

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, solicitor, accountant, bank manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.**

If you have sold or otherwise transferred all of your Shares in Target Healthcare REIT Limited, please forward this document, together with the accompanying form of proxy immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **TARGET HEALTHCARE REIT LIMITED**

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991 (as amended)  
with registered number 112287)*

### **Recommended Proposals for the issue of New Shares by means of an Initial Placing and Offer for Subscription and a Placing Programme**

**and**

### **Notice of General Meeting**

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Notice of a general meeting of Target Healthcare REIT Limited to be held at 12 noon on 7 July 2014 at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF is set out at the end of this document. To be valid, the form of proxy accompanying this document must be completed and returned, in accordance with the instructions printed on it, so as to be received by the Company's registrars, Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event not later than 12 noon on 3 July 2014.

## DEFINITIONS

The meanings of the following terms shall apply throughout this document unless the context otherwise requires.

<b>Adjusted NAV per Share</b>	the NAV as at the relevant date including all income to that date but after deduction of any dividend accrued to that date to which the holders of the New Shares would not be entitled
<b>Board or Directors</b>	the directors of the Company
<b>Company</b>	Target Healthcare REIT Limited, a company incorporated in Jersey with registered number 112287
<b>General Meeting</b>	the general meeting of the Company to be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF at 12 noon on 7 July 2014
<b>Group</b>	the Company and any direct or indirect subsidiary of the Company from time to time
<b>Initial Placing</b>	the conditional placing of up to 50 million New Shares by Winterflood Securities Limited
<b>Investment Adviser</b>	Target Advisers LLP
<b>NAV</b>	in relation to a Share, means its net asset value on the relevant date calculated in accordance with the Company's normal accounting policies
<b>New Shares</b>	the new Ordinary Shares to be issued by the Company pursuant to the Issues
<b>Offer for Subscription or Offer</b>	the offer for subscription of up to 50 million New Shares
<b>Placing Programme</b>	the proposed programme of placings by Winterflood Securities Limited
<b>Property Portfolio</b>	the direct and indirect property assets of the Group from time to time
<b>Proposals or Issues</b>	the proposed issue of up to 100 million New Shares pursuant to the Initial Placing, the Offer and/or the Placing Programme (as the case may be) as described in this document
<b>Resolution</b>	the special resolution to be proposed at the General Meeting to disapply pre-emption rights otherwise applicable to the allotment of shares under the Issues
<b>Shareholders</b>	holders of the Ordinary Shares
<b>Shares or Ordinary Shares</b>	ordinary shares of no par value in the capital of the Company

# TARGET HEALTHCARE REIT LIMITED

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991 (as amended)  
with registered number 112287)*

## *Directors*

Mr Robert Malcolm Naish (*Chairman*)  
Prof. June Andrews  
Mr Gordon C Coull  
Mr Thomas J Hutchison III

## *Registered Office*

Ordnance House  
31 Pier Road  
St. Helier  
Jersey  
JE4 8PW

18 June 2014

Dear Shareholder

## **RECOMMENDED PROPOSALS AND NOTICE OF GENERAL MEETING**

### **Introduction and background**

Following the Company's successful launch in March 2013 and subsequent capital raises in June and October 2013, the Company has acquired a portfolio of 18 care homes across England and Scotland which have a market value of over £87 million. Target Advisers LLP, the Company's Investment Adviser, is currently in advanced discussions, or has entered into exclusivity arrangements, in respect of a number of further acquisition opportunities in line with the Company's investment policy. If completed, these opportunities would result in the Company having invested all of its remaining available cash reserves and having drawn down substantially all of a proposed £30 million term loan facility and revolving credit facility. The Investment Adviser has also identified further attractive acquisition opportunities, some of which are also in advanced discussions.

Your Board is therefore discussing with its advisers a proposal to raise additional equity by means of a placing of New Shares. The purpose of this document is to convene a general meeting to seek authority from Shareholders of the Company to allot a further 50 million Ordinary Shares on a non pre-emptive basis under the Initial Placing and Offer. The authority, if approved, will continue in effect until the conclusion of the Company's annual general meeting in 2015. In the event that the Initial Placing and Offer is oversubscribed, applications will be scaled back with priority being given to existing Shareholders.

Your Board believes that raising additional capital will allow the Investment Adviser to take advantage of the acquisition opportunities it has identified. The Board also believes that it is in the best interests of Shareholders to increase the size of the Company to spread the fixed costs over a wider asset base and to increase the market capitalisation and liquidity in the Shares of the Company.

If the Board and its advisers identify sufficient investor demand, the Company will publish a prospectus. The price at which the shares will be issued by the Company pursuant to the Proposals will not be dilutive to existing Shareholders.

### **The Property Portfolio**

The Group's Property Portfolio comprises 18 care home assets, including the forward purchase of a care home which is due to be completed and opened in summer 2014.

The current portfolio has the following characteristics:

- Aggregate net initial rental yield on acquisition ahead of the 7 per cent. blended initial yield targeted at the time of launch.
- Annual rent roll of £6.3 million.
- Rents payable subject to annual uplifts in line with the retail prices index subject to a cap and collar.

- Average capital-weighted unexpired lease term of 30.9 years.
- The valuation as at 31 March 2014 has seen uplifts resulting from annual rent reviews and trading maturity being reached on certain assets.

#### *Geographical analysis*

<b>Location</b>	<b>% of Property Portfolio*</b>
North West	29.9%
Scotland	22.9%
East Midlands	22.1%
Yorkshire & Humberside	10.1%
West Midlands	15.0%

\* Based on 31/3/14 quarterly valuations for existing portfolio and transaction valuation for assets acquired since 31/3/14.

#### **Investment outlook**

The Company reported in May 2014 that the good level of investment activity across the UK elderly care sector has continued. In addition to the established specialist healthcare investors active in the market, the Company's Investment Adviser has reported the increasing prevalence of generalist investors attracted to the sector in search of potentially attractive yields.

As competition for assets increases, the Company is seeing further evidence to indicate that yields are hardening, particularly for multi-asset portfolios and/or strong tenant covenants, and it is not expected that this trend will reverse in the short-term. Nevertheless, the Investment Adviser believes that the Company is well-placed to capitalise on its established relationships with regional and national operators and agents, and it continues to build an attractive pipeline of single and multi-asset care home investment opportunities.

As a result, the Company is pleased to report it is currently in advanced, non-binding legal negotiations to acquire care home assets with an aggregate acquisition cost of approximately £50 million and also maintains a good investment pipeline of opportunities which could be converted over the next few months, subject to the availability of capital.

#### **Bank borrowings**

The Company is currently in advanced negotiations to put in place a £30 million five year debt facility. The Board expects that this facility will be agreed and available to be drawn down to fund further property acquisitions in the near future.

In the event that the full amount is drawn down under the debt facility the Group's gearing is expected to be approximately 25 per cent. of the Group's gross assets. Although this is within the Company's stated gearing limit of 35 per cent. of gross assets, it remains the Board's intention that, as the proceeds of the Issues are invested, any further borrowings will not exceed 20 per cent. of the Group's gross assets at the time of drawdown.

#### **Reasons for the Proposals**

The Board further believes that the Proposals offer significant benefits for all Shareholders as noted below.

- The Issues offer the Company the potential opportunity to acquire the further properties identified by the Investment Adviser that should enhance the performance of the Property Portfolio.
- The Board believes that such acquisitions would also further diversify the Property Portfolio.
- The Issues would significantly increase the market capitalisation of the Company which should therefore increase liquidity in the Ordinary Shares.
- As a result of the Issues, the fixed costs of the Group would be spread over a larger asset base and therefore the total expense ratio of the Group would be reduced.

## **Details of the terms of the Proposals**

### *The Initial Placing and Offer for Subscription*

Under the Initial Placing and Offer, the Company is proposing to issue up to 50 million New Shares subject to Shareholder approval at the General Meeting. The price of the New Shares to be issued pursuant to the Initial Placing and Offer will be at a premium to the Adjusted NAV per Share as at 30 June 2014. The net proceeds of the Initial Placing and Offer will be used to acquire further UK care homes in accordance with the Company's investment policy.

It is expected that in the event that the number of New Shares applied for under the Initial Placing and Offer would result in the Company receiving net proceeds which are significantly in excess of the size of the Initial Placing and Offer then it would be necessary to scale back such applications. In such event New Shares will be allocated as nearly as reasonably possible, so that applications from existing Shareholders are given priority over other applicants, and, where applicable, with a view to ensuring that existing Shareholders are allocated such percentage of New Shares as is as close as possible to their existing percentage holding of Ordinary Shares.

### *The Placing Programme*

The Company is also proposing the Placing Programme to enable the Company to raise additional capital in the 12 month period following the publication of the prospectus relating to the Issues when it identifies properties that are suitable for acquisition. This should enable the Investment Adviser to make a series of accretive acquisitions over the 12 month period whilst also mitigating the risk of cash drag on Shareholders' funds.

Once the Company's existing Shareholder authorities have been exhausted the Company will convene a general meeting to seek Shareholder approval for the disapplication of pre-emption rights in relation to the issue of New Shares under the Placing Programme.

Under the Proposals New Shares will only be issued to new and existing Shareholders at a premium to the prevailing Adjusted NAV per Share at the time of issue.

### *The prospectus*

The Company intends to publish a prospectus in relation to the admission up to 100 million New Shares pursuant to the Initial Placing, the Offer and the Placing Programme. The prospectus will contain full details of the proposed Offer, Initial Placing and Placing Programme.

The prospectus will be in force for a period of 12 months and therefore the number of New Shares referred to above in respect of the prospectus is intended to cover: (i) the shareholder authority being proposed at the General Meeting in relation to the Initial Placing and Offer; and (ii) any further New Shares to be issued pursuant to the Placing Programme.

## **General meeting**

The Proposals are conditional, *inter alia*, on the approval of Shareholders. You will find set out at the end of this document a notice convening the general meeting at which Shareholders will be asked to consider and, if thought fit, approve the special resolution in relation to the Proposals which will require to be passed by a three-quarters majority. All Shareholders are entitled to vote on the special resolution. The general meeting is to be held at 12 noon on 7 July 2014 at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF.

Shareholders will find enclosed a form of proxy for use in connection with the General Meeting. Whether or not Shareholders propose to attend the General Meeting, they are requested to complete, sign and return the form of proxy as soon as possible, in accordance with the instructions printed on it.

To be valid, the enclosed form of proxy must be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive by not later than 12 noon on 3 July 2014. The completion and return of the form of proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.

**Recommendation**

The Directors consider the passing of the special resolution in connection with the Proposals set out in the notice of the General Meeting at the end of this document to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution. The Directors intend to vote in favour of the Resolution in respect of their own beneficial holdings of Shares (amounting to 56,000 Ordinary Shares, representing approximately 0.06 per cent. of the issued share capital of the Company).

Yours faithfully

**Malcolm Naish**  
*Chairman*

# TARGET HEALTHCARE REIT LIMITED

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991  
(as amended with registered number 112287)*

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Target Healthcare REIT Limited (the "Company") will be held at 12 noon on 7 July 2014 at the offices of Dickson Minto W.S, 16 Charlotte Square, Edinburgh EH2 4DF to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

### SPECIAL RESOLUTION

THAT, in addition to any existing power and authority granted to the Directors, the Directors be and are hereby generally empowered to allot ordinary shares of no par value carrying the rights, privileges and subject to the restrictions attached to the Ordinary Shares as set out in the articles of association of the Company (the "**Ordinary Shares**") or to grant rights to subscribe for or, to convert securities into Ordinary Shares ("**equity securities**") including the allotment and grant of rights to subscribe for, or to convert securities into, Ordinary Shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares, as set out in Article 10(B) of the articles of association of the Company and in the Listing Rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), did not apply to any such allotment of or grant of rights to subscribe for or to convert into equity securities, provided that this power:

- (a) shall expire on the earlier of the date falling 18 months after the passing of this resolution and the conclusion of the annual general meeting of the Company to be held in 2015, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
- (b) shall be limited to the allotment of up to an additional 50,000,000 ordinary shares of no par value being as at 18 June 2014 approximately 52.5 per cent. of the issued share capital of the Company.

By order of the Board

**R & H Fund Services Limited**  
*Company Secretary*

*Registered office*  
Ordnance House  
31 Pier Road  
St. Helier  
Jersey  
JE4 8PW

18 June 2014

*Notes:*

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the general meeting. A proxy need not be a member of the Company but must attend the general meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 48 hours before the time of the meeting or any adjourned meeting.
3. The return of a completed proxy form or other instrument of proxy will not prevent you attending the general meeting and voting in person if you wish.
4. The Company specifies that only those shareholders registered in the register of members of the Company at 12 noon on 3 July 2014 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 17 June 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 95,221,629 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 June 2014 were 95,221,629 votes.
6. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
7. Information regarding the general meeting is available from the Company's webpage at [www.targethealthcarereit.co.uk](http://www.targethealthcarereit.co.uk)