

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Metlifecare Limited (the *Company*) gives you notice that a special meeting of the shareholders of the Company will be held at the Ellerslie Convention Centre, Auckland on 21 June 2012 at 11.00am

The business of the meeting will be:

Approval of the merger with Private Life Care Holdings Limited (*PLC*) and Vision Senior Living Limited (*Vision*) and the associated issue of shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company for the purpose of NZSX Listing Rules 7.3.1 and 9.2.1:

"That the shareholders ratify, confirm and approve, pursuant to merger agreements between the Company and the shareholders of Vision and PLC dated 5 May 2012, as amended:

- (a) *the acquisition of all of the shares of Vision and PLC; and*
- (b) *in consideration for the acquisition, the issue of up to 20,000,000 ordinary shares in the Company to the shareholders of Vision and to Te Rapa Racing Limited and the issue of up to 29,730,000 ordinary shares in the Company to Retirement Villages New Zealand Limited and/or persons nominated by it; and*
- (c) *the issue of \$10 million (with provision for up to \$5 million oversubscriptions) of additional share capital in the Company to third party investors,*

as more particularly described in the Explanatory Notes, and that the directors be authorised to take all actions, do all things and execute all necessary documents and agreements necessary or considered by them to be expedient to give effect to such transactions."

Explanatory Notes

Explanatory Notes on the above resolution are set out on the following pages.

Directors' Recommendation to approve the resolution

The independent Directors, Brent Harman and John Loughlin, together with the Company's CEO and Managing Director, Alan Edwards, recommend you vote in favour of the resolution. Peter Brown and David Hunt have abstained from making a recommendation, on the basis that they are directors of Metlifecare, PLC and Retirement Villages New Zealand Limited (*RVNZ*), the Company's current majority shareholder.

Proxies

You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company. You may direct your proxy to vote, or give your proxy a discretion to vote how he/she sees fit. If you wish to give your proxy such discretion you should mark the box accordingly. If you do not mark any box then your direction is to abstain.

A proxy form is attached to this notice. If you wish to vote by proxy you must complete the form and produce it to the Company so as to be received **no later than 11.00am on 19 June 2012**.

The Chairman of the Company is willing to act as proxy. If you appoint the Chairman as proxy but do not direct him how to vote on any particular matter then the Chairman will abstain from voting in respect of your proxy.

By order of the Board

Andrew Peskett
Company Secretary

6 June 2012

EXPLANATORY NOTES

General

The purpose of the special meeting of shareholders of Metlifecare Limited (the *Company* or *Metlifecare*) is to consider, and if thought fit, to approve a resolution to approve the acquisition of 100% of the ordinary shares in each of Private Life Care Holdings Limited (*PLC*) and Vision Senior Living Limited (*Vision*) under:

- a merger agreement with Retirement Village Investments Limited (the *PLC Vendor*) and Retirement Villages New Zealand Limited (the *PLC Guarantor* or *RVNZ*), and
- a merger agreement with Arrow International Group Limited (*Arrow*), Goldman Sachs Australia Private Equity (A Units) Pty Limited, TTPE 07 No.2 Limited, Special Managed Investment Company No. 90 Limited (together, the *Goldman Sachs Funds*) and Perpetual Nominees Limited (the *Vision Vendors*),

both dated 5 May 2012, as amended on 20 May 2012 (together, the *Merger Agreements*), and to approve the issue of additional ordinary shares in the Company in accordance with the terms of the Merger Agreements (the *Proposed Transaction*). The Merger Agreements are interdependent, such that they are conditional on settlement under both agreements occurring contemporaneously on the settlement date (expected to be on or around 2 July 2012).

PLC is a related party of the Company, as PLC and the Company are both ultimately controlled by RVG (see section entitled *Reason for shareholders' resolution and appraisal report*, below).

Summary of Proposed Transaction

Pursuant to the terms of the Merger Agreements, the Proposed Transaction steps can be summarised as follows:

- Step 1 (**Merger**): The Company will acquire 100% of the shares in each of Vision and PLC in return for the issue of 42.73 million new Metlifecare shares on settlement as follows:
 - 29.73 million Metlifecare shares to RVNZ (and/or to persons nominated by RVNZ that are not associates of RVNZ under the provisions of the Takeovers Code); and
 - 13.0 million Metlifecare shares to the Vision Vendors and Te Rapa Racing Limited (*TRR*) (see section below entitled *Merger Agreements – Further details* for an explanation relating to TRR's interest in the transaction).
- Step 2 (**Share Placement**): The Company will raise a minimum of \$10 million (up to a maximum of \$15 million) of new capital by issuing new shares to third party investors. The capital raised will be used to reduce the overall debt position of the merged business. The number of Metlifecare shares issued pursuant to this Share Placement will depend on the ultimate issue price of the shares, and the level of over subscription (if any) from third party investors. The issue price for these additional shares has not yet been determined, but will be largely driven by market conditions and investor interest at the time of issue, and after due consideration of financial advice and the directors' assessment of the interests of the Company and all existing shareholders as required by the Companies Act 1993. If third party investors do not take up this offer to the required extent of at least \$10 million, the Company would likely need to explore other options for reducing bank debt (it is currently a condition of the amended terms with the Company's banks that the Company raise at least \$10 million, although it is possible the banks could waive that condition).
- Step 3 (**RVNZ Sell Down**): RVNZ will sell between 16.5 million and 22.5 million of the shares it holds in the Company (between 11.5% and 15.6% of the total shares currently on issue), which may include part of the 29.73 million shares it is entitled to be issued under Step 1 above. The RVNZ Sell Down will occur via a co-ordinated, documented offering to retail investors to reduce RVNZ's shareholding in the Company in a manner designed to minimise any negative pricing effect on the Company's stock, and magnify the positive effect on the Company's share price and liquidity. The ultimate number of shares sold will be dependent on investor demand. Following the RVNZ Sell down, RVNZ must not sell any shares it holds in the Company (which includes any of those shares issued to it as consideration for the merger) for 16 months after settlement of the merger.
- Step 4 (**Conditional Vision Shares**): The Vision Vendors and TRR will be issued a further 7.0 million Metlifecare shares (*Conditional Vision Shares*) as further consideration for the acquisition of the shares

in Vision if the 5 day VWAP of the Company's shares exceeds \$3.00 within 28 months of settlement of the merger.

Step 1 is conditional upon Overseas Investment Act approval, Metlifecare shareholder approval, certain third party consents and no material adverse changes (*Merger Conditions*) (see section below entitled *Merger Agreements – Further details – Conditions*). If these conditions are satisfied, settlement of the PLC and Vision mergers will occur contemporaneously, which is scheduled for early July 2012. The Company has also agreed to complete the Share Placement contemporaneously with the RVNZ Sell Down at the same time as settlement under the Merger Agreements. As noted above, the completion of the Share Placement is currently a condition of the amended facility terms with the Company's banks, although it is possible that the banks could waive that condition enabling the merger to proceed without completion of the Share Placement.

All shares issued in connection with the Proposed Transaction will be on the same terms, and will rank equally with, the existing ordinary shares in the Company, except that the Vision Vendors (along with RVNZ, as noted in Step 3 above) have agreed to certain restrictions on the sale of the shares issued to them (see *Merger Agreements – Further details – Escrow* for further details of these escrow arrangements, below).

Upon the completion of the Proposed Transaction, RVNZ's majority shareholding in the Company will be reduced below 50% (see appraisal report for further details).

If the Merger Conditions are not satisfied, the Proposed Transaction will not proceed on the terms outlined in Steps 1 to 4 above.

Transaction valuation and other considerations

The consideration for the acquisition of all of the shares of PLC and Vision was derived as a result of negotiations with the PLC Vendor and Vision Vendors, which took into consideration the historical Net Tangible Asset (*NTA*) values of the respective parties (and determined the number of Company shares issued to each vendor by reference to the proportion that the NTA of each of Vision and PLC bear to the NTA of the Company), and considered the estimated transaction costs of each party. Given the nature of the assets of retirement village operators, the directors consider that NTA is the most appropriate basis for determining the relative underlying value that each of Vision and PLC is contributing to the merged business of the Company.

The independent directors, along with the Managing Director, consider that the issue of the agreed number of shares in the Company as consideration for the Vision and PLC shares is fair for the Company's minority shareholders, in that it effectively places a current value on the Vision and PLC shares that is consistent with the current market value of the Company's shares (relative to NTA) (as previously noted, Peter Brown and David Hunt are directors of Metlifecare, PLC and RVNZ, and therefore abstain from expressing any view in this regard). Shareholders should refer to the appraisal report, particularly section 6.1, for further details regarding the basis for these conclusions.

Assuming that the RVNZ Sell down is successfully completed, and the number of Company shareholders will increase significantly, it is expected that the medium-long term liquidity of Metlifecare shares will improve as a consequence, which the directors consider is in the best interests of minority shareholders. Following the merger, the Company may also meet the free-float and liquidity requirements set by the NZSX to be included in the NZSX 50 index. Inclusion in the index will further enhance on-going trading activity as some institutional investors look to re-balance their portfolios in-line with the Company's weighting in the index. If the Proposed Transaction does not proceed, the directors' view is that it is likely that RVNZ will seek to sell some or all of its Metlifecare shareholding in the near term, which could suppress the market price for the Company's shares, as RVNZ's commitment to sell down up to a maximum of 22.5 million shares in a managed way and to escrow the balance of its shareholding does not apply if the merger does not proceed.

Reason for shareholders' resolution and appraisal report

NZSX Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction if a Related Party (as defined in NZSX Listing Rule 9.2.3) is a party to the transaction, unless the transaction is approved by an ordinary resolution of shareholders. An ordinary resolution is a resolution passed by a simple majority of votes of the shareholders of the Company entitled to vote and voting.

Peter Brown and David Hunt are directors of Metlifecare, PLC, and RVNZ, the company's current majority shareholder and its holding company RVNZ Investments Limited and related companies (together *RVG*). PLC is therefore a Related Party of Metlifecare for the purposes of NZSX Listing Rule 9.2.3.

A transaction is a Material Transaction for the purposes of NZSX Listing Rule 9.2.2 if the Aggregate Net Value of the assets purchased is in excess of 10% of the Average Market Capitalisation of the Company (the terms Aggregate Net Value and Average Market Capitalisation each bearing the meaning given to them in the NZSX Listing Rules). The Average Market Capitalisation of the Company for the purposes of the transaction is approximately NZ\$313.6m, calculated over the 20 business days prior to announcement of revised transaction terms on 21 May 2012. The value of the consideration provided by Metlifecare (i.e. up to 29,730,000 Metlifecare shares) for the acquisition of PLC is approximately NZ\$65.4m (assuming an issue price of \$2.20 per Metlifecare share, being the most recent closing price of the shares traded through NZX prior to announcement of the merger on 7 May) and represents 20.86% of the Average Market Capitalisation of the Company, and accordingly the transaction is a Material Transaction for the purposes of this Rule.

NZSX Listing Rule 7.3.1 prohibits the Company from issuing equity securities unless the precise terms and conditions of the specific proposal to issue those equity securities have been approved by separate resolutions (passed by a simple majority of votes) of holders of each class of quoted equity securities whose rights or entitlements could be affected by that issue, and that issue is completed within twelve months after the passing of those resolutions. In this case, the relevant class for the purposes of NZSX Listing Rule 7.3.1 is all ordinary shares in the Company.

NZSX Listing Rule 7.3.2 requires an allotment approved by shareholders under Rule 7.3.1 to be completed within 12 months of the resolution being passed. In the event that the trigger for the issue of the additional 7 million shares discussed below does not arise until after that time frame, the Company would either seek a waiver from NZX or issue the additional shares under Listing Rule 7.3.5 (which generally allows the Company to issue 20% of its share capital per annum without shareholder approval).

Under NZSX Listing Rule 6.2.2, an issue of equity securities pursuant to Rule 7.3.1 must be accompanied by an appraisal report if the issue is intended or is likely to result in more than 50% of the securities to be issued being acquired by directors or Associated Persons of directors of the issuer. PLC, RVNZ and RVG are Associated Persons of Peter Brown and David Hunt (within the meaning of NZSX Listing Rule 1.8), and RVNZ will likely be acquiring more than 50% of the securities being issued. The resolution of shareholders required under NZSX Listing Rule 9.2.1 is also required, pursuant to NZSX Listing Rule 9.2.5, to be accompanied by an appraisal report. An appraisal report has therefore been prepared in accordance with the NZSX Listing Rules by Northington Partners Limited and accompanies this notice of meeting. Shareholders should study carefully the appraisal report which provides details regarding the proposed transaction.

The appraisal report focuses on whether the consideration and the terms and conditions of the transaction are fair to the shareholders notwithstanding the transaction is with a Related Party and involves the issue of equity securities to an Associated Person of Peter Brown and David Hunt.

Summary of appraisal report conclusions

The appraisal report concludes that the terms and conditions of the transaction are fair to the Company's minority shareholders, and that the merger of the Vision and PLC businesses into Metlifecare:

- will take place at appropriate relative values for each of the merging entities;
- provides the existing Company shareholders with a level of protection against the merged business performing poorly via the structure governing the issue of the additional 7 million shares discussed below; and
- provides the Company's minority shareholders with potential share price upside (especially in the medium term) at an acceptable level of risk.

The directors recommend that all shareholders carefully read the appraisal report.

Alternatives to the merger

In the event that shareholders do not approve the resolution, the merger as currently formulated could not proceed. The Company can give no assurance that an improved merger proposal would emerge.

If the Proposed Transaction does not proceed, one alternative is that the Company will continue on its current path. The independent directors are satisfied that this is a low risk approach, but without the development opportunities and expertise that the merger affords Metlifecare, the Company's growth will inevitably be slower.

However, the shareholders of Vision and PLC have also indicated that if the Proposed Transaction does not proceed, they may look to sell down their ownership in these companies, and it is likely that the businesses could be sold to Metlifecare competitors. Also, as noted above, without the escrow restrictions imposed on RVNZ's shareholding in the Company as a result of the merger, RVNZ could seek to sell down some or all of its shareholding in the near future in an unrestricted manner (with no requirement that this sell down occur in a managed way or via a coordinated process with the Company's input), which could suppress the market price for Metlifecare shares.

Voting Restriction

By virtue of NZSX Listing Rule 9.3.1, neither RVNZ nor its Associated Persons (as defined in the NZSX Listing Rules, which includes Peter Brown, the Chairman, and David Hunt) are entitled to vote in favour of the resolution and accordingly any votes cast by RVNZ (or its Associated Persons) in favour of the resolution will be disregarded by the Company (unless such votes are cast by such person acting as a proxy to a person who is not disqualified from voting on the resolution, in accordance with the express instructions of the appointor to vote for or against the resolution).

Terms and conditions of proposal to issue shares

The specific terms and conditions of the proposal to issue shares that are required to be contained in this notice of meeting under NZSX Listing Rule 6.2.1 are set out above in the 'General' section to these Explanatory Notes.

Merger Agreements – Further details (please see the appraisal report for further explanation)

Consideration - Te Rapa Racing Limited Share Allocation: The Vision Forest Lake village is currently owned and operated by an unincorporated joint venture between Vision (Forest Lake Gardens No.2) Limited as to 55% and TRR as to 45%. Vision is in negotiations with TRR to purchase its minority joint venture interest in exchange for Metlifecare shares. If TRR agrees to this, the Company will issue 336,189 Metlifecare shares directly to TRR under the terms of the Vision Merger Agreement (218,523 out of the total of 13.0 million shares to be issued on settlement and 117,666 out of the total of 7.0 million Conditional Vision Shares, if those Conditional Vision Shares are issued). If TRR is not prepared to accept Metlifecare shares for its joint venture interest, the number of Metlifecare shares issued on settlement and the number of Conditional Vision Shares will be reduced accordingly.

Conditions: The Merger Agreements are conditional on, among other things:

- consent of the statutory supervisors of Vision and PLC (Covenant Trustee Services and Perpetual Trust) to the proposed transaction;
- consent of the Overseas Investment Office to the proposed transaction;
- Metlifecare obtaining the consent of its primary bank lenders to the proposed transaction, together with the provision of additional required funding facilities;
- consent of RVG's primary bank lenders being obtained to the proposed transaction; and
- no material adverse change occurring to the financial condition, prospects or performance of either the PLC or Vision businesses between 5 May 2012 and settlement (excluding a general economic downturn).

The Merger Agreements are also conditional on the shareholders of Metlifecare approving the proposed transaction (by way of the resolution the subject of this notice). If this condition or any of the other conditions is not satisfied (or, where applicable, waived) by the relevant date for satisfaction of the conditions, then the Merger Agreements may be cancelled by notice from any of the parties. The parties are aiming to satisfy all conditions by 2 July 2012, and then settle on 2 July 2012 or (if later) within 3 business days after satisfaction or waiver of all conditions.

Metlifecare has agreed to pay a \$500,000 break fee to Vision only if a Court determines that Metlifecare has not used its reasonable endeavours to satisfy the conditions (although that payment is not required if shareholders do not approve the transaction).

Escrow: The PLC Guarantor and the Vision Vendors have agreed to certain restrictions on the sale of the Metlifecare shares issued to them as consideration for the transaction as follows:

- the PLC Guarantor and its related companies and nominees must not sell any shares they hold in the Company at any time during the period beginning on 5 May 2012 and ending 16 months after settlement, excluding any shares sold through the agreed RVNZ Sell down process;
- Arrow and its related companies and nominees must not sell any shares in the Company issued in consideration for the acquisition of Vision within 16 months of settlement; and
- the Goldman Sachs Funds and their related companies and nominees must not sell any shares in the Company issued in consideration for the acquisition of Vision within 16 months of settlement,

subject in each case to certain usual exceptions, as follows: (1) if a Metlifecare corporate reorganisation becomes unconditional, (2) to accept a full or partial takeover offer made under the Takeovers Code to the maximum extent permitted by the Code, or (3) for an acquisition or allotment of Metlifecare shares approved under rules 7(c) or 7(d) of the Takeovers Code.

Warranties and Warranty insurance: The PLC Vendor and the Vision Vendors have given usual warranties and indemnities (including tax indemnities) in relation to their respective businesses (subject to usual limitations and exceptions). The Company has purchased a warranty insurance policy from a reputable underwriter which provides insurance cover for the warranties given by the Vision Vendors under the Vision Merger Agreement, such that Metlifecare must seek recourse for any breach of warranty under its insurance policy, and the Vision Vendors have no liability for the warranties (other than for a breach of a title or authority warranty, or to the extent of any fraud of the Vision Vendors).

The Company has given usual limited warranties (subject to similar limitations and exceptions as the vendor warranties) in connection with the issue of Metlifecare shares to the PLC Vendor and the Vision Vendors in relation to the transaction.

The Merger Agreements also include usual covenants and controls for transactions of this nature in respect of the conduct of the business of PLC and Vision from the date of execution of the Merger Agreements until settlement.

Metlifecare Board: The parties have agreed that they will endeavour to procure the appointment to the board of Metlifecare of two additional independent directors, with one of those additional independent directors to be appointed within 30 days of settlement, and the other by 31 December 2012, to ensure that by 31 December 2012 Metlifecare's board consists of two RVG representatives, four independent directors and the Company's CEO and Managing Director, Alan Edwards.