

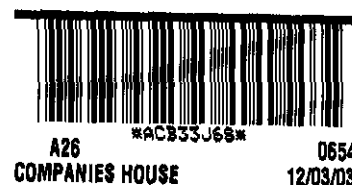
CMG HOMES LIMITED
(Registered Number 3519503)
(the "Company")

Minutes of a Meeting of the Board of Directors of the Company

held at *69 Old Broad Street, London EC2M 1NR*
on *7* March 2003 at *10.50* am/pm

Present: William Michael Buckingham (in the chair)
Rebecca Galway

In attendance:



1. PRELIMINARY

William Michael Buckingham took the chair and it was noted that a quorum of the board of directors was present and that all directors had been given proper notice of the meeting and of the matters to be discussed.

2. DIRECTORS' INTERESTS

Each director declared his interest, if any, in the business to be transacted at the meeting for the purposes of section 317 of the Companies Act 1985 (the "Act"), the provisions of the Articles of Association of the Company and generally.

3. APPOINTMENT AND REMOVAL OF AUDITORS

There were produced to the meeting a letter of resignation as auditors of the Company together with a statement under section 394 of the Act from Jeffcote Donnison. After due and careful consideration **IT WAS RESOLVED** that the resignation be and is hereby accepted with immediate effect. The Secretary was instructed to deliver copies of the resignation of the auditors to the Register of Companies.

IT WAS RESOLVED that PricewaterhouseCoopers (subject to formal acceptance) be and are hereby appointed auditors of the Company with immediate effect.

4. PURPOSE

- 4.1 The Chairman explained that the meeting had been convened to approve an intra-group loan agreement, to be entered into by the Company, the Company's holding company, Care Management Group Limited ("**CMG Limited**"), CMG Southern, the Purchaser and the Parent (as defined below) in connection with the provision of certain facilities by Barclays Bank Plc (the "**Bank**") to Pinco 1847 Limited (the "**Parent**") to enable Pinco 1846 Limited (the "**Purchaser**") to acquire CMG Limited and its subsidiaries being the Company and Care Management Group (Southern) Limited ("**CMG Southern**") (the "**Acquisition**") and to approve the giving of financial assistance by the Company for the purpose of the Acquisition.

5. DOCUMENTS

- 5.1 There were produced to the meeting final drafts (unless otherwise stated) of:

- 5.1.1 a sterling term and capex facility agreement for the provision of certain term facilities up to £14,000,000 to be entered into amongst, inter alios, the Bank, the Parent, the Purchaser, CMG Limited and CMG Southern (the "**Facilities Agreement**"), which includes, inter alia, a cross guarantee to be given by the Parent and those of its subsidiaries which are a party to the Facilities Agreement;
- 5.1.2 a working capital facility letter to be entered into between the Parent, the Purchaser, CMG Limited, CMG Southern and the Bank (the "**Working Capital Facility Letter**") for the provision of, inter alios, an overdraft facility up to a maximum amount of £500,000 (or its currency equivalent);
- 5.1.3 a composite accounting system agreement to be entered into between the Bank and the CAS Participants (as defined therein excluding the Company) pursuant to which, in summary, netting arrangements will be set up between the CAS Participants (the "**CAS 2000 Master Agreement**");
- 5.1.4 a cross guarantee to be entered into by the Guarantors (as defined therein excluding the Company) in favour of the Bank pursuant to which, in summary, the Guarantors guarantee the payment of the indebtedness owing to the Bank by the other Guarantors (the "**Cross Guarantee**");
- 5.1.5 a debenture to be granted by the Purchaser, the Parent, CMG Limited and CMG Southern in favour of the Bank as Security Agent (the "**Debenture**") pursuant to which, in summary, all amounts owing under the Facilities Agreement will be secured;
- 5.1.6 an intercreditor deed to be entered into by, inter alios, the Parent, the Purchaser, CMG Limited, CMG Southern and the Bank (in its various capacities) (the "**Intercreditor Deed**");
- 5.1.7 an assignment by way of security to be entered into by CMG Limited in favour of the Bank (the "**Keyman Assignment**");
- 5.1.8 a side letter to the Facilities Agreement and Keyman Assignment to be addressed to CMG Limited by the Bank (the "**Keyman Side Letter**");
- 5.1.9 an intra-group loan agreement to be entered into by the Company, CMG Limited, CMG Southern, the Parent and the Purchaser (the "**Intra-Group Loan Agreement**");
- 5.1.10 a letter of support to be entered into between the parties to the Intra-Group Loan Agreement (the "**Letter of Support**");
- 5.1.11 various notices of assignment to be given by the parties to the Debenture in respect of various agreements (the "**Notices**");
- 5.1.12 a fees letter to be addressed to the Parent by the Bank as Facility Agent (the "**Fees Letter**");
- 5.1.13 a hedging strategy letter to be addressed to the Parent by the Bank as Facility Agent (the "**Hedging Strategy Letter**"); and
- 5.1.14 a sale and purchase agreement to be entered into between the Purchaser, the Sellers (as listed in Part 1 of Schedule 1 thereto), and the Persons (as listed in Part 2 of Schedule 1 thereto) (the "**Sale and Purchase Agreement**");

(together the "**Documents**" and such of the Documents to which the Company is a party, the "**Relevant Documents**").

For the purpose of these minutes, the Parent and its subsidiaries shall together constitute the "**Group**" (it being acknowledged that until Completion (as defined in the Facilities Agreement), the term shall mean instead CMG Limited and its subsidiaries.

Terms not otherwise defined in these minutes shall have the meaning given to them in the Relevant Documents.

- 5.2 The Chairman reported to the meeting that the Company had been advised that the execution of the Relevant Documents by the Company involved unlawful financial assistance given by the Company under section 151 of the Act as the Company would potentially be giving financial assistance directly or indirectly for the purpose of the acquisition by the Purchaser of shares in CMG Limited.

The Chairman reported further that, in executing the Intra-Group Loan Agreement, the Company may be required (upon certain conditions being fulfilled) to lend money to any Borrower (as defined therein) which could be used in connection with the Acquisition. Such activities would constitute illegal financial assistance contrary to section 151(1) of the Act unless sections 155-158 of the Act were complied with.

- 5.3 The Chairman advised the meeting that sections 155-158 of the Act applicable to private companies would enable the Company to give (and confirm, as applicable) the relevant financial assistance lawfully in specified circumstances and, accordingly, it was noted that the Company had been advised as follows:

- 5.3.1 in order to comply with sections 155-158 of the Act, all the directors of the Company would be required to make a declaration in accordance with sections 155 and 156 of the Act in the form of the statutory declaration on Companies Form 155(6)a and such Companies Form to be sworn by the Company's directors was then produced to the meeting (the "**Statutory Declaration**").

The directors noted that the form and text of the Statutory Declaration would require each of them to make a statement that they had formed the opinion that:

- (a) immediately following the date on which the proposed financial assistance was to be given, there would be no grounds on which the Company would then be found to be unable to pay its debts; and
- (b) the Company would be able to pay its debts as they fell due during the period of one year following the date upon which the financial assistance was to be given,

in each case taking into account the same liabilities (including contingent and prospective liabilities) as would be relevant under sections 122 and 123 of the Insolvency Act 1986 as to whether the Company is able to pay its debts. In this respect, it was noted that section 123(2) of the Insolvency Act 1986 provides that a company is deemed to be unable to pay its debts if it is proved to the satisfaction of the court that the value of that company's assets is less than the amount of its liabilities, after taking into account contingent and prospective liabilities.

A statement was also required to be made in the Form 155(6)a regarding the extent to which the net assets of the Company would be reduced by the giving of the assistance;

- 5.3.2 financial assistance could in no circumstances be given if the company giving the assistance did not have positive net assets as defined in section 154(2) of the Act;

- 5.3.3 if financial assistance reduces net assets, such reduction must be made out of distributable profits, that is, out of profits from which the directors may lawfully pay a dividend;
- 5.3.4 the provisions of section 151(3) of the Act make a company acting in contravention of section 151 of the Act liable to a fine, and every officer of it who is in default is liable to imprisonment or a fine, or both;
- 5.3.5 the provisions of section 156(7) of the Act make a director giving a statutory declaration, where the director is shown not to have had reasonable grounds for the opinion expressed therein, guilty of an offence for which on conviction he would be liable to a term of imprisonment not exceeding two years or a fine of an unspecified amount or both;
- 5.3.6 in addition to considering the specific statutory requirements, the directors are required to decide whether the giving of financial assistance would, in any event, be for the benefit of the Company and constitute a proper exercise of their powers;
- 5.3.7 section 158 of the Act requires that financial assistance cannot be given after the expiry of eight weeks beginning with the date on which the Company's directors make the declarations of solvency in accordance with sections 155 and 156 of the Act;
- 5.3.8 in order to make the financial assistance lawful, the Company's directors (and those of any holding company) must, before the financial assistance is given, have made a statutory declaration as to the solvency of the company in the form prescribed by the Act;
- 5.3.9 each director must have declared that he or she had formed the opinion that, immediately following the date on which the financial assistance was proposed to be given, there would be no ground on which the Company could then be found unable to pay its debts, and that the Company would be able to pay its debts as they fell due during the year immediately following that date; and
- 5.3.10 an auditor's report must be annexed to the Statutory Declaration, addressed to the directors by the auditors, stating that they had enquired into the state of affairs of the Company and were not aware of anything to indicate that the opinions expressed in the declaration were unreasonable in all the circumstances.

6. FINANCIAL ASSISTANCE DOCUMENTS

There were then produced to the meeting the following documents:

- 6.1 unaudited balance sheets of the Company as at 31 December 2002 (each the "**Statutory Accounts**");
- 6.2 management accounts of the Company as at 31 December 2002 (the "**Management Accounts**") (together with the Statutory Accounts, each the "**Accounts**");
- 6.3 consolidated profit and loss account and cashflow and balance sheet forecasts of the Group for the 12 months ending 31 March 2004 (the "**Forecasts**");
- 6.4 a draft of the statutory report proposed to be given by the Auditors to the directors of the Company pursuant to section 156(4) of the Act in connection with the Statutory Declaration stating that the Auditors were not aware of anything to indicate that the

opinions expressed by the directors in the Statutory Declaration were unreasonable in all the circumstances (the "**Auditor's Statutory Report**");

- 6.5 a board memorandum attached to the Auditor's Non-Statutory Report (as defined below) to be signed by the Company referring to the net asset position of the Company and stating that in the view of the directors the aggregate of the Company's assets exceeds the aggregate of its liabilities and that the provision of financial assistance by the Company will not reduce its net assets (the "**Board Memorandum**"); and
- 6.6 a draft of the non-statutory report proposed to be given by the Auditors to the Bank in connection with the net asset position of the Company, to which would be attached a signed copy of the Board Memorandum (the "**Auditor's Non-Statutory Report**").

7. APPROVAL OF FINANCIAL ASSISTANCE

- 7.1 The Forecasts (which are the sole responsibility of the directors and which have been prepared, amongst other things, for the purpose of considering whether the Company is able to give the financial assistance and whether the directors could include in the Statutory Declaration the opinion referred to in paragraph 5.3.1 above) were considered and the following points were noted:
 - 7.1.1 as at the close of business on 31 December 2002 the aggregate of the Company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated and the position would remain the same after the giving of the financial assistance;
 - 7.1.2 the Forecasts had been based on the assumptions set out in the Forecasts; and
 - 7.1.3 the Forecasts indicate that, with the facilities available to the Company, the Company will have sufficient working capital to meet its commitments during the period ending 31 March 2004.
- 7.2 Each of the directors confirmed that:
 - 7.2.1 having regard to the Forecasts, and banking and other facilities available to the Group, the Company had sufficient working capital to enable it to pay its debts immediately following the giving of the financial assistance;
 - 7.2.2 having regard to the intentions of the directors in the management of the Company's business and to the amount and character of the financial resources which will be available to it, it will be able to continue in business as a going concern and thus be able to pay its debts as they fall due throughout the following year;
 - 7.2.3 at the date of the meeting, applying the definitions contained in section 154(2) of the Act, the aggregate of the Company's assets as stated in its accounting records exceeded the aggregate of its liabilities as similarly stated; and
 - 7.2.4 the giving of the financial assistance would not reduce the net assets of the Company.
- 7.3 In addition to considering the specific statutory requirements applicable to the giving of financial assistance, the directors were required to decide whether the giving of the financial assistance would in any event be for the benefit of the Company and constitute a proper exercise of the directors' powers. After due and careful consideration of the terms of the Documents, the Board was unanimously of the

opinion that the execution and delivery by or on behalf of the Company of the Relevant Documents, and the exercise by the Company of its rights and the performance by the Company of its obligations thereunder, had not resulted and would not result in any breach of any restriction imposed by law and the Memorandum and Articles of Association of the Company or any agreement to which the Company is a party or by which the Company is bound.

There would be given to the Company full and fair consideration for the obligations it would be undertaking in respect of the Relevant Documents because inter alia, the Company believed it would be repaid any monies lent under the Intra-Group Loan Agreement and would receive interest on any monies lent to any Borrower (as defined therein) under the Intra-Group Loan Agreement.

- 7.4 It was noted that a copy of these minutes and the Board Memorandum, together with the Management Accounts and the Forecasts, had been presented to the Auditors to enable them to consider their Auditor's Statutory Report in connection with the Statutory Declaration and their Auditor's Non-Statutory Report.
- 7.5 The Chairman reported that the certificates of the Auditors in their Auditor's Statutory Report, confirmed that they, as Auditors, had enquired into the state of affairs of the Company and, in summary, were not aware of anything to indicate that the opinion proposed to be expressed by the directors in the Statutory Declaration (a draft of which they had seen and approved) as to any of the matters mentioned in the Statutory Declaration would be unreasonable in all the circumstances.
- 7.6 **IT WAS UNANIMOUSLY RESOLVED** that it was, in the bona fide opinion of the directors, in the best interests and for the benefit of the Company to give the financial assistance proposed for the commercial reasons referred to in these minutes and there would, therefore, be full and fair consideration to the Company for the obligations the Company would be undertaking in respect of the Relevant Documents and that the Board Memorandum and Statutory Declaration produced to the meeting be and are hereby approved and ratified. Each director indicated his willingness to make the Statutory Declaration in the form presented to the meeting having taken into account the debts of the Company and having regard to the risks previously referred to and confirmed that there were no circumstances known to him which might render the Statutory Declaration untrue.

8. **FINANCIAL ASSISTANCE WRITTEN RESOLUTIONS**

The Chairman informed the Meeting that before the Company could give the financial assistance referred to above, written resolutions in the form provided to the Meeting (the "**Financial Assistance Written Resolutions**") would need to be passed by the members of the Company to approve the financial assistance.

9. **COMPLIANCE WITH FINANCIAL ASSISTANCE PROCEDURES**

The meeting was then adjourned to allow the Board Memorandum, the Auditor's Statutory Report and the Auditor's Non-Statutory Report to be signed, the directors to swear the Statutory Declaration and the members of the Company to sign the Financial Assistance Written Resolutions and, on its being reconvened, the Chairman informed the meeting that the Board Memorandum, the Auditor's Statutory Report and the Auditor's Non-Statutory Report had each been duly signed and the Statutory Declaration had been sworn by all directors before an independent solicitor and had had attached to it the Auditor's Statutory Report.

The Chairman further indicated that the Financial Assistance Written Resolutions had, as part of such process, been signed by all the members of the Company having effect as special resolutions in accordance with Section 381A of the Act.

10. **EXECUTION OF DOCUMENTS AND APPROVAL**

The terms of each of the Documents having been carefully considered, **IT WAS UNANIMOUSLY AGREED AND RESOLVED** that:

- 10.1 subject to due and proper completion of the whitewash procedures, as described in paragraphs 5 to 9 above, the Company give the financial assistance contemplated pursuant to the Relevant Documents in compliance with sections 155-158 of the Act and implement the resolutions contained in the remainder of this paragraph 10;
- 10.2 it was in the good faith and judgment of all the directors of the Company for the commercial benefit and in the best interests of the Company to enter into the Relevant Documents because the Company would, amongst other things, benefit from the Bank's funding which would allow the purchase of, inter alia, additional properties, and all documents connected therewith and the transactions proposed thereunder;
- 10.3 the terms of the Documents in the form of the drafts produced to the meeting and all documents connected therewith and the transactions proposed thereunder and the execution, delivery and performance by or on behalf of the Company of each of those documents (in such form or with such amendments thereto as the person(s) executing or sealing them pursuant to the authority conferred by these resolutions may in his or her absolute discretion think fit) and the performance by the Company of its obligations thereunder be and are hereby approved by the Company;
- 10.4 any director or any two directors or any director and the Company's secretary (as appropriate) be and are hereby authorised to execute and deliver the Relevant Documents and any other documents to be executed pursuant thereto (as deeds if appropriate) with any amendments that such officers in their absolute discretion think fit (the approval of each such person in any such case to be conclusively determined by his signing such documents or executing such documents as deeds (as the case may be)) and that such documents be dated and delivered to the parties thereto; and
- 10.5 any director be authorised (either alone or in the case of deeds with another director or with the Company's secretary) on behalf of the Company to execute and deliver (whether as deeds or otherwise) and do all such acts, deeds, documents, certificates and notices as he or she may consider expedient or desirable in connection with the execution or performance by the Company of each of the Relevant Documents or any other agreement or document connected therewith.

11. **FILING**

The Company's secretary was instructed to file the Financial Assistance Written Resolutions, the Statutory Declaration and the Auditor's Statutory Report and any other forms necessary with the Registrar of Companies forthwith.

12. **CONCLUSION**

There being no further business, the Chairman declared the meeting closed.



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Chairman