in connection with this Announcement, any statement contained herein, or otherwise.*

*Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for McCarthy & Stone and for no-one else in connection with the matters described in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than McCarthy & Stone for providing the protections afforded to clients of Peel Hunt LLP nor for providing advice in relation to matters described in this Announcement.*

*Moelis & Company, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Lone Star and Bidco and for no one else in connection with the matters described in this Announcement and will not be responsible to anyone other than Lone Star and Bidco for providing the protections afforded to clients of Moelis & Company nor for providing advice in connection with the matters referred to herein. Neither Moelis & Company nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Moelis & Company in connection with this Announcement, any statement contained herein or otherwise.*

*Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Lone Star and Bidco and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Lone Star and Bidco for providing the protections afforded to clients of Goldman Sachs International, or for providing advice in relation to the matters referred to in this Announcement.*

## **Further information**

*This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation, inducement or the solicitation of an offer to buy, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of or exercise rights in respect of any securities, or the solicitation of any vote or approval of an offer to buy securities in any jurisdiction, pursuant to the Acquisition or otherwise, nor shall there be any purchase, sale, issuance or transfer of securities or such solicitation in any jurisdiction in contravention of the laws of such jurisdiction. The Acquisition will be made implemented solely pursuant to the terms set out in the Scheme Document (or, in the event that the Acquisition is to be implemented by means of a Takeover Offer, the Offer Document), which, together with the Forms of Proxy, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.*

*This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been*

disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

McCarthy & Stone and Bidco urge McCarthy & Stone Shareholders to read the Scheme Document (including the related Forms of Proxy) (and/or, in the event that the Offer is to be implemented by way of a Takeover Offer, the Offer Document) when it becomes available because it will contain important information relating to the Acquisition. Any decision to vote in respect of the Resolutions to be proposed at the General Meeting or the Scheme at the Court Meeting, and any decision in respect of the Scheme should be made only on the basis of information contained in the Scheme Document (and/or, in the event that the Acquisition is to be implemented by way of a Takeover Offer, the Offer Document).

Each McCarthy & Stone Shareholder is advised to consult its independent professional adviser regarding the tax consequences to it (or to its beneficial owners) of the Acquisition.

### **Overseas Shareholders**

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom or who are subject to the laws of another jurisdiction to participate in the Acquisition or to vote their McCarthy & Stone Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Further details in relation to Overseas Shareholders will be contained in the Scheme Document. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

The Acquisition relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. Neither the US proxy solicitation rules nor the tender offer rules under the US Exchange Act apply to the Acquisition. Accordingly, the Acquisition is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Bidco were to elect to implement the Acquisition by means of a Takeover Offer, such Takeover Offer would be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a takeover would be made in the United States by Bidco and no one else. In addition to any such Takeover Offer, Lone Star, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in McCarthy & Stone outside such Takeover Offer before or during the period in which such Takeover Offer would remain open for acceptance. In accordance with normal United Kingdom practice and pursuant to Rule 14e-5(b) of the US Exchange Act, if such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the United Kingdom and will be reported to the Regulatory News Service of the London Stock Exchange.

In addition, any such Takeover Offer would be subject to UK disclosure requirements, which are different from certain United States disclosure requirements. Furthermore, the payment and settlement procedure with respect to any Takeover Offer will comply with the relevant United Kingdom rules, which differ from US payment and settlement procedures, particularly with regard to the date of payment of consideration.

None of the securities referred to in this Announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Announcement or disapproved or passed judgment upon the fairness or the merits of the Acquisition. Any representation to the contrary is a criminal offence in the United States.

McCarthy & Stone's financial statements, and all financial information that is included in this Announcement, or that may be included in the Scheme Document, have been prepared in

accordance with international financial reporting standards and may not be comparable to financial statements of companies in the United States or other companies whose financial statements are prepared in accordance with US generally accepted accounting principles.

Unless otherwise determined by Bidco or required by the Code and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must observe these restrictions and must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The Acquisition will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the FCA.

### **Forward looking statements**

This Announcement contains statements about Bidco and the McCarthy & Stone Group that are or may be forward looking statements. All statements, including the expected timing and scope of the Acquisition, other than statements of historical or current facts included in this Announcement, may be forward looking statements. Without limitation, statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "would", "could", "anticipates", "estimates", "projects", "strategy", "goal", "hope" or "continue" or words or terms of similar substance or the negative thereof are often forward looking statements. Forward looking statements may include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the McCarthy & Stone Group's operations; and (iii) the effects of government regulation on the McCarthy & Stone Group's business.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Such forward looking statements are not guarantees of future performance. By their nature, because they relate to events and depend on circumstances that will occur in the future, such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results and developments to differ materially from those projected or implied in any forward looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Acquisition, as well as additional factors, such as changes in political and economic conditions, changes in the level of capital investment, retention of key employees, changes in customer habits, success of business and operating initiatives and restructuring objectives, impact of any acquisitions or similar transactions, changes in customers' strategies and stability, competitive product and pricing measures, changes in the regulatory environment, fluctuations or interest and exchange rates, the outcome of any litigation, the COVID-19 pandemic, and/or any other epidemic, pandemic or disease outbreak. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, (which speak only as of the date hereof) and neither Bidco nor any member of the McCarthy & Stone Group (nor any of their respective directors, officers, employees or advisers) provides any representation, assurance or guarantee that the occurrence of the events expressed or implied by the forward looking statements will actually occur. No forward-looking or other statements have been reviewed by the auditors of Bidco or McCarthy & Stone. Further, neither Bidco nor any member of the McCarthy & Stone Group or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise any forward looking or other statements contained herein, whether as a result of new information, future events or otherwise, except as required by applicable law.

All subsequent oral or written forward looking statements attributable to Bidco or McCarthy & Stone or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

All subsequent oral or written forward looking statements attributable to any member of the Wider Bidco Group or Wider McCarthy & Stone Group, or any of their respective directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

### **No profit forecasts or profit estimates**

No statement in this Announcement is intended as a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that cash flow from operations, income of persons (where relevant), earnings or earnings per share or dividend per share for McCarthy & Stone for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, income of persons (where relevant), earnings or earnings per share or dividend for McCarthy & Stone.

### **Dealing and Opening Position Disclosure Requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offerors, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Information relating to McCarthy & Stone Shareholders**



Please be aware that addresses, electronic addresses and certain other information provided by McCarthy & Stone Shareholders, persons with information rights and other relevant persons for the receipt of communications from McCarthy & Stone may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 to the Code.

## **Rule 2.9 of the Code**

For the purposes of Rule 2.9 of the Code, McCarthy & Stone confirms that, as at 22 October 2020 (being the last Business Day prior to the date of this Announcement), it had 537,766,920 ordinary shares of 8 pence each in issue and admitted to trading on the London Stock Exchange. The International Securities Identification Number for McCarthy & Stone Shares is GB00BYNVD082.

## **Publication on website and hard copies**

This Announcement and the documents required to be published pursuant to Rule 26.1 of the Code will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on McCarthy & Stone's website at [www.mccarthyandstonegroup.co.uk](http://www.mccarthyandstonegroup.co.uk) and on Bidco's website at <http://www.lsrefvimastiff.com/> by no later than 12 noon on the Business Day following the date of this Announcement.

Neither the content of any website referred to in this Announcement nor the content of any website accessible from hyperlinks is incorporated into, or forms part of, this Announcement.

McCarthy & Stone Shareholders may request a hard copy of this Announcement (and any information incorporated by reference in this Announcement) by writing to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. It is important that you note that unless you make such a request, a hard copy of this Announcement and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form. If a McCarthy & Stone Shareholder has received this Announcement in electronic form, hard copies of this Announcement and any document or information incorporated by reference into this Announcement will not be provided unless such a request is made.

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

## **Rounding**

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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**23 October 2020**

**RECOMMENDED CASH OFFER**

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**("McCarthy & Stone")**

by  
**MASTIFF BIDCO LIMITED**  
**("Bidco")**

**which is a company indirectly wholly-owned by Lone Star Real Estate Fund VI**  
**to be effected by means of a Scheme of Arrangement**  
**under Part 26 of the Companies Act 2006**

## **1 Introduction**

The boards of directors of Bidco and McCarthy & Stone are pleased to announce that they have reached agreement on the terms of a recommended cash offer by Bidco, a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI, for the acquisition of the entire issued and to be issued share capital of McCarthy & Stone. The Acquisition is intended to be effected by means of a scheme of arrangement under Part 26 of the Companies Act.

## **2 The Acquisition**

Under the terms of the Acquisition, which will be subject to Conditions and further terms set out in Appendix I to this Announcement and to be set out in the Scheme Document, McCarthy & Stone Shareholders will be entitled to receive:

<b>for each McCarthy &amp; Stone Share held</b>	<b>115 pence in cash</b>
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The Acquisition values the entire issued and to be issued share capital of McCarthy & Stone at approximately Â£630 million on a fully diluted basis, and represents a premium of approximately:

- 38.6 per cent. to the Closing Price of 83.0 pence per McCarthy & Stone Share on 22 October 2020 (being the last Business Day prior to the date of this Announcement);
- 57.3 per cent. to the three-month volume weighted average price of 73.1 pence per McCarthy & Stone Share to 22 October 2020 (being the last Business Day prior to the date of this Announcement); and
- 57.9 per cent. to the six-month volume weighted average price of 72.8 pence per McCarthy & Stone Share to 22 October 2020 (being the last Business Day prior to the date of this Announcement).

It is expected that the Scheme Document will be published as soon as reasonably practicable and, in any event (save with the consent of the Panel), within 28 days of this Announcement. It is expected that the Court Meeting and the General Meeting will be held in December 2020 and, subject to the satisfaction or waiver of all relevant Conditions and the further terms set out in Appendix I and to be set out in the Scheme Document, that the Scheme will become effective in the first quarter of 2021.

## **3 Background to and reasons for the Acquisition**

Bidco believes that the acquisition of McCarthy & Stone represents an attractive opportunity for Lone Star to gain exposure to the retirement living sector. As a market leader, McCarthy & Stone is well positioned to facilitate continued development of the retirement housing market and help the UK Government to meet its housing targets through both:

- the delivery of new homes; and
- the release of a substantial number of currently underutilised houses to the market by providing appropriate housing for downsizers.

Continued growth will also present an opportunity for McCarthy & Stone to realise management's strategic plan, which is focused on margin improvement and moving toward a multi-tenure offering.

Bidco recognises the progress achieved by the management team of McCarthy & Stone in its implementation and current execution of its two-stage strategy to become the UK's

leading developer, owner and manager of retirement communities with best in class customer satisfaction rating.

Bidco believes that McCarthy & Stone's retirement housing product continues to have a significant positive impact on its customers and their families by removing the burdens and worries of looking after large family homes, providing high quality care and support, helping to build new friendships and giving families peace of mind that their loved ones are cared for.

McCarthy & Stone's care and support services have been shown to improve the wellbeing of its customers and reduce pressure on health and social care services. This was demonstrated during the COVID-19 pandemic, where infection rates among its customers have been lower than among older people in wider society.

Bidco believes that the McCarthy & Stone Group's land buying activities also have a significant positive impact on towns and local communities by bringing life back to town centres.

As a long-term and patient investor with significant experience in real estate investing, Lone Star is strongly positioned to support McCarthy & Stone in delivering on the announced strategy.

#### **4 Recommendation**

The McCarthy & Stone Directors, who have been so advised by Rothschild & Co and Deutsche Bank as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the McCarthy & Stone Directors, Rothschild & Co and Deutsche Bank have taken into account the commercial assessments of the McCarthy & Stone Directors. Rothschild & Co and Deutsche Bank are providing independent financial advice to the McCarthy & Stone Directors for the purposes of Rule 3 of the Code.

**Accordingly, the McCarthy & Stone Directors unanimously intend to recommend that McCarthy & Stone Shareholders vote in favour of the Scheme at the Court Meeting and the Resolutions to be proposed at the General Meeting as the McCarthy & Stone Directors who hold McCarthy & Stone Shares have irrevocably undertaken to do in respect of their own beneficial holdings, amounting in aggregate to 902,565 McCarthy & Stone Shares, representing approximately 0.2 per cent. of the issued share capital of McCarthy & Stone.**

#### **5 Background to and reasons for the Recommendation**

McCarthy & Stone is a leading developer and manager of retirement communities in the UK and is strongly positioned to capitalise on the lack of supply of retirement housing for the UK's ageing population. Since McCarthy & Stone's IPO in 2015, McCarthy & Stone has posted a solid trading performance notwithstanding the prolonged period of political and macro-economic uncertainty that started at the time of the EU referendum vote in 2016 which has constrained the ability of McCarthy & Stone's customers to sell their own property in order to buy and move into a McCarthy & Stone property.

In recognition of the slower sales rate that McCarthy & Stone had been achieving, but with clear pent-up demand from McCarthy & Stone's customer base, in 2019 McCarthy & Stone introduced a new rental and multi-tenure offering to increase market penetration and allow more people to access the benefits of retirement living across different price points and levels of affordability. This extension to McCarthy & Stone's strategy, despite the hiatus caused by the COVID-19 lockdown, has been gaining momentum such that McCarthy & Stone expects its rental and multi-tenure offering to become a more substantial part of the McCarthy & Stone Group's overall volumes. Nevertheless, the rental strategy introduces complexities to the business. In particular, to attract co-investment funding for the strategy, and corresponding rental fund, it is possible that McCarthy & Stone may be required to maintain a meaningful longer-term minority equity stake in the rented retirement assets in order to align more closely McCarthy & Stone's interests with a capital partner as the rental strategy continues to be proven. The requirement for such a stake may have a knock-on impact on levels of capital availability and deployment within the business. Additional operational resources are also required to operate the portfolio efficiently. The board does however remain confident of securing an appropriate capital partner for the rental fund although there is no certainty that this will be achieved in the near term.

The uncertainty linked to the outcome of negotiations on the UK's future relationship with the EU and the impact of the COVID-19 pandemic on the UK economy is expected to continue and may result in continued challenging conditions for both the retirement sales and rental markets. At the time of the half year results on 15 July 2020, McCarthy & Stone highlighted that the financial effects of the COVID-19 crisis would be weighted towards the second half of its financial year ending 30 October 2020. The Group also set out its gradual and measured remobilisation plans on the back of the COVID-19 lockdown easing that has seen sales and rental leads and gross reservation rates increasing in line with the plan. However, with national COVID-19 infection rates increasing more recently, resulting in localised lockdowns, the impact on the nearer-term prospects and financial position of the Group remains difficult to plan for and predict. The cash preservation measures that may be required should there be a further widespread lockdown could impact development site investment and as a consequence delay the timeframe to recovery to pre-COVID-19 volumes. Whilst the board of directors of McCarthy & Stone is confident about the long-term prospects of the business, it is therefore also mindful of the risks in the short term posed by the current wider political and macro-economic environment.

After careful consideration of the value and deliverability of the Acquisition and following a period of detailed negotiations with Bidco the board of directors of McCarthy & Stone believes that Bidco's offer represents compelling value given the balance of future opportunities and risks facing the business. The McCarthy & Stone Directors acknowledge the benefits of McCarthy & Stone being a private company, including creating the required environment to continue its rental and multi-tenure strategy, growth of its shared ownership offering, the building of strategic relationships with partners such as Anchor Hanover and providing access to additional growth finance from private capital to balance the longer-term opportunities for McCarthy & Stone with the operating and trading risks it currently faces.

Furthermore, the McCarthy & Stone Directors note that:

- the Acquisition represents an opportunity for McCarthy & Stone Shareholders to realise and crystallise their investment in McCarthy & Stone in cash in the near term; and
- the Acquisition represents a premium of approximately 38.6 per cent. to the Closing Price per McCarthy & Stone Share of 83.0 pence on 22 October 2020 (being the last Business Day prior to the date of this Announcement).

## **6 Irrevocable undertakings**

Bidco has received an irrevocable undertaking to vote (or procure the voting) in favour of the Scheme at the Court Meeting and in favour of the Resolutions to be proposed at the General Meeting (or, in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Offer) from funds and entities managed by Anchorage Capital in respect of a total of 91,740,467 McCarthy & Stone Shares representing approximately 17.1 per cent. of the issued share capital of McCarthy & Stone.

Bidco has also received irrevocable undertakings to vote (or procure the voting) in favour of the Scheme at the Court Meeting and in favour of the Resolutions to be proposed at the General Meeting (or, in the event that the Offer is implemented by way of a Takeover Offer, to accept or procure acceptance of the Offer) from each of the McCarthy & Stone Directors who hold McCarthy & Stone Shares, amounting in aggregate to 902,565 McCarthy & Stone Shares, representing approximately 0.2 per cent. of the issued share capital of McCarthy & Stone.

Therefore, Bidco has received irrevocable undertakings in respect of, in aggregate, 92,643,032 McCarthy & Stone Shares representing approximately 17.2 per cent. of the issued share capital of McCarthy & Stone

Further details of these irrevocable undertakings are set out in Appendix III to this Announcement.

## **7 Information on Lone Star and Bidco**

### ***Lone Star***

Lone Star is a leading private equity firm that invests globally in real estate, public and private equity, credit and other financial assets. Since the establishment of Lone Star's first fund in 1995, private equity funds formed by the principals of Lone Star, including Lone Star

Real Estate Fund VI, (together the "LS Funds") have successfully raised aggregate capital commitments totalling approximately USD85 billion and closed or committed to close approximately 520 investments in more than 1,800 transactions. Lone Star Real Estate Fund VI was formed in April 2019 and held its final closing in June 2019, with approximately USD4.6 billion in capital commitments. Transactions targeted by Lone Star Real Estate Fund VI include investments in Europe, Asia Pacific, North America and Latin America in opportunistic commercial real estate investments.

### ***Bidco***

Bidco is a company incorporated under the laws of Jersey and is a wholly-owned indirect subsidiary of Lone Star Real Estate Fund VI. Bidco has not traded since the date of its incorporation.

## **8 Information on McCarthy & Stone**

McCarthy & Stone is a leading developer and manager of retirement communities in the UK, with a significant market share. The Group buys land and then builds, sells and manages high-quality retirement developments. It has built and sold more than 58,000 properties across more than 1,300 retirement developments since 1977 and is renowned for its focus on the needs of those in later life.

McCarthy & Stone has two main product ranges - Retirement Living and Retirement Living PLUS - which provide mainly one and two-bedroom apartments across the country with varying levels of support and care for older people. Retirement Living developments provide independence in private apartments designed specifically for the over-60s, as well as facilities such as communal lounges and guest suites that support companionship. Retirement Living PLUS developments, which are designed specifically for the over-70s, offer all of this plus more on-site facilities such as restaurants, well-being suites and function rooms. Importantly, they also provide on-site flexible care and support packages to assist those needing additional help.

All developments built since 2010 are managed by the company's in-house management services team, providing peace of mind that it will look after customers and their properties over the long term. This is a key part of how McCarthy & Stone seeks to enrich its customers' lives. This commitment to quality and customer service continues to be recognised by residents. In March 2020, the Group received the full five star rating for customer satisfaction from the Home Builders Federation for the fifteenth consecutive year - making it the only UK developer, of any size or type, to achieve this accolade.

For further information, please visit [www.mccarthyandstone.co.uk](http://www.mccarthyandstone.co.uk).

## **9 Directors, management, employees, pensions, research and development and locations of business**

### ***Strategic plans for the McCarthy & Stone Group***

Bidco recognises the contribution McCarthy & Stone's management team and employees have made to development of the retirement housing market in the UK to date and intends to support them in facilitating the growth of the market going forward.

Following the Acquisition becoming Effective, Bidco does not intend to make any material restructurings or changes in location of McCarthy & Stone's headquarters and headquarters functions, operations and places of business. In addition, no changes are expected with respect to the redeployment of McCarthy & Stone's fixed asset base.

The unknown duration and extent of the macro and micro economic consequences of the COVID-19 pandemic and the steps taken by the UK and other governments to address health risks present a material risk. It should be noted that the current pandemic may impact McCarthy & Stone and/or Bidco's view on near-term operational execution and decision-making, and therefore McCarthy & Stone and/or Bidco may need to be agile to adapt to the impact of the pandemic.

### ***Employees and management***

Bidco confirms that, following the Acquisition becoming Effective, the existing contractual and statutory rights and terms and conditions of employment, including in relation to pensions, of the management and employees of the McCarthy & Stone Group will be fully safeguarded in accordance with applicable law.

Save as set out below, Bidco has no intention to make any changes to the continued employment of the employees or management of the McCarthy & Stone Group, including any material change to the conditions of employment of the McCarthy & Stone Group employees, or in the balance of the skills and functions of the employees and management of the McCarthy & Stone Group.

Following the Acquisition becoming Effective, Bidco intends to put in place incentivisation arrangements for certain managers and/or employees of McCarthy & Stone. However, Bidco has not entered into, and has not had discussions on proposals to enter into, any form of incentivisation arrangement with any member of McCarthy & Stone's management or with any McCarthy & Stone employee, nor will it enter into any such discussions prior to the completion of the Acquisition.

Once McCarthy & Stone ceases to be a listed company, certain corporate and support functions will be reduced in scope or not be needed, which will potentially require reduced headcount in these areas. Bidco has not yet developed proposals as to how any such headcount reductions could be implemented. Any individuals affected will be treated in a manner consistent with the high standards, culture and practices of McCarthy & Stone.

Bidco expects that McCarthy & Stone's non-executive directors will resign from the board of McCarthy & Stone upon the Acquisition becoming Effective, unless agreed otherwise with Bidco.

McCarthy & Stone has also stated its intention to put in place retention arrangements for certain of its employees, under which it is expected that it will make additional cash retention awards in an aggregate amount of up to Â£1 million to employees whose retention is considered by McCarthy & Stone to be critical for achieving the successful completion of the Acquisition and business continuity throughout the period up to the Effective Date.

### ***Research and Development***

McCarthy & Stone does not currently have a research and development function and Bidco has no plans in this regard.

### ***Pension Schemes***

No member of the Wider McCarthy & Stone Group participates in any defined benefit pension schemes.

### ***Trading Facilities***

McCarthy & Stone is currently admitted to listing on the Official List and to trading on the London Stock Exchange. It is intended that requests will be made to the FCA to cancel the listing of the McCarthy & Stone Shares on the Official List and to the London Stock Exchange to cancel trading in McCarthy & Stone Shares on the London Stock Exchange's main market for listed securities. It is further intended that McCarthy & Stone will be re-registered as a private company.

### ***Post-offer Undertakings***

No statements in this paragraph 9 are "post-offer undertakings" for the purposes of Rule 19.5 of the Code.

### ***Views of the McCarthy & Stone Directors***

In considering the recommendation of the Acquisition to McCarthy & Stone Shareholders, the McCarthy & Stone Directors have given due consideration to Bidco's intentions for the business, management, employees and locations of business of McCarthy & Stone.

The McCarthy & Stone Directors welcome Bidco's intention that, following completion of the Acquisition, the existing contractual and statutory employment rights, including in relation to pensions, of all McCarthy & Stone management and employees will be fully safeguarded in accordance with applicable law. The McCarthy & Stone Directors also welcome the confirmation from Bidco that it does not intend to make any changes to the continued employment of the employees or management of the McCarthy & Stone Group (save as noted above), carry out any material restructurings or make any changes in location of McCarthy & Stone's headquarters and headquarters functions, operations and places of

business, and that no changes are expected with respect to the redeployment of McCarthy & Stone's fixed asset base.

## **10 McCarthy & Stone Share Plans**

Participants in the McCarthy & Stone Share Plans will be contacted regarding the effect of the Acquisition on their rights under the McCarthy & Stone Share Plans and an appropriate offer will be made to such participants which reflects their rights under the McCarthy & Stone Share Plans in due course. Further details of the terms of such proposals will be included in the Scheme Document and separate proposal documentation.

## **11 Financing**

The cash consideration payable by Bidco pursuant to the Acquisition will be funded through an equity commitment letter from equity financing drawn down by Lone Star Real Estate Fund VI.

Further information regarding these arrangements will be included in the Scheme Document.

Moelis & Company, in its capacity as lead financial adviser to Bidco, is satisfied that sufficient financial resources are available to Bidco to enable Bidco to satisfy in full the cash consideration payable to McCarthy & Stone Shareholders under the terms of the Acquisition.

## **12 Offer-related Arrangements**

### ***Confidentiality Agreement***

McCarthy & Stone and Lone Star Fund XI Acquisitions, LLC ("**Lone Star Acquisitions**"), an affiliate of Lone Star Real Estate Fund VI, entered into a confidentiality agreement on 30 July 2020 (the "**Confidentiality Agreement**") pursuant to which Lone Star Acquisitions undertook to hold certain confidential information relating to the Acquisition and/or the McCarthy & Stone Group, its business, assets, affairs, employees, customers and suppliers, together with certain secondary information, in strict confidence, not to disclose that confidential information to third parties (with certain exceptions), and to use such information solely for the agreed purposes in relation to the Acquisition. The confidentiality obligations will continue for a period of 18 months from the date of the Confidentiality Agreement, whether or not the Acquisition is implemented.

Under the Confidentiality Agreement, neither Lone Star Acquisitions nor any of its connected persons will, during the period of one year from the date on which confidential information is returned or destroyed in accordance with the terms of the Confidentiality Agreement, solicit for employment or employ certain persons who, as at the date of the Confidentiality Agreement, comprise senior or key employees of the McCarthy & Stone Group, subject to customary exclusions such as in respect of unsolicited approaches at the instigation of the relevant senior or key employee, or responses to general adverts by a senior or key employee.

### ***Co-operation Agreement***

Pursuant to the Co-operation Agreement dated 23 October 2020, Bidco and McCarthy & Stone have agreed to co-operate with regard to obtaining regulatory clearances, and Bidco and Lone Star Real Estate Fund VI have given certain commitments in relation to obtaining such clearances. Bidco has also agreed to provide McCarthy & Stone with such information, assistance and access as may reasonably be required for the preparation of the Scheme Document.

The Co-operation Agreement records Bidco and McCarthy & Stone's intention to implement the Acquisition by way of a Scheme, subject to the ability of Bidco to implement the Acquisition by way of a Takeover Offer in the circumstances described in the Co-operation Agreement. Bidco and McCarthy & Stone have agreed that where McCarthy & Stone consents to Bidco implementing the Acquisition by way of a Takeover Offer, the acceptance condition to the Takeover Offer shall be set at not more than 75 per cent. of the McCarthy & Stone Shares to which the Takeover Offer relates. The Co-operation Agreement contains provisions in relation to the McCarthy & Stone Share Plans and the treatment of employees as summarised in section 9 above.

The Co-operation Agreement will terminate in certain circumstances, including:

- if Bidco and McCarthy & Stone agree in writing;
- upon service of written notice by Bidco or McCarthy & Stone if: (a) McCarthy & Stone makes an announcement before publication of the Scheme Document that: (i) the board of directors of McCarthy & Stone no longer intend to make the McCarthy & Stone Recommendation, intend adversely to modify or qualify such recommendation, or intend to recommend that McCarthy & Stone Shareholders accept or vote in favour of a competing transaction; (ii) McCarthy & Stone will not convene the Court Meeting or the General Meeting; or (iii) McCarthy & Stone intends not to post the Scheme Document or other document convening the General Meeting; (b) the Scheme Document does not contain the McCarthy & Stone Recommendation; (c) the board of directors of McCarthy & Stone withdraw, adversely qualify or modify the McCarthy & Stone Recommendation; or (d) the board of directors of McCarthy & Stone recommends that McCarthy & Stone Shareholders accept or vote in favour of a competing transaction;
- unless otherwise agreed between Bidco and McCarthy & Stone, if the Effective Date has not occurred on or before the Long Stop Date;
- if any Condition has been invoked by Bidco, with the consent of the Panel, and the Scheme has been withdrawn (otherwise than as a result of an Agreed Switch) or, following an Agreed Switch, the Offer lapses; or
- if a competing transaction completes, becomes effective or becomes unconditional in all respects.

### **13 Structure of the Acquisition**

It is intended that the Acquisition will be effected by means of a Court-approved scheme of arrangement between McCarthy & Stone and Scheme Shareholders under Part 26 of the Companies Act. Bidco reserves the right to elect to implement the Acquisition by way of a Takeover Offer (with the consent of the Panel and subject to the terms of the Co-operation Agreement).

The purpose of the Scheme is to provide for Bidco to become the holder of the entire issued and to be issued share capital of McCarthy & Stone.

The Scheme is an arrangement between McCarthy & Stone and the Scheme Shareholders pursuant to which the Scheme Shares will be transferred to Bidco in consideration for which the Scheme Shareholders will receive cash consideration on the basis set out in paragraph 2 above.

In order to become Effective, the Scheme must be approved by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Court Meeting, either in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares voted by such holders. In addition, a special resolution must be passed at the General Meeting to approve amendments to McCarthy & Stone's articles of association to ensure that, if the Scheme is approved at the Court Meeting, any McCarthy & Stone Shares issued after the Scheme Record Time will be automatically acquired by Bidco on the same terms as under the Scheme, which requires the approval of McCarthy & Stone Shareholders representing at least 75 per cent. of the votes validly cast at the General Meeting (either in person or by proxy). The General Meeting will be held immediately after the Court Meeting.

Once the necessary approvals have been obtained at the Meetings, and the other Conditions (save for the Condition set out at paragraph 2(c) of Part A of Appendix I) have been satisfied or (where applicable) waived, the Scheme must be sanctioned by the Court. The Scheme will only become Effective once a copy of the Court Order is delivered to the Registrar of Companies.

Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Meetings (and if they attended and voted, whether or not they voted in favour). Subject to the satisfaction or (where applicable) waiver of the Conditions, the Scheme is expected to become Effective in the first quarter of 2021.

The Acquisition will lapse if the Scheme does not become Effective on or before the Long Stop Date.



The cash consideration in respect of the Acquisition will be despatched by Bidco to Scheme Shareholders no later than 14 days after the Effective Date. Share certificates in respect of McCarthy & Stone Shares will cease to be valid and entitlements to McCarthy & Stone Shares held within the CREST system will be cancelled

Further details of the Scheme, including an indicative timetable for its implementation and the necessary action to be taken by McCarthy & Stone Shareholders, will be set out in the Scheme Document, which is expected to be dispatched to McCarthy & Stone Shareholders as soon as reasonably practicable and, in any event, within 28 days of the date of this Announcement (or such later date as may be agreed with the Panel).

If the Scheme does not become Effective on or before the Long Stop Date, it will lapse and the Acquisition will not proceed (unless the Panel otherwise consents).

The Scheme will be governed by English law and will be subject to the jurisdiction of the Court and the applicable requirements of the Code, the Panel, the London Stock Exchange and the FCA.

## **14 Conditions**

In addition to the requirements described in paragraph 13 above, the Acquisition will be subject to the Conditions and further terms set out below and in Appendix I to this Announcement and to be set out in the Scheme Document, including, amongst other things:

- ✎• the satisfaction or waiver of the EU Anti-trust Condition;
- ✎• the approval of the Scheme by a majority in number of the Scheme Shareholders, representing not less than 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders, present and voting, either in person or by proxy, at the Court Meeting or at any adjournment thereof on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and McCarthy & Stone and the Court may allow);
- ✎• the passing of the resolutions relating to the Scheme by the requisite majority at the General Meeting to be held on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and McCarthy & Stone and the Court may allow);
- ✎• sanction of the Scheme on or before the 22nd day after the expected date of the Scheme Sanction Hearing to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and McCarthy & Stone and the Court may allow); and
- ✎• the Scheme becoming Effective by the Long Stop Date.

## **15 De-listing and re-registration**

Prior to the Scheme becoming Effective, it is intended that McCarthy & Stone will make an application to the FCA for the cancellation of the listing of McCarthy & Stone Shares on the Official List and to the London Stock Exchange for the cancellation of trading of McCarthy & Stone Shares on its Main Market for listed securities, in each case to take effect from or shortly after the Effective Date.

The last day of dealings in McCarthy & Stone Shares on the Main Market of the London Stock Exchange is expected to be the Business Day immediately prior to the Effective Date and it is currently intended that no transfers will be registered after 6.00 p.m. on that date.

On the Effective Date, share certificates in respect of McCarthy & Stone Shares will cease to be valid and should be destroyed. In addition, entitlements to McCarthy & Stone Shares held within the CREST system will be cancelled.

It is also proposed that, following the Effective Date and after its shares are delisted, McCarthy & Stone will be re-registered as a private limited company.

## **16 Disclosure of interests in McCarthy & Stone Shares**

As at the close of business on 22 October 2020, being the last practicable date before the date of this Announcement, neither Bidco, its directors, nor, so far as Bidco is aware, any person acting in concert (within the meaning of the Code) with it: (i) has any interest in or right to subscribe for any relevant securities of McCarthy & Stone; (ii) has any short positions in respect of relevant securities of McCarthy & Stone (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; (iii) has borrowed or lent any relevant securities of McCarthy & Stone (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code) save for any borrowed shares which have been either on-lent or resold, or (iv) is a party to any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Code.

It has not been practicable for Bidco to make enquiries of all of its concert parties in advance of the release of this Announcement. Therefore, if Bidco becomes aware, following the making of such enquiries, that any of its concert parties have any such interests in relevant securities of McCarthy & Stone, all relevant details in respect of Bidco's concert parties will be included in Bidco's Opening Position Disclosure in accordance with Rule 8.1(a) and Note 2(a)(i) on Rule 8 of the Code which must, unless there are no such interests of which Bidco is aware, be made on or before 12 noon on the date falling 10 Business Days after the date of this Announcement.

## **17 Dividends**

If any dividend, other distribution or return of capital, is announced, declared, made, payable or is paid in respect of McCarthy & Stone Shares on or after the date of this Announcement and with a record date prior to the Effective Date, Bidco reserves the right to reduce the consideration payable in respect of each McCarthy & Stone Share by the amount of all or part of any such dividend, other distribution or return of capital, except where McCarthy & Stone Shares are or will be acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, other distribution or return of capital and retain it. If Bidco exercises this right or makes such a reduction in respect of a dividend, other distribution or return of capital, McCarthy & Stone Shareholders will be entitled to receive and retain that dividend, other distribution or return of capital.

## **18 Overseas Shareholders**

The availability of the Acquisition and the distribution of this Announcement to persons not resident in the United Kingdom may be affected by the laws and regulations of the relevant jurisdiction. Such persons should inform themselves about, and observe, any applicable legal or regulatory requirements. McCarthy & Stone Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. McCarthy & Stone Shareholders are advised to read carefully the Scheme Document and the forms of proxy once these have been dispatched.

## **19 General**

Bidco reserves the right, subject to the prior consent of the Panel and subject to the terms of the Co-operation Agreement, to elect to implement the Acquisition by way of a Takeover Offer for the entire issued and to be issued share capital of McCarthy & Stone not already held by Bidco, as an alternative to the Scheme. In such an event, such Takeover Offer will be implemented on the same terms (subject to appropriate amendments as described in Part B of Appendix I), so far as applicable, as those which would apply to the Scheme.

If the Acquisition is effected by way of a Takeover Offer and such offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily the remaining McCarthy & Stone Shares in respect of which the Takeover Offer has not been accepted on the same terms as the Takeover Offer.

Investors should be aware that Bidco may purchase McCarthy & Stone Shares otherwise than under any Takeover Offer or scheme of arrangement relating to the Acquisition, such as in open market or privately negotiated purchases.

This Announcement does not constitute an offer or an invitation to purchase or subscribe for any securities.

In deciding whether or not to vote or procure votes in favour of the resolutions relating to the Scheme at the Meetings in respect of their McCarthy & Stone Shares, McCarthy & Stone Shareholders should rely on the information contained, and follow the procedures described, in the Scheme Document.

Moelis & Company, Goldman Sachs, Rothschild & Co, Deutsche Bank and Peel Hunt have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their respective names, in each case, in the form and context in which they appear.

## **20 Documents available on website**

Copies of the following documents will be made available on both McCarthy & Stone's website at [www.mccarthyandstonegroup.co.uk](http://www.mccarthyandstonegroup.co.uk) and Bidco's website at <http://www.lsrefvimastiff.com/> by no later than 12 noon on the Business Day following the date of this Announcement until the end of the Offer Period:

- ✎ the Confidentiality Agreement;
- ✎ the Co-operation Agreement;
- ✎ documents relating to the financing of the Acquisition and to the refinancing of McCarthy & Stone's existing financing facilities;
- ✎ the irrevocable undertakings described in paragraph 6 above; and
- ✎ a copy of this Announcement.

The bases and sources of certain financial information contained in this Announcement are set out in Appendix II to this Announcement. Certain terms used in this Announcement are defined in Appendix IV to this Announcement.

### **Enquiries:**

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Weil, Gotshal & Manges (London) LLP is providing legal advice to Bidco and Lone Star. Allen & Overy LLP is providing legal advice to McCarthy & Stone.

***Important notices***

*Rothschild & Co, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for McCarthy & Stone and for no one else in connection with the matters set out in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than McCarthy & Stone for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matter or arrangement referred to in this Announcement.*

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nor any of its or their respective directors, officers or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Deutsche Bank in connection with this Announcement, any statement contained herein, or otherwise.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for McCarthy & Stone and for no-one else in connection with the matters described in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than McCarthy & Stone for providing the protections afforded to clients of Peel Hunt LLP nor for providing advice in relation to matters described in this Announcement.

Moelis & Company, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Lone Star and Bidco and for no one else in connection with the matters described in this Announcement and will not be responsible to anyone other than Lone Star and Bidco for providing the protections afforded to clients of Moelis & Company nor for providing advice in connection with the matters referred to herein. Neither Moelis & Company nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Moelis & Company in connection with this Announcement, any statement contained herein or otherwise.

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### **Further information**

This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation, inducement or the solicitation of an offer to buy, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of or exercise rights in respect of any securities, or the solicitation of any vote or approval of an offer to buy securities in any jurisdiction, pursuant to the Acquisition or otherwise, nor shall there be any purchase, sale, issuance or transfer of securities or such solicitation in any jurisdiction in contravention of the laws of such jurisdiction. The Acquisition will be made implemented solely pursuant to the terms set out in the Scheme Document (or, in the event that the Acquisition is to be implemented by means of a Takeover Offer, the Offer Document), which, together with the Forms of Proxy, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

McCarthy & Stone and Bidco urge McCarthy & Stone Shareholders to read the Scheme Document (including the related Forms of Proxy) (and/or, in the event that the Offer is to be implemented by way of a Takeover Offer, the Offer Document) when it becomes available because it will contain important information relating to the Acquisition. Any decision to vote in respect of the Resolutions to be proposed at the General Meeting or the Scheme at the Court Meeting, and any decision in respect of the Scheme should be made only on the basis of information contained in the Scheme Document (and/or, in the event that the Acquisition is to be implemented by way of a Takeover Offer, the Offer Document).

Each McCarthy & Stone Shareholder is advised to consult its independent professional adviser regarding the tax consequences to it (or to its beneficial owners) of the Acquisition.

### **Overseas Shareholders**

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements. In particular, the ability of persons who are not resident in the United

Kingdom or who are subject to the laws of another jurisdiction to participate in the Acquisition or to vote their McCarthy & Stone Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Further details in relation to Overseas Shareholders will be contained in the Scheme Document. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

The Acquisition relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. Neither the US proxy solicitation rules nor the tender offer rules under the US Exchange Act apply to the Acquisition. Accordingly, the Acquisition is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Bidco were to elect to implement the Acquisition by means of a Takeover Offer, such Takeover Offer would be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a takeover would be made in the United States by Bidco and no one else. In addition to any such Takeover Offer, Lone Star, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in McCarthy & Stone outside such Takeover Offer before or during the period in which such Takeover Offer would remain open for acceptance. In accordance with normal United Kingdom practice and pursuant to Rule 14e-5(b) of the US Exchange Act, if such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the United Kingdom and will be reported to the Regulatory News Service of the London Stock Exchange.

In addition, any such Takeover Offer would be subject to UK disclosure requirements, which are different from certain United States disclosure requirements. Furthermore, the payment and settlement procedure with respect to any Takeover Offer will comply with the relevant United Kingdom rules, which differ from US payment and settlement procedures, particularly with regard to the date of payment of consideration.

None of the securities referred to in this Announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Announcement or disapproved or passed judgment upon the fairness or the merits of the Acquisition. Any representation to the contrary is a criminal offence in the United States.

McCarthy & Stone's financial statements, and all financial information that is included in this Announcement, or that may be included in the Scheme Document, have been prepared in accordance with international financial reporting standards and may not be comparable to financial statements of companies in the United States or other companies whose financial statements are prepared in accordance with US generally accepted accounting principles.

Unless otherwise determined by Bidco or required by the Code and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must observe these restrictions and must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The Acquisition will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the FCA.

### **Forward looking statements**

This Announcement contains statements about Bidco and the McCarthy & Stone Group that are or may be forward looking statements. All statements, including the expected timing and scope of the Acquisition, other than statements of historical or current facts included in this Announcement, may be forward looking statements. Without limitation, statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "would", "could", "anticipates", "estimates", "projects", "strategy", "goal", "hope" or "continue" or words or terms of similar substance or the negative thereof are often forward looking statements. Forward looking statements may include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the McCarthy & Stone Group's operations; and (iii) the effects of government regulation on the McCarthy & Stone Group's business.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Such forward looking statements are not guarantees of future performance. By their nature, because they relate to events and depend on circumstances that will occur in the future, such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results and developments to differ materially from those projected or implied in any forward looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Acquisition, as well as additional factors, such as changes in political and economic conditions, changes in the level of capital investment, retention of key employees, changes in customer habits, success of business and operating initiatives and restructuring objectives, impact of any acquisitions or similar transactions, changes in customers' strategies and stability, competitive product and pricing measures, changes in the regulatory environment, fluctuations or interest and exchange rates, the outcome of any litigation, the COVID-19 pandemic, and/or any other epidemic, pandemic or disease outbreak. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, (which speak only as of the date hereof) and neither Bidco nor any member of the McCarthy & Stone Group (nor any of their respective directors, officers, employees or advisers) provides any representation, assurance or guarantee that the occurrence of the events expressed or implied by the forward looking statements will actually occur. No forward-looking or other statements have been reviewed by the auditors of Bidco or McCarthy & Stone. Further, neither Bidco nor any member of the McCarthy & Stone Group or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise any forward looking or other statements contained herein, whether as a result of new information, future events or otherwise, except as required by applicable law.

All subsequent oral or written forward looking statements attributable to Bidco or McCarthy & Stone or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

All subsequent oral or written forward looking statements attributable to any member of the Wider Bidco Group or Wider McCarthy & Stone Group, or any of their respective directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

### **No profit forecasts or profit estimates**

No statement in this Announcement is intended as a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that cash flow from operations, income of persons (where relevant), earnings or earnings per share or dividend per share for McCarthy & Stone for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, income of persons (where relevant), earnings or earnings per share or dividend for McCarthy & Stone.

### **Dealing and Opening Position Disclosure Requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offerors, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Information relating to McCarthy & Stone Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by McCarthy & Stone Shareholders, persons with information rights and other relevant persons for the receipt of communications from McCarthy & Stone may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 to the Code.

### **Rule 2.9 of the Code**

For the purposes of Rule 2.9 of the Code, McCarthy & Stone confirms that, as at 22 October 2020 (being the last Business Day prior to the date of this Announcement), it had 537,766,920 ordinary shares of 8 pence each in issue and admitted to trading on the London Stock Exchange. The International Securities Identification Number for McCarthy & Stone Shares is GB00BYNVD082.

### **Publication on website and hard copies**

This Announcement and the documents required to be published pursuant to Rule 26.1 of the Code will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on McCarthy & Stone's website at [www.mccarthyandstonegroup.co.uk](http://www.mccarthyandstonegroup.co.uk) and on Bidco's website at <http://www.lsrefvimastiff.com/> by no later than 12 noon on the Business Day following the date of this Announcement.



Neither the content of any website referred to in this Announcement nor the content of any website accessible from hyperlinks is incorporated into, or forms part of, this Announcement.

McCarthy & Stone Shareholders may request a hard copy of this Announcement (and any information incorporated by reference in this Announcement) by writing to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by calling Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. It is important that you note that unless you make such a request, a hard copy of this Announcement and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form. If a McCarthy & Stone Shareholder has received this Announcement in electronic form, hard copies of this Announcement and any document or information incorporated by reference into this Announcement will not be provided unless such a request is made.

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

### **Rounding**

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## **APPENDIX I**

### **CONDITIONS AND FURTHER TERMS OF THE OFFER**

#### **Part A: Conditions to the Scheme and the Acquisition**

- 1 The Acquisition will be conditional upon the Scheme becoming unconditional and Effective, subject to the Code, by not later than 11.59 p.m. on the Long Stop Date.

#### **Scheme Conditions**

- 2 The Scheme will be conditional upon:

(a)

- (i) its approval by a majority in number representing not less than 75 per cent. in value of Scheme Shareholders present, entitled to vote and voting, whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court (or any adjournment thereof); and
- (ii) the Court Meeting, or any adjournment of any such meeting, being held on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and McCarthy & Stone (and, if required, that the Court may approve));

(b)

- (i) the resolutions required to implement the Scheme being duly passed by the requisite majorities at the General Meeting (or any adjournment thereof); and
- (ii) the General Meeting, or any adjournment of any such meeting, being held on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date as may be

agreed between Bidco and McCarthy & Stone (and, if required, that the Court may approve)); and

- (c)
  - (i) the sanction of the Scheme by the Court (with or without modification (but subject to such modification being acceptable to Bidco and McCarthy & Stone)); and
  - (ii) the Scheme Sanction Hearing being held on or before the 22nd day after the expected date of the Scheme Sanction Hearing (or such later date as may be agreed between Bidco and McCarthy & Stone (and, if required, that the Court may approve)).

### **General Conditions**

- 3 In addition, subject to Part B of this Appendix I and to the requirements of the Panel, the Acquisition will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless such Conditions (as amended, if appropriate) have been satisfied or, where relevant, waived prior to the Scheme being sanctioned by the Court:

### **Merger Clearances**

- (a) insofar as the Acquisition constitutes, or is deemed to constitute, a concentration with an EU dimension within the scope of the EU Merger Regulation:
  - (i) the European Commission granting its approval, on terms reasonably satisfactory to Bidco, under Article 6(1)(b) of the EU Merger Regulation in respect of the Acquisition (or being deemed to have done so under Article 10(6) of the EU Merger Regulation) or referring the acquisition to one or more Member States;
  - (ii) no Member State having indicated that it may take appropriate measures to protect legitimate interests pursuant to Article 21(4) of the EU Merger Regulation in relation to the Acquisition or any aspect of it;

### ***Other Third Party clearances and Authorisations***

- (b) other than in relation to the Condition set out in paragraph 3(a) above, all material notifications, filings or applications which are necessary having been made in connection with the Acquisition and all necessary waiting periods (including any extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any relevant jurisdiction having been complied with in each case in respect of the Acquisition and all Authorisations deemed reasonably necessary by Bidco in any jurisdiction and, except pursuant to Chapter 3 of Part 28 of the Companies Act, in respect of the Acquisition having been obtained from all appropriate Third Parties and all such Authorisations remaining in full force and effect at the time at which the Acquisition becomes otherwise wholly unconditional and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations, in each case in a way that would be materially adverse to the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition;
- (c) other than in relation to the Condition set out in paragraph 3(a) above, no Third Party having given notice of a decision to take, institute or implement any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to, in each case to an extent or in a manner which is materially adverse in the context of the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition:
  - (i) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider Bidco Group or by any member of the Wider McCarthy & Stone Group of all or any material part of

its businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their businesses (or any material part thereof) or to own, control or manage any of their assets or properties (or any part thereof);

- (ii) except pursuant to Chapter 3 of Part 28 of the Companies Act, require any member of the Wider Bidco Group or the Wider McCarthy & Stone Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider McCarthy & Stone Group or any asset owned by any Third Party (other than in the implementation of the Acquisition);
- (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Bidco Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in McCarthy & Stone or on the ability of any member of the Wider McCarthy & Stone Group or any member of the Wider Bidco Group directly or indirectly to hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider McCarthy & Stone Group;
- (iv) otherwise materially and adversely affect any or all of the business, assets, or profits or prospects of any member of the Wider McCarthy & Stone Group or any member of the Wider Bidco Group;
- (v) result in any member of the Wider McCarthy & Stone Group or any member of the Wider Bidco Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vi) make the Acquisition or its implementation void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, materially prevent or prohibit, restrict, restrain, or delay to a material extent or otherwise materially interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge, impede, interfere or require material amendment of the Acquisition;
- (vii) require, prevent or materially delay a divestiture by any member of the Wider Bidco Group of any shares or other securities (or the equivalent) in any member of the Wider McCarthy & Stone Group or any member of the Wider Bidco Group; or
- (viii) impose any material limitation on the ability of any member of the Wider Bidco Group or any member of the Wider McCarthy & Stone Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider Bidco Group and/or the Wider McCarthy & Stone Group,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, institute or implement any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Acquisition or the acquisition or proposed acquisition of any McCarthy & Stone Shares or otherwise intervene having expired, lapsed or been terminated;

***Certain matters arising as a result of any arrangement, agreement, etc.***

- (d) except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Wider McCarthy & Stone Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Acquisition would result in, in each case to an extent which is material in the context of the Wider McCarthy & Stone Group taken as a whole or is materially adverse in the context of the Acquisition:
  - (i) any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Wider McCarthy & Stone Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated matu

rity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;

- (ii) the creation, save in the ordinary and usual course of business, or enforcement of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Wider McCarthy & Stone Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
- (iii) any such arrangement, agreement, lease, licence, franchise, permit or other instrument being terminated or the rights, liabilities, obligations or interests of any member of the Wider McCarthy & Stone Group being materially and adversely modified or materially and adversely affected or any material obligation or liability arising or any materially adverse action being taken or arising thereunder;
- (iv) any liability of any member of the Wider McCarthy & Stone Group to make any severance, termination, bonus or other payment to any of its directors or other officers;
- (v) the rights, liabilities, obligations, interests or business of any member of the Wider McCarthy & Stone Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider McCarthy & Stone Group in or with any other person or body or firm or company (or any agreement or arrangement relating to any such interests or business) being or becoming capable of being terminated or materially and adversely modified or affected, or any onerous obligation or material liability arising or any materially adverse action being taken there under;
- (vi) any member of the Wider McCarthy & Stone Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vii) the value of, or the financial or trading position or prospects of, any member of the Wider McCarthy & Stone Group being materially prejudiced or materially and adversely affected; or
- (viii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider McCarthy & Stone Group other than trade creditors or other liabilities incurred in the ordinary course of business or in connection with the Acquisition,

and, except as Disclosed, no

event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider McCarthy & Stone Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would result in any of the events or circumstances as are referred to in Conditions (d)(i) to (viii), in each case to an extent which is materially adverse in the context of the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition;

***Certain events occurring since 31 October 2019***

- (e) except as Disclosed, no member of the Wider McCarthy & Stone Group having since 31 October 2019:
  - (i) except for shares issued pursuant to existing awards under the McCarthy & Stone Share Plans, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue, of additional shares

of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of McCarthy & Stone Shares out of treasury (except, where relevant, as between McCarthy & Stone and wholly-owned subsidiaries of McCarthy & Stone or between the wholly-owned subsidiaries of McCarthy & Stone and except for the issue or transfer out of treasury of McCarthy & Stone Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the McCarthy & Stone Share Plans);

- (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, return of capital, dividend or other distribution (whether payable in cash or otherwise) other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly owned subsidiary of McCarthy & Stone to McCarthy & Stone or any of its wholly owned subsidiaries;
- (iii) other than pursuant to the Acquisition (and except for transactions between McCarthy & Stone and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of McCarthy & Stone and transactions in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any material merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings, in each case to an extent which is material in the context of the Wider McCarthy & Stone Group taken as a whole;
- (iv) (except for transactions between McCarthy & Stone and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of McCarthy & Stone and except for transactions in the ordinary course of business) disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any material asset or authorised, proposed or announced any intention to do so;
- (v) (except for transactions between McCarthy & Stone and its wholly-owned subsidiaries or between the wholly owned subsidiaries of McCarthy & Stone) issued, authorised or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness (in each case, to an extent which is or would be material in the context of the Wider McCarthy & Stone Group taken as a whole);
- (vi) entered into or varied or authorised, proposed or announced its intention to enter into or vary any material contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) except in the ordinary course of business which is of a long term, unusual or onerous nature or magnitude or which is or which involves or could involve an obligation of a nature or magnitude which is materially restrictive on the business of any member of the Wider McCarthy & Stone Group;
- (vii) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary to a material extent the terms of, any contract, service agreement, commitment or arrangement with any director or senior executive of any member of the Wider McCarthy & Stone Group except for, in each case, salary increases, bonuses or variations of terms consistent with past practice or as contemplated in the Co-operation Agreement;
- (viii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider McCarthy & Stone Group, other than as contemplated in the Co-operation Agreement;
- (ix) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, except in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;

- (x) (except in the ordinary course of business) waived, compromised or settled any material claim;
- (xi) terminated or varied the terms of any agreement or arrangement between any member of the Wider McCarthy & Stone Group and any other person in a manner which would have a material adverse effect on the financial position of the Wider McCarthy & Stone Group taken as a whole;
- (xii) (except as disclosed on publicly available registers) made any alteration to its memorandum or articles of association or other incorporation documents;
- (xiii) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to any material change to:
  - (A) the terms of the trust deeds and rules constituting the pension scheme(s) established by any member of the Wider McCarthy & Stone Group for its directors, employees or their dependants;
  - (B) the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable, thereunder;
  - (C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
  - (D) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made, agreed or consented to;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened in writing to stop or suspend) payment of its debts generally or ceased or threatened in writing to cease carrying on all or a substantial part of its business;
- (xv) (other than in respect of a member of the Wider McCarthy & Stone Group which is dormant and was solvent at the relevant time) taken or proposed any steps or corporate action or had any legal proceedings instituted or threatened in writing against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, manager, administrative receiver, trustee or similar officer of all or any material part of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xvi) (except for transactions between McCarthy & Stone and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of McCarthy & Stone), made, authorised, proposed or announced an intention to propose any change in its loan capital;
- (xvii) entered into, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities which would be restrictive on the business of the Wider McCarthy & Stone Group;
- (xviii) taken any action which required the approval of McCarthy & Stone Shareholders at a general meeting in accordance with Rule 21.2 of the Code; or
- (xix) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition (e),

which, in any such case, is material in the context of the Wider McCarthy & Stone Group taken as a whole;

***No adverse change, litigation, regulatory enquiry or similar***

- (f) except as Disclosed, since 31 October 2019, there having been:

- (i) no material adverse change, and no circumstance having arisen which would result in any material adverse change, in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider McCarthy & Stone Group which is material in the context of the Wider McCarthy & Stone Group taken as a whole;
- (ii) no material litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened in writing, announced or instituted by or against or remaining outstanding against or in respect of, any member of the Wider McCarthy & Stone Group or to which any member of the Wider McCarthy & Stone Group is or may become a party (whether as claimant, defendant or otherwise) which, in each case, would have a material adverse effect on the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition;
- (iii) no investigation by any Third Party against or in respect of any member of the Wider McCarthy & Stone Group having been threatened in writing, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider McCarthy & Stone Group, in each case which might reasonably be expected to have a material adverse effect on the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition;
- (iv) no material contingent or other liability having arisen or become apparent to Bidco or increased other than in the ordinary course of business which would adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider McCarthy & Stone Group to an extent which is material in the context of the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition; and
- (v) no steps having been taken and no omissions having been made which would result in the withdrawal, cancellation, termination or modification of any material licence held by any member of the Wider McCarthy & Stone Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which would have a material adverse effect on the Wider McCarthy & Stone Group taken as a whole or in the context of the Acquisition;

***No discovery of certain matters regarding information, liabilities and environmental issues***

- (g) except as Disclosed, Bidco not having discovered, in each case to an extent which is material in the context of the Wider McCarthy & Stone Group taken as a whole or materially adverse in the context of the Acquisition, that:
  - (i) any financial, business or other information concerning the Wider McCarthy & Stone Group publicly announced prior to the Announcement Date or disclosed at any time to any member of the Wider Bidco Group by or on behalf of any member of the Wider McCarthy & Stone Group prior to the Announcement Date is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading;
  - (ii) any member of the Wider McCarthy & Stone Group is, otherwise than in the ordinary course of business, subject to any liability, contingent or otherwise, which is material in the context of the Wider McCarthy & Stone Group taken as a whole;
  - (iii) any past or present member of the Wider McCarthy & Stone Group has not complied in any material respect with all applicable legislation, regulations or other requirements of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or to harm human health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would give rise to any material liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider McCarthy & Stone Group;

- (iv) there has been a material disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or to harm human health which (whether or not giving rise to non-compliance with any law or regulation), would give rise to any material liability (whether actual or contingent) on the part of any member of the Wider McCarthy & Stone Group;
- (v) there is any material obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider McCarthy & Stone Group (or on its behalf), or in which any such member has or previously has had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto; or
- (vi) circumstances exist (whether as a result of making the Acquisition or otherwise) which would lead to any Third Party instituting (or whereby any member of the Wider McCarthy & Stone Group would be required to institute), an environmental audit or take any steps which would in any such case result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or any asset now or previously owned, occupied or made use of by any past or present member of the Wider McCarthy & Stone Group (or on its behalf) or by any person for which a member of the Wider McCarthy & Stone Group is or has been responsible, or in which any such member has or previously has had or be deemed to have had an interest, which is material in the context of the Wider McCarthy & Stone Group taken as a whole;

***Anti-corruption, sanctions and criminal property***

- (h) except as Disclosed, Bidco not having discovered that:
  - (i) any member of the Wider McCarthy & Stone Group or any person that performs or has performed services for or on behalf of any such member is or has engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation;
  - (ii) any past or present member, director, officer or employee of the Wider McCarthy & Stone Group, or any other person for whom any such person may be liable or responsible, has, in a manner that would cause any member of the Wider McCarthy & Stone Group to be liable for such actions, engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US, UK, European Union, Channel Islands or Isle of Man persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by applicable US, UK, European Union, Channel Islands or Isle of Man laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the United Kingdom, the European Union or any of its Member States, the Channel Islands or the Isle of Man;
  - (iii) any asset of any member of the Wider McCarthy & Stone Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
  - (iv) a member of the Wider McCarthy & Stone Group has engaged in any transaction which would cause any member of the Wider Bidco Group to be in breach of applicable law or regulation upon its acquisition of McCarthy & Stone, including the economic sanctions of the United States Office of Foreign Assets



Control or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the United Kingdom, the European Union or any of its Member States, the Channel Islands or the Isle of Man.

## **Part B: Certain further terms of the Acquisition**

- 1** Subject to the requirements of the Panel, Bidco reserves the right to waive:
  - (a) the deadlines set out in the Conditions at paragraph 2(a)(ii), 2(b)(ii) and/or 2(c)(ii). If any such deadline is not met, Bidco will make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with McCarthy & Stone to extend the deadline in relation to the relevant Condition; and
  - (b) in whole or in part, all or any of the above Conditions set out in Part A above, except for the Conditions set out in paragraphs 1, 2(a)(i), 2(b)(i) and 2(c)(i) which cannot be waived.
- 2** The Acquisition will be subject to the satisfaction (or waiver, if permitted) of the Conditions in Part A above, and to certain further terms set out in this Part B, and to the full terms and conditions which will be set out in the Scheme Document.
- 3** If Bidco is required by the Panel to make an offer for McCarthy & Stone Shares under the provisions of Rule 9 of the Code, Bidco may make such alterations to any of the Conditions and terms of the Acquisition as are necessary to comply with the provisions of that Rule.
- 4** The Scheme will lapse if:
  - (a) in so far as the Acquisition constitutes, or is deemed to constitute, a concentration with a Community dimension within the scope of the EU Merger Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the EU Merger Regulation or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the EU Merger Regulation and there is then a CMA Phase 2 Reference; or
  - (b) the Acquisition becomes subject to a CMA Phase 2 Reference,in each case, before the date of the Court Meeting.
- 5** The Conditions set out in paragraphs 2 and 3 (inclusive) of Part A above must be fulfilled, or waived (to the extent capable of waiver) by, no later than the appointed time of the Scheme Sanction Hearing. The Acquisition will lapse if it does not become Effective by 11.59 p.m. on the Longstop Date. Bidco will be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions set out in paragraphs 3(a) to 3(h) of Part A of this Appendix I (inclusive) by a date earlier than the latest date for the fulfilment or waiver of that Condition specified above, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
- 6** The McCarthy & Stone Shares acquired under the Acquisition will be acquired fully paid and free from all liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, in each case, by reference to a record date falling on or after the Effective Date.
- 7** If any dividend, other distribution or return of capital is announced, declared, made, payable or is paid in respect of the McCarthy & Stone Shares on or after the date of this Announcement and with a record date prior to or on the Effective Date, Bidco reserves the right to reduce the consideration payable in respect of each McCarthy & Stone Share by the amount of all or part of any such dividend, other distribution or return of capital, except where McCarthy & Stone Shares are or will be acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, other distribution or return of capital and retain it. If Bidco exercises this right or makes such a reduction in respect of a dividend, other distribution or return of capital, McCarthy & Stone Shareholders will be entitled to

receive and retain that dividend, other distribution or return of capital. Any exercise by Bidco of its rights referred to in this paragraph 7 will be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition.

- 8 Bidco reserves the right to elect (with the consent of the Panel, and subject to the terms of the Co-operation Agreement) to implement the Acquisition by way of a Takeover Offer for the McCarthy & Stone Shares as an alternative to the Scheme. In such event, the Takeover Offer will be implemented on the same terms and conditions, so far as applicable, and subject to the terms of the Co-operation Agreement, as those which would apply to the Scheme, subject to appropriate amendments including, an acceptance condition set at a level of the McCarthy & Stone Shares to which such Takeover Offer relates as is permitted by the Panel and the Co-operation Agreement.
- 9 The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
- 10 Unless otherwise determined by Bidco or required by the Code, the Acquisition is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction.
- 11 The Acquisition is governed by the laws of England and Wales and is subject to the jurisdiction of the English courts and to the Conditions and further terms set out in this Appendix I and to be set out in the Scheme Document. The Acquisition is subject to the applicable requirements of the Code, the Panel, the Listing Rules, the London Stock Exchange and the FCA.
- 12 Under Rule 13.5(a) of the Code, Bidco may not invoke a Condition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition. Conditions 1 and 2 of Part A of this Appendix I are not subject to this provision of the Code.
- 13 Each of the Conditions is to be regarded as a separate Condition and shall not be limited by reference to any other Condition.

## **APPENDIX II**

### **SOURCES OF INFORMATION AND BASES OF CALCULATION**

- 1 Each of: (i) the value placed by the Acquisition on the existing issued share capital of McCarthy & Stone; and (ii) any stated percentages of the issued share capital of McCarthy & Stone, is based on 537,766,920 McCarthy & Stone Shares in issue on 22 October 2020, being the last Business Day prior to the date of this Announcement.
- 2 The value of the Acquisition on a fully diluted basis has been calculated on the basis of 537,766,920 McCarthy & Stone Shares in issue on 22 October 2020 (being the last Business Day prior to the date of this Announcement) and an additional 9,686,872 McCarthy & Stone Shares that may be issued pursuant to the McCarthy & Stone Share Plans. This additional number of McCarthy & Stone Shares has been calculated on the basis of the maximum number of McCarthy & Stone Shares that may be issued under the McCarthy & Stone Share Plans.
- 3 The Closing Price on 22 October 2020 is taken from the Daily Official List.
- 4 Volume-weighted average prices have been derived from Bloomberg and have been rounded to the nearest single decimal place.
- 5 Unless otherwise stated, the financial information relating to McCarthy & Stone is extracted or derived (without material adjustment) from the audited consolidated financial statements of McCarthy & Stone for the financial year ended 31 October 2019.

## **APPENDIX III**

## DETAILS OF IRREVOCABLE UNDERTAKINGS

### Irrevocable Undertakings given by McCarthy & Stone Directors

Name of McCarthy & Stone Director	Number of McCarthy & Stone Shares in respect of which undertaking is given	Percentage of McCarthy & Stone's issued share capital
John Tonkiss	578,763	0.1%
Michael Lloyd	143,166	0.0%
Frank Nelson	173,270	0.0%
Gillian Barr	7,366	0.0%

These McCarthy & Stone Directors have given irrevocable undertakings to vote in favour of the Scheme and the resolutions to be proposed at the General Meeting or, in the event the Acquisition is effected by way of a Takeover Offer, to accept or procure the acceptance of the Takeover Offer in accordance with the procedure set out in the relevant offer document containing such Takeover Offer.

These irrevocable undertakings cease to be binding: (i) where the Acquisition is to be implemented by way of the Scheme, if the Scheme does not become effective on or before the Long Stop Date, provided that the reason is not because Bidco has elected to proceed by way of a Takeover Offer, rather than the Scheme; (ii) where the Acquisition is to be implemented by way of a Takeover Offer, if the relevant offer document is not despatched to McCarthy & Stone Shareholders on or before the date falling 28 days after the date of the firm announcement of such Takeover Offer or such later time as may be agreed by the Panel; (iii) if the Acquisition, whether to be implemented as a Scheme or a Takeover Offer, lapses or is withdrawn and Bidco announces that it does not intend to proceed with the Acquisition; or (iv) if: (x) any other scheme of arrangement under section Part 26 or Part 26A of the Companies Act in respect of McCarthy & Stone becomes effective in accordance with its terms; or (y) any other offer made for the entire ordinary share capital of McCarthy & Stone becomes or is declared wholly unconditional.

Subject to the above, the terms of the irrevocable undertakings from each of the McCarthy & Stone Directors will continue to be binding in the event a higher competing offer is made for McCarthy & Stone.

### Further Irrevocable Undertaking

Funds and entities managed by Anchorage Capital have given an irrevocable undertaking in respect of 91,740,467 McCarthy & Stone Shares (representing approximately 17.1 per cent. of McCarthy & Stone's issued share capital as at 22 October 2020 (being the latest practicable date prior to the date of this Announcement)) to vote in favour of the Scheme and the resolutions to be proposed at the General Meeting or, in the event the Acquisition is effected by way of a Takeover Offer, to accept or procure the acceptance of the Takeover Offer in accordance with the procedure set out in the relevant offer document containing such Takeover Offer.

The irrevocable undertaking given by funds and entities managed by Anchorage Capital ceases to be binding: (i) where the Acquisition is implemented by way of a Scheme, the Scheme Document is not posted within 28 days of the date of this Announcement; (ii) where the Acquisition is to be implemented by way of the Scheme, if the Scheme does not become effective on or before 28 February 2021, provided that the reason is not because Bidco has elected to proceed by way of a Takeover Offer, rather than the Scheme; (iii) where the Acquisition is to be implemented by way of a Takeover Offer, if the relevant offer document is not despatched to McCarthy & Stone Shareholders on or before the date falling 28 days after the date of the firm announcement of such Takeover Offer; (iv) if the Offer or Scheme lapses or is withdrawn and Bidco announces that it no longer intends to make or proceed with the Acquisition; (v) if the Acquisition, whether to be implemented as a Scheme or a Takeover Offer, lapses or is withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Bidco, in accordance with the Code, within 10 Business Days of such lapsing or withdrawal; (vi) if a competing offer to acquire McCarthy & Stone is announced, however structured, under which the value of the consideration payable to McCarthy & Stone Shareholders for each McCarthy & Stone Share represents (in the sole discretion of Anchorage Capital, acting reasonably) at least 15 per cent. or more than that payable pursuant to the Acquisition; or (vii) if: (x) any other scheme

of arrangement under section Part 26 or Part 26A of the Companies Act in respect of McCarthy & Stone becomes effective in accordance with its terms; or (y) any other offer made for the entire ordinary share capital of McCarthy & Stone becomes or is declared wholly unconditional.

## APPENDIX IV

### DEFINITIONS

The following definitions apply throughout this Announcement unless the context requires otherwise:

<b>"Acquisition"</b>	the recommended cash offer by Bidco to acquire the entire issued and to be issued share capital of McCarthy & Stone to be effected by means of the Scheme (or by way of the Takeover Offer under certain circumstances described in this Announcement), and, where the context admits, any subsequent revision, variation, extension or renewal thereof;
<b>"Anchorage Capital"</b>	means Anchorage Capital Group, L.L.C.;
<b>"Announcement Date"</b>	23 October 2020;
<b>"Announcement"</b>	this announcement made in accordance with Rule 2.7 of the Code;
<b>"Authorisations"</b>	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals;
<b>"Bidco"</b>	Mastiff Bidco Limited, a company incorporated in Jersey (registered number 132525) whose registered office is at 44 Esplanade, St Helier, Jersey JE4 9WG;
<b>"Board of Directors", "Board" or "board"</b>	the board of directors of the relevant company;
<b>"Business Day"</b>	a day (other than Saturdays, Sundays and public holidays in England) on which banks are open for business in the City of London;
<b>"Closing Price"</b>	the closing middle market price of a McCarthy & Stone Share on a particular trading day as derived from the Daily Official List;
<b>"CMA Phase 2 Reference"</b>	a reference of the Acquisition to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013;
<b>"Code"</b>	the City Code on Takeovers and Mergers;
<b>"Companies Act"</b>	the Companies Act 2006, as amended;
<b>"Competition and Markets Authority" or "CMA"</b>	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013;
<b>"Conditions"</b>	the conditions to the implementation of the Acquisition, as set out in Appendix I to this Announcement and to be set out in the Scheme Document;
<b>"Confidentiality Agreement"</b>	has the meaning given to it in paragraph 12 of this Announcement;
<b>"Co-operation Agreement"</b>	the co-operation agreement entered into between McCarthy & Stone, Bidco and Lone Star Real Estate Fund VI on the Announcement Date;
<b>"Court Meeting"</b>	the meeting of McCarthy & Stone Shareholders to be

convened pursuant to an order of the Court under the Companies Act for the purpose of considering and, if thought fit, approving the Scheme, including any adjournment thereof;

<b>"Court Order"</b>	the order of the Court sanctioning the Scheme;
<b>"Court"</b>	the High Court of Justice in England and Wales;
<b>"CREST"</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK and Ireland Ltd;
<b>"Daily Official List"</b>	the Daily Official List published by the London Stock Exchange;
<b>"Dealing Disclosure"</b>	has the same meaning as in Rule 8 of the Code;
<b>"Deutsche Bank"</b>	Deutsche Bank AG, acting through its London Branch;
<b>"Disclosed"</b>	<p>the information disclosed by, or on behalf, of McCarthy &amp; Stone: (i) in the annual report and accounts of the McCarthy &amp; Stone Group for the financial year ended 31 October 2019; (ii) in any other announcement to a Regulatory Information Service by, or on behalf of McCarthy &amp; Stone prior to the Announcement Date; (iii) in filings made with the Registrar of Companies and appearing on McCarthy &amp; Stone's file at Companies House within the two years ending on the Announcement Date; (iv) in McCarthy &amp; Stone's announcement of its interim results for the six months ended</p> <p>30 April 2020; and (v) as otherwise fairly disclosed to Bidco (or its respective officers, employees, agents or advisers) on or prior to the date of this Announcement (including all matters fairly disclosed in the written replies, correspondence, documentation and information provided in an electronic data room or sent to Lone Star or any of its professional advisers during the due diligence process and whether or not in response to any specific request for information made by Lone Star or any of its professional advisers); or (vi) in this Announcement;</p>
<b>"Effective"</b>	<p>(i) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or</p> <p>(ii) if the Acquisition is implemented by way of a Takeover Offer, the Takeover Offer having been declared or become unconditional in all respects in accordance with the requirements of the Code;</p>
<b>"Effective Date"</b>	the date on which the Scheme becomes Effective;
<b>"EFTA"</b>	European Free Trade Association;
<b>"EU Anti-trust Condition"</b>	Condition 3(a);
<b>"EU Merger Regulation"</b>	Council Regulation (EC) 139/2004 of the European Union;
<b>"European Commission"</b>	means the European Commission of the European Union;
<b>"Excluded Shares"</b>	any McCarthy & Stone Shares: (i) registered in the name of, or beneficially owned by, Bidco, a subsidiary of Bidco (if any) or their respective nominees; or (ii) held in treasury by McCarthy & Stone, in each case at the Scheme Record Time;
<b>"FCA"</b>	the Financial Conduct Authority;

<b>"General Meeting"</b>	the general meeting of McCarthy & Stone Shareholders (including any adjournment thereof) to be convened in connection with the Scheme;
<b>"Goldman Sachs"</b>	Goldman Sachs International;
<b>"Link Asset Services"</b>	is the trading name of Link Market Services Limited;
<b>"Listing Rules"</b>	the listing rules made by the FCA;
<b>"Lone Star"</b>	Lone Star Real Estate Fund VI and its affiliates;
<b>"Lone Star Real Estate Fund VI"</b>	Lone Star Real Estate Fund VI, LP;
<b>"London Stock Exchange"</b>	the London Stock Exchange plc;
<b>"Long Stop Date"</b>	28 February 2021, or such later date (if any) as Bidco and McCarthy & Stone may agree and (if required) the Panel and the Court may approve;
<b>"LS Funds"</b>	has the meaning given to it in paragraph 7 of this Announcement;
<b>"McCarthy &amp; Stone"</b>	McCarthy & Stone plc;
<b>"McCarthy &amp; Stone Directors"</b>	the directors of McCarthy & Stone;
<b>"McCarthy &amp; Stone Group"</b>	McCarthy & Stone and its subsidiary undertakings and, where the context permits, each of them;
<b>"McCarthy &amp; Stone Recommendation"</b>	the unqualified, unanimous recommendation of the board of directors of McCarthy & Stone to the McCarthy & Stone Shareholders to vote in favour of the Scheme (or, following an Agreed Switch, accept the Offer)
<b>"McCarthy &amp; Stone Share Plans"</b>	the McCarthy & Stone Sharesave Scheme and the McCarthy & Stone Share Incentive Plan, the McCarthy & Stone Long Term Incentive Plan, and the Annual and Deferred Bonus Plan;
<b>"McCarthy &amp; Stone Shareholders" or "Shareholders"</b>	the holders of McCarthy & Stone Shares;
<b>"McCarthy &amp; Stone Shares"</b>	the ordinary shares of 8 pence each in the capital of McCarthy & Stone;
<b>"Meetings"</b>	the Court Meeting and the General Meeting and <b>"Meeting"</b> means any of them;
<b>"Member State"</b>	the United Kingdom or a member state of the European Union or EFTA from time to time;
<b>"Moelis &amp; Company"</b>	Moelis & Company UK LLP;
<b>"Offer Period"</b>	the period commencing on the date of this Announcement and ending on: (i) the earlier of the date on which the Scheme becomes Effective and/or the date on which the Scheme lapses or is withdrawn (or such other date as the Panel may decide); or (ii) the earlier of the date on which the Takeover Offer has become or has been declared unconditional as to acceptances and/or the date on which the Takeover Offer lapses or is withdrawn (or such other date as the Panel may decide), other than (in the case of (i)) where such lapsing or withdrawal is a result of Bidco exercising its right to implement the Acquisition by way of a Takeover Offer;
<b>"Official List"</b>	the Official List maintained by the FCA pursuant to Part VI of the Financial Services and Markets Act 2000;

<b>"Opening Position Disclosure"</b>	an announcement pursuant to Rule 8 of the Code containing details on interests or short positions in, or rights to subscribe for, any relevant securities of a party to an offer;
<b>"Overseas Shareholders"</b>	McCarthy & Stone Shareholders (or nominees of, or custodians or trustees for McCarthy & Stone Shareholders) not resident in, or nationals or citizens of, the United Kingdom;
<b>"Panel"</b>	the Panel on Takeovers and Mergers;
<b>"PRA"</b>	the Prudential Regulation Authority;
<b>"Registrar of Companies"</b>	the Registrar of Companies in England and Wales;
<b>"Regulatory Information Service"</b>	any of the services set out in Appendix III to the Listing Rules;
<b>"relevant securities"</b>	means relevant securities (as defined in the Code) of McCarthy & Stone;
<b>"Restricted Jurisdiction"</b>	any jurisdiction where local law or regulation may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to McCarthy & Stone Shareholders in that jurisdiction;
<b>"Resolutions"</b>	the special resolution to be proposed by McCarthy & Stone at the General Meeting in connection with, among other things, the approval of the Scheme and the alteration of the McCarthy & Stone articles of association and such other matters as may be necessary to implement the Scheme;
<b>"Rothschild &amp; Co"</b>	N.M. Rothschild and Sons Limited;
<b>"Scheme"</b>	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between McCarthy & Stone and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by McCarthy & Stone and Bidco;
<b>"Scheme Sanction Hearing"</b>	the Court hearing at which the Court Order is sought;
<b>"Scheme Document"</b>	the document to be sent to McCarthy & Stone Shareholders containing, amongst other things, the Scheme and the notices convening the Court Meeting and the General Meeting;
<b>"Scheme Record Time"</b>	the time and date specified in the Scheme Document;
<b>"Scheme Shareholders"</b>	the holders of Scheme Shares;
<b>"Scheme Shares"</b>	all McCarthy & Stone Shares: <ul style="list-style-type: none"> <li>(i) in issue at the date of the Scheme Document;</li> <li>(ii) (if any) issued after the date of the Scheme Document but before the Scheme Voting Record Time; and</li> <li>(iii) (if any) issued at or after the Scheme Voting Record Time and before the Scheme Record Time on terms that the original or any subsequent holders thereof are bound by the Scheme or in respect of which such holders are, or shall have agreed in writing to be, so bound,</li> </ul> <p>in each case excluding the Excluded Shares;</p>

<b>"Scheme Voting Record Time"</b>	the date and time to be specified in the Scheme Document by which entitlement to vote at the Court Meeting will be determined;
<b>"Significant Interest"</b>	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking;
<b>"Takeover Offer"</b>	should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued share capital of McCarthy & Stone and, where the context requires, any subsequent revision, variation, extension or renewal of such offer and includes any election available thereunder;
<b>"Third Party"</b>	each of a central bank, government or governmental, quasi-governamental, supranational, statutory, regulatory, administrative, fiscal, anti-trust or investigative body, court, environmental body, employee representative body in any jurisdiction;
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub-division thereof;
<b>"US Exchange Act"</b>	US Securities Exchange Act of 1934, as amended;
<b>"Wider Bidco Group"</b>	Lone Star Real Estate Fund VI, the other LS Funds and their respective associated undertakings and any other body corporate, partnership, joint venture or person in which Lone Star Real Estate Fund VI, the other LS Funds and all such undertakings (aggregating their interests) have a Significant Interest (but excluding the Wider McCarthy & Stone Group) and member of the Wider Bidco Group shall be construed accordingly; and
<b>"Wider McCarthy &amp; Stone Group"</b>	McCarthy & Stone and its associated undertakings and any other body corporate, partnership, joint venture or person in which McCarthy & Stone and such undertakings (aggregating their interests) have a Significant Interest (but excluding the Wider Bidco Group).

For the purposes of this Announcement, "**subsidiary**", "**subsidiary undertaking**", "**undertaking**" and "**associated undertaking**" have the respective meanings given thereto by the Companies Act.

All references to "**£**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom, and to "**USD**" are to the lawful currency of the United States of America.

All the times referred to in this Announcement are London times unless otherwise stated. References to the singular include the plural and vice versa.]