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COMPANIES FORM No. 155(6)b

155(6)b

Declaration by the directors of a holding company in relation to assistance for the acquisition of shares

Please do not write in this margin

Pursuant to section 155(6) of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies

For official use

Company number

3893502

Name of company

* PRIORITY SPECIALIST HEALTH DIVISION LIMITED

*Insert full name of company

Note Please read the notes on page 3 before completing this form

~~We†~~ See appendix 1

†Insert name(s) and address(es) of all the directors

Delete as appropriate

~~We†~~ (all the directors) of the above company (hereinafter called 'this company') do solemnly and sincerely declare that:

The business of this company is:

‡Delete whichever is inappropriate

- ~~(a) that of a recognised bank (within the meaning of the Banking Act 1979) ‡~~
- ~~(b) that of a person authorised under section 8 of 4 of the Insurance Companies Act 1982 to carry on insurance business in the United Kingdom ‡~~
- (c) something other than the above ‡

This company is ~~the~~ a holding company of*

PRIORITY HOSPITALS LIMITED

which is

proposing to give financial assistance in connection with the acquisition of shares

in ~~this company~~ PRIORITY HEALTHCARE HOLDINGS LIMITED

the holding company of this company. X

Presenter's name address and reference (if any):

Skadden
1 Canada Square
Canary Wharf E14 5DS
DX

For official use
General Section

Post room



LD5
COMPANIES HOUSE

0457
18/06/02

The assistance is for the purpose of ~~that acquisition~~ ~~reducing or discharging a liability incurred~~ ~~for the purpose of the acquisition.~~ * (note 1)

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The number and class of the shares acquired or to be acquired is:

See appendix 2

The assistance is to be given to: (note 2)

PRIORITY HEALTHCARE ACQUISITION CO LIMITED

The assistance will take the form of:

See appendix 3

The person who ~~has acquired~~ ~~will acquire~~ * the shares is:

*Delete as appropriate

PRIORITY HEALTHCARE ACQUISITION CO LIMITED

The principal terms on which the assistance will be given are:

See appendix 4

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is N/C

The amount of cash to be transferred to the person assisted is £ N/C

The value of any asset to be transferred to the person assisted is £ N/C

Please do not write in this margin

The date on which the assistance is to be given is **WITHIN 8 WEEKS OF THE DATE HEREOF.**

Please complete legibly, preferably in black type, or bold block lettering

~~We~~ We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

† Delete either (a) or (b) as appropriate

(a) ~~We~~ We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date. † (note 3)

~~(b) It is intended to commence the winding up of this company within 12 months of that date, and we have formed the opinion that this company will be able to pay its debts as they fall within 12 months of the commencement of the winding up. † (note 3)~~

And ~~we~~ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at **200 Aldersgate Street
London EC1A 4JJ**

Declarants to sign below

the **10th** day of **June**
~~one thousand nine hundred and~~
two thousand and two

before me **[Signature]**, **Com Aneel**

[Signature]
[Signature]

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

Notes

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account --see section 156(3) of the Companies Act 1985.
- 4 The auditors' report required by section 156(4) of the Companies Act 1985 must be annexed to this form.

PRIORY SPECIALIST HEALTH DIVISION LIMITED
Company Number 3893502

Appendix 1 - Form 155(6)(b)

Dr Chaitayna Bhupendra Patel of The Thatched House, Manor Way, Oxshott, Surrey,
KT22 0HU

Ms Serena Stewart of 23 Lindsey Street, Epping, Essex, CM16 6RB

PRIORY SPECIALIST HEALTH DIVISION LIMITED
Company Number 3893502

Appendix 2 – Form 155(6)(b)

86,031,339 A ordinary shares

30,412,224 special shares

13,593,413 ten per cent cumulative preference shares

10 B non-voting deferred shares

PRIORY SPECIALIST HEALTH DIVISION LIMITED
Company Number 3893502

Appendix 3 - Form 155(6)(b)

The execution, delivery and performance by the Company of its obligations under:

- 1.1 an accession agreement pursuant to which the Company agrees to become an Obligor under the senior facilities agreement dated 22nd May, 2002, between Priory Acquisition Healthcare Co Limited as Borrower ("**Priory**"), The Royal Bank of Scotland plc as Agent, Arranger and Trustee ("**RBS**"), the Lenders defined therein and others (the "**Facilities Agreement**") under which, inter alia, the Lenders will provide borrowing facilities to Priory for the Acquisition ("**Facilities Agreement Accession Agreement**");
- 1.2 an accession agreement to a debenture to be entered into by the Company and RBS as Trustee which is required by the Facilities Agreement and pursuant to which the Company will create fixed and floating charges over all its assets and undertaking (the "**Debenture Accession Agreement**"); and
- 1.3 an accession agreement to the trust agreement to be entered into by, among others, Priory and RBS as Trustee which the Company is required to accede to pursuant to the Facilities Agreement (the "**Trust Agreement Accession Agreement**").

PRIORY SPECIALIST HEALTH DIVISION LIMITED
Company Number 3893502

Appendix 4 - Form 155(6)(b)

In this Appendix 4, unless the context otherwise requires:

"Account" means, in respect of the Company, any credit balance from time to time on any account opened or maintained by the Company with the Trustee or any other financial institution and all Related Rights.

"Assigned Account" means, in respect of the Company, any Account opened or maintained by the Company with the Trustee or any other financial institution details of which are set out in Schedule 2 (*Accounts*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) (and any renewal or redesignation thereof) and any other Account that may from time to time be identified in writing as an Assigned Account by the Trustee and the Company **provided that** each Mandatory Prepayment Account shall at all times be an Assigned Account.

"Borrower" means Priory or an Additional Borrower unless it has ceased to be a Borrower in accordance with Clause 29 (*Changes to the Obligors*) to the Facilities Agreement.

"Charged Property" means, in respect of the Company, all the assets of the Company which from time to time are the subject of the security created or expressed to be created in favour of the Trustee by or pursuant to the Debenture.

"Charging Companies" means each of the companies detailed in Schedule 1 (*The Initial Charging Companies*) of the Debenture and any other member of the Group which has become a charging company under the Debenture by executing a Security Accession Deed **provided that** the Transaction Security granted by, or in respect of, such company has not been released, and **"Charging Company"** means any of them.

"Collateral Rights" means all rights, powers and remedies of the Trustee provided by or pursuant to the Debenture or by law.

"Dormant Subsidiary" means Priory Healthcare Europe Limited; Jacques Hall Foundation Limited; Jacques Hall Limited; Public Health Solutions Limited; Priory Securitisation Limited; Priory Healthcare Finance Limited (Cayman Islands); Nottcor 6 Limited; Priory Behavioural Health Limited; Sturt House Clinic Limited; Employee Management Services Limited; Robinson Kay House (Bury) Limited; Priory Services for Young People (IOM) Limited; Priory Healthcare Central Services Limited; Community Addiction Services Limited; Medical Imaging (Essex) Limited and any member of the Group which has gross assets not exceeding £5,000 (or its equivalent) and has gross liabilities not exceeding £1,000 (or its equivalent) **provided that** such member of the Group is not required to become an Additional Guarantor pursuant to Clause 26.28 (*Dormant subsidiaries*) of the Facilities Agreement.

"Finance Document" means the Facilities Agreement, any Guarantee, any Fee Letter, any Accession Letter, any Transaction Security Document, the Subordination Agreement, any Ancillary Document, any Hedging Agreement, any document as the Agent may specify (acting reasonably) to be entered into in relation to the cash cover

for any Guarantee and any other document designated as a "Finance Document" by the Agent and Priory.

"Finance Party" means the Agent, the Arranger, the Trustee, a Lender, an Issuing Bank or an Ancillary Lender.

"Group" means:

- (a) for all purposes of the Facilities Agreement other than Section 8 (*Representations, Warranties and Events of Default*), Priory and each of its Subsidiaries for the time being; and
- (b) for the purposes of Section 8 (*Representations, Warranties and Events of Default*) of the Facilities Agreement only, Priory and its Subsidiaries for the time being other than any Dormant Subsidiary.

"Guarantee" means (a) any guarantee substantially in the form set out in Schedule 10 (*Form of Guarantee*) of the Facilities Agreement issued or to be issued under the Revolving Facility or (b) any other guarantee or letter of credit, indemnity, or other instrument of suretyship or payment issued or to be issued by the Issuing Bank under the Revolving Facility and requested by Priory and agreed by the Agent (with the prior consent of the Majority Lenders) and the Issuing Bank.

"Guarantor" means Priory or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 29 (*Changes to the Obligors*) of the Facilities Agreement.

"Insurance Policy" means, in respect of the Company, any policy of insurance details of which are set out in Schedule 11 (*Details of Insurance Policies*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and any other policy of insurance (including life insurance or assurance) in which the Company may from time to time have an interest.

"Intellectual Property" means, in respect of the Company, any trade marks details of which are set out in Schedule 10 (*Details of Intellectual Property*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and any patents, trade marks, service marks, business names, copyrights, design rights, inventions, confidential information, knowhow and other intellectual property rights and interests, whether registered or unregistered, the benefit of all applications and rights to use such assets and all Related Rights.

"Investments" means in respect of the Company:

- (a) any stocks, shares, debentures, securities and certificates of deposit (but not including the Shares),
- (b) all interests in collective investment schemes, and
- (c) all warrants, options and other rights to subscribe or acquire any of the investments described in (a) and (b),

in each case whether held directly by or to the order of the Company or by any trustee, nominee, fiduciary or clearance system on its behalf and all Related Rights (including all rights against any such trustee, nominee, fiduciary or

clearance system).

"Issuing Bank" means The Royal Bank of Scotland plc.

"Joint Venture" means any joint venture entity, whether in the form of a company, unincorporated firm, undertaking, association or partnership or other entity.

"Lease" means any present or future lease, sublease, tenancy or other agreement or right to occupy whether on a fixed term or periodic basis governing the use or occupation of any freehold or leasehold property.

"Mandatory Prepayment Account" means an interest-bearing account (a) held in England by a member of the Group with the Agent or Trustee, (b) agreed in a letter between Priory and the Agent to be a Mandatory Prepayment Account (as the same may be redesignated, substituted or replaced from time to time) and (c) subject to Security in favour of the Secured Parties created under the Debenture.

"Monetary Claims" means, in respect of the Company, any book and other debts and monetary claims owing to the Company and any proceeds thereof (including any claims or sums of money deriving from or in relation to any Intellectual Property, any Investment, the proceeds of any Insurance Policy any court order or judgment, any contract or agreement to which the Company is a party and any other assets, property, rights or undertaking of the Company).

"Notice of Assignment" means a notice of assignment in substantially the form set out in Schedule 6 (*Form of Notice of Assignment of Insurance*) of the Debenture or Schedule 7 (*Form of Notice of Assignment of Account*) of the Debenture or Schedule 8 (*Form of Notice of Assignment of Specific Contract*) of the Debenture or Schedule 9 (*Form of Notice of Assignment to Headlease holder/tenant*) of the Debenture, or with such amendments as may be agreed between the Company and the Trustee.

"Obligor" means Priory or a Borrower or a Guarantor.

"Party" means a party to the Facilities Agreement.

"Permitted Security" means any Security permitted under Clause 26.3 (*Negative Pledge*) of the Facilities Agreement.

"Planning Acts" means the Town and Country Planning Act 1990, The Planning (Listed Buildings and Conservation Areas) Act 1990, The Planning (Hazardous Substances) Act 1990, The Planning (Consequential Provisions) Act 1990, The Planning and Compensation Act 1991 and any subsequent legislation of a similar nature.

"Real Property" means:

- (a) any freehold, leasehold or immovable property (including the freehold and leasehold property in England and Wales specified in Schedule 3 (*Details of Real Property*) of the Debenture (or in the Security Accession Deed under which the Company becomes party under the Debenture)); and
- (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of such freehold or leasehold property,

and includes all Related Rights.

"Receiver" means a receiver of the whole or any part of the Charged Property.

"Related Rights" means, in relation to any asset,

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that asset; and
- (d) any moneys and proceeds paid or payable in respect of that asset.

"Scottish Security" means a Security which is a standard security under the laws of Scotland or any other Security governed by the laws of Scotland which is a fixed security.

"Secured Obligations" means all financial obligations at any time due, owing or incurred by any Obligor to any Secured Party under the Finance Documents and the Term Out Facility Documentation, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or surety or in some other capacity) and including for the avoidance of doubt, any liability of any Obligor to any Secured Party in respect of any further advances made under the Finance Documents.

"Secured Parties" means the Trustee, any Delegate, the Agent, each Lender, the Issuing Bank, each Ancillary Lender from time to time party to this Agreement, each Hedge Counterparty and any other lender from time to time party to the Term Out Facility Documentation.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Accession Deed" means a deed of accession executed by a member of the Group in substantially the form set out in Schedule 12 (*Form of Security Accession Deed*) of the Debenture, pursuant to which such member of the Group becomes party to the Debenture as a Charging Company.

"Shares" means, in respect of the Company, all of the shares specified in Schedule 4 (*Details of Shares*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and all other shares held legally and/or beneficially by such Charging Company at any time except for (a) shares in any Dormant Subsidiary and (b) shares in any Joint Venture.

"Specific Contracts" means each of the contracts specified in Schedule 5 (*Details of Specific Contracts*) of the Debenture (or in the Security Accession Deed under which such Charging Company becomes party to the Debenture).

"Subsidiary" means a subsidiary undertaking within the meaning of Section 258 of the Companies Act 1985.

"Tangible Moveable Property" means, in respect of the Company, any plant, machinery, office equipment, computers, vehicles and other chattels (excluding any for the time being forming part of the Company's stock in trade or work in progress) and all Related Rights.

Terms used but not defined above have the meaning given to such term in the Facilities Agreement.

1. By executing the Facilities Agreement Accession Agreement and acceding to the Facilities Agreement, the Company, inter alia:
 - 1.1 undertakes to each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, it shall immediately on demand pay that amount as if it was the principal obligor;
 - 1.2 indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal and the amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover; and
 - 1.3 undertakes that, where it holds proceeds from certain disposals, insurance policies, acquisitions or surplus cash it will mandatorily prepay such amounts to a Mandatory Prepayment Account.
2. By executing the Debenture Accession Agreement and acceding to the Debenture, the Company, inter alia:
 - 2.1 covenants with the Trustee as trustee for the Secured Parties to pay, discharge and satisfy the Secured Obligations as and when they fall due;
 - 2.2 charges with full title guarantee in favour of the Trustee as trustee for the Secured Parties with the payment and discharge of the Secured Obligations:
 - 2.2.1 by way of first fixed charge (which so far as it relates to land in England and Wales vested in the Company at the date of the Debenture Accession Agreement shall be a charge by way of legal mortgage) all the Company's right, title and interest from time to time in and to each of the following assets (save to the extent charged or secured from time to time under any Scottish Security, if at all) each of the following:
 - (a) the Real Property other than any assigned pursuant to Clause 3.2 (*Assignment*) of the Debenture;
 - (b) the Tangible Moveable Property;
 - (c) the Accounts;
 - (d) the Intellectual Property;
 - (e) any goodwill and rights in relation to the uncalled capital of the Company;
 - (f) the Investments;
 - (g) the Shares, all dividends, interest and other monies payable in respect of the Shares and all other Related Rights (whether

derived by way of redemption, bonus, preference, option, substitution or conversion or otherwise);

- (h) all Monetary Claims other than any claims which are otherwise subject to a fixed charge or assignment (at law or in equity) pursuant to the Debenture and all Related Rights.

2.2.2 assigns all the Company's right, title and interest from time to time in and to each of the following assets (subject to obtaining any necessary consent to that assignment from any third party and save to the extent assigned from time to time under any Scottish Security, if at all):

- (a) the proceeds of any Insurance Policy and all Related Rights in respect of any Insurance Policy;
- (b) each of the Specific Contracts;
- (c) all rights and claims in relation to any Assigned Account; and
- (d) all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future in order to enable the Trustee to perfect its rights thereunder or under the Debenture) entered into by or given to the Company in respect of the Real Property including all:
 - (i) claims, remedies, awards or judgments paid or payable to the Company (including, without limitation, all liquidated and ascertained damages payable to the Company in respect of the items referred to); and
 - (ii) guarantees, warranties, bonds and representations given or made by, and any rights or remedies against any designer, builder, contractor, professional adviser, sub-contractor, manufacturer, supplier or installer of any fixture, fitting, fixed plant or machinery,

in each case, relating to all or any part of the Real Property.

2.2.3 (in relation to assets situated in or governed by the laws of Scotland with absolute warrandice) by way of first floating charge the whole of the Company's undertaking and assets, present and future, wheresoever situated (including, without limitation, assets situated in or governed by the laws of Scotland), other than any assets validly and effectively charged or assigned (whether at law or in equity) by way of fixed security under the laws of England and Wales, or of the jurisdiction in which that asset is situated or by which it is governed, in favour of the Trustee as security for the Secured Obligations.

2.3 undertakes that it shall not, at any time during the subsistence of the Debenture, create or permit to subsist any Security over all or any part of the Charged Property other than a Permitted Security.

- 2.4 undertakes that it shall not (and shall not agree to) at any time during the subsistence of the Security constituted by the Debenture assign or otherwise dispose of any interest in any Account and no right, title or interest in relation to any Account maintained with the Trustee, or the credit balance standing to any such Account shall be capable of assignment or other disposal except as permitted in a written agreement with the Trustee.
3. The Debenture contains a covenant for further assurances and shall remain in full force and effect notwithstanding any amendments, variations or novation from time to time of the Facilities or any assignment, transfer or novation of the rights and obligations of any Lender or the Trustee.

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7822 4652

The Directors
Priory Specialist Health Division Limited
Westminster House
Randalls Way
Leatherhead
Surrey, KT22 7TZ

10 June 2002

Dear Sirs

Auditors' report to the directors of Priory Specialist Health Division Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors of Priory Specialist Health Division Limited ('the Company') dated 10 June 2002 in connection with the proposal that the Company's subsidiary undertaking, Priory Hospitals Limited, should give financial assistance for the purchase of all of the ordinary shares of the Company's ultimate parent company, Priory Healthcare Acquisition Company Limited.

Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

PRIORY SPECIALIST HEALTH DIVISION LIMITED
Company Number 3893502

Appendix 4 - Form 155(6)(a)

In this Appendix 4, unless the context otherwise requires:

"Account" means, in respect of the Company, any credit balance from time to time on any account opened or maintained by the Company with the Trustee or any other financial institution and all Related Rights.

"Assigned Account" means, in respect of the Company, any Account opened or maintained by the Company with the Trustee or any other financial institution details of which are set out in Schedule 2 (*Accounts*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) (and any renewal or redesignation thereof) and any other Account that may from time to time be identified in writing as an Assigned Account by the Trustee and the Company **provided that** each Mandatory Prepayment Account shall at all times be an Assigned Account.

"Borrower" means Priory or an Additional Borrower unless it has ceased to be a Borrower in accordance with Clause 29 (*Changes to the Obligors*) to the Facilities Agreement.

"Charged Property" means, in respect of the Company, all the assets of the Company which from time to time are the subject of the security created or expressed to be created in favour of the Trustee by or pursuant to the Debenture.

"Charging Companies" means each of the companies detailed in Schedule 1 (*The Initial Charging Companies*) of the Debenture and any other member of the Group which has become a charging company under the Debenture by executing a Security Accession Deed **provided that** the Transaction Security granted by, or in respect of, such company has not been released, and **"Charging Company"** means any of them.

"Collateral Rights" means all rights, powers and remedies of the Trustee provided by or pursuant to the Debenture or by law.

"Dormant Subsidiary" means Priory Healthcare Europe Limited; Jacques Hall Foundation Limited; Jacques Hall Limited; Public Health Solutions Limited; Priory Securitisation Limited; Priory Healthcare Finance Limited (Cayman Islands); Nottcor 6 Limited; Priory Behavioural Health Limited; Sturt House Clinic Limited; Employee Management Services Limited; Robinson Kay House (Bury) Limited; Priory Services for Young People (IOM) Limited; Priory Healthcare Central Services Limited; Community Addiction Services Limited; Medical Imaging (Essex) Limited and any member of the Group which has gross assets not exceeding £5,000 (or its equivalent) and has gross liabilities not exceeding £1,000 (or its equivalent) **provided that** such member of the Group is not required to become an Additional Guarantor pursuant to Clause 26.28 (*Dormant subsidiaries*) of the Facilities Agreement.

"Finance Document" means the Facilities Agreement, any Guarantee, any Fee Letter, any Accession Letter, any Transaction Security Document, the Subordination Agreement, any Ancillary Document, any Hedging Agreement, any document as the Agent may specify (acting reasonably) to be entered into in relation to the cash cover



for any Guarantee and any other document designated as a "Finance Document" by the Agent and Priory.

"Finance Party" means the Agent, the Arranger, the Trustee, a Lender, an Issuing Bank or an Ancillary Lender.

"Group" means:

- (a) for all purposes of the Facilities Agreement other than Section 8 (*Representations, Warranties and Events of Default*), Priory and each of its Subsidiaries for the time being; and
- (b) for the purposes of Section 8 (*Representations, Warranties and Events of Default*) of the Facilities Agreement only, Priory and its Subsidiaries for the time being other than any Dormant Subsidiary.

"Guarantee" means (a) any guarantee substantially in the form set out in Schedule 10 (*Form of Guarantee*) of the Facilities Agreement issued or to be issued under the Revolving Facility or (b) any other guarantee or letter of credit, indemnity, or other instrument of suretyship or payment issued or to be issued by the Issuing Bank under the Revolving Facility and requested by Priory and agreed by the Agent (with the prior consent of the Majority Lenders) and the Issuing Bank.

"Guarantor" means Priory or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 29 (*Changes to the Obligors*) of the Facilities Agreement.

"Insurance Policy" means, in respect of the Company, any policy of insurance details of which are set out in Schedule 11 (*Details of Insurance Policies*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and any other policy of insurance (including life insurance or assurance) in which the Company may from time to time have an interest.

"Intellectual Property" means, in respect of the Company, any trade marks details of which are set out in Schedule 10 (*Details of Intellectual Property*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and any patents, trade marks, service marks, business names, copyrights, design rights, inventions, confidential information, knowhow and other intellectual property rights and interests, whether registered or unregistered, the benefit of all applications and rights to use such assets and all Related Rights.

"Investments" means in respect of the Company:

- (a) any stocks, shares, debentures, securities and certificates of deposit (but not including the Shares),
- (b) all interests in collective investment schemes, and
- (c) all warrants, options and other rights to subscribe or acquire any of the investments described in (a) and (b),

in each case whether held directly by or to the order of the Company or by any trustee, nominee, fiduciary or clearance system on its behalf and all Related Rights (including all rights against any such trustee, nominee, fiduciary or

clearance system).

"Issuing Bank" means The Royal Bank of Scotland plc.

"Joint Venture" means any joint venture entity, whether in the form of a company, unincorporated firm, undertaking, association or partnership or other entity.

"Lease" means any present or future lease, sublease, tenancy or other agreement or right to occupy whether on a fixed term or periodic basis governing the use or occupation of any freehold or leasehold property.

"Mandatory Prepayment Account" means an interest-bearing account (a) held in England by a member of the Group with the Agent or Trustee, (b) agreed in a letter between Priory and the Agent to be a Mandatory Prepayment Account (as the same may be redesignated, substituted or replaced from time to time) and (c) subject to Security in favour of the Secured Parties created under the Debenture.

"Monetary Claims" means, in respect of the Company, any book and other debts and monetary claims owing to the Company and any proceeds thereof (including any claims or sums of money deriving from or in relation to any Intellectual Property, any Investment, the proceeds of any Insurance Policy any court order or judgment, any contract or agreement to which the Company is a party and any other assets, property, rights or undertaking of the Company).

"Notice of Assignment" means a notice of assignment in substantially the form set out in Schedule 6 (*Form of Notice of Assignment of Insurance*) of the Debenture or Schedule 7 (*Form of Notice of Assignment of Account*) of the Debenture or Schedule 8 (*Form of Notice of Assignment of Specific Contract*) of the Debenture or Schedule 9 (*Form of Notice of Assignment to Headlease holder/tenant*) of the Debenture, or with such amendments as may be agreed between the Company and the Trustee.

"Obligor" means Priory or a Borrower or a Guarantor.

"Party" means a party to the Facilities Agreement.

"Permitted Security" means any Security permitted under Clause 26.3 (*Negative Pledge*) of the Facilities Agreement.

"Planning Acts" means the Town and Country Planning Act 1990, The Planning (Listed Buildings and Conservation Areas) Act 1990, The Planning (Hazardous Substances) Act 1990, The Planning (Consequential Provisions) Act 1990, The Planning and Compensation Act 1991 and any subsequent legislation of a similar nature.

"Real Property" means:

- (a) any freehold, leasehold or immovable property (including the freehold and leasehold property in England and Wales specified in Schedule 3 (*Details of Real Property*) of the Debenture (or in the Security Accession Deed under which the Company becomes party under the Debenture)); and
- (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of such freehold or leasehold property,

and includes all Related Rights.

"Receiver" means a receiver of the whole or any part of the Charged Property.

"Related Rights" means, in relation to any asset,

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that asset; and
- (d) any moneys and proceeds paid or payable in respect of that asset.

"Scottish Security" means a Security which is a standard security under the laws of Scotland or any other Security governed by the laws of Scotland which is a fixed security.

"Secured Obligations" means all financial obligations at any time due, owing or incurred by any Obligor to any Secured Party under the Finance Documents and the Term Out Facility Documentation, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or surety or in some other capacity) and including for the avoidance of doubt, any liability of any Obligor to any Secured Party in respect of any further advances made under the Finance Documents.

"Secured Parties" means the Trustee, any Delegate, the Agent, each Lender, the Issuing Bank, each Ancillary Lender from time to time party to this Agreement, each Hedge Counterparty and any other lender from time to time party to the Term Out Facility Documentation.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Accession Deed" means a deed of accession executed by a member of the Group in substantially the form set out in Schedule 12 (*Form of Security Accession Deed*) of the Debenture, pursuant to which such member of the Group becomes party to the Debenture as a Charging Company.

"Shares" means, in respect of the Company, all of the shares specified in Schedule 4 (*Details of Shares*) of the Debenture (or in the Security Accession Deed under which the Company becomes party to the Debenture) and all other shares held legally and/or beneficially by such Charging Company at any time except for (a) shares in any Dormant Subsidiary and (b) shares in any Joint Venture.

"Specific Contracts" means each of the contracts specified in Schedule 5 (*Details of Specific Contracts*) of the Debenture (or in the Security Accession Deed under which such Charging Company becomes party to the Debenture).

"Subsidiary" means a subsidiary undertaking within the meaning of Section 258 of the Companies Act 1985.

"Tangible Moveable Property" means, in respect of the Company, any plant, machinery, office equipment, computers, vehicles and other chattels (excluding any for the time being forming part of the Company's stock in trade or work in progress) and all Related Rights.

Terms used but not defined above have the meaning given to such term in the Facilities Agreement.

1. By executing the Facilities Agreement Accession Agreement and acceding to the Facilities Agreement, the Company, inter alia:
 - 1.1 undertakes to each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, it shall immediately on demand pay that amount as if it was the principal obligor;
 - 1.2 indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal and the amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover; and
 - 1.3 undertakes that, where it holds proceeds from certain disposals, insurance policies, acquisitions or surplus cash it will mandatorily prepay such amounts to a Mandatory Prepayment Account.
2. By executing the Debenture Accession Agreement and acceding to the Debenture, the Company, inter alia:
 - 2.1 covenants with the Trustee as trustee for the Secured Parties to pay, discharge and satisfy the Secured Obligations as and when they fall due;
 - 2.2 charges with full title guarantee in favour of the Trustee as trustee for the Secured Parties with the payment and discharge of the Secured Obligations:
 - 2.2.1 by way of first fixed charge (which so far as it relates to land in England and Wales vested in the Company at the date of the Debenture Accession Agreement shall be a charge by way of legal mortgage) all the Company's right, title and interest from time to time in and to each of the following assets (save to the extent charged or secured from time to time under any Scottish Security, if at all) each of the following:
 - (a) the Real Property other than any assigned pursuant to Clause 3.2 (*Assignment*) of the Debenture;
 - (b) the Tangible Moveable Property;
 - (c) the Accounts;
 - (d) the Intellectual Property;
 - (e) any goodwill and rights in relation to the uncalled capital of the Company;
 - (f) the Investments;
 - (g) the Shares, all dividends, interest and other monies payable in respect of the Shares and all other Related Rights (whether

derived by way of redemption, bonus, preference, option, substitution or conversion or otherwise);

- (h) all Monetary Claims other than any claims which are otherwise subject to a fixed charge or assignment (at law or in equity) pursuant to the Debenture and all Related Rights.

2.2.2 assigns all the Company's right, title and interest from time to time in and to each of the following assets (subject to obtaining any necessary consent to that assignment from any third party and save to the extent assigned from time to time under any Scottish Security, if at all):

- (a) the proceeds of any Insurance Policy and all Related Rights in respect of any Insurance Policy;
- (b) each of the Specific Contracts;
- (c) all rights and claims in relation to any Assigned Account; and
- (d) all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future in order to enable the Trustee to perfect its rights thereunder or under the Debenture) entered into by or given to the Company in respect of the Real Property including all:
 - (i) claims, remedies, awards or judgments paid or payable to the Company (including, without limitation, all liquidated and ascertained damages payable to the Company in respect of the items referred to); and
 - (ii) guarantees, warranties, bonds and representations given or made by, and any rights or remedies against any designer, builder, contractor, professional adviser, sub-contractor, manufacturer, supplier or installer of any fixture, fitting, fixed plant or machinery,

in each case, relating to all or any part of the Real Property.

2.2.3 (in relation to assets situated in or governed by the laws of Scotland with absolute warrandice) by way of first floating charge the whole of the Company's undertaking and assets, present and future, wheresoever situated (including, without limitation, assets situated in or governed by the laws of Scotland), other than any assets validly and effectively charged or assigned (whether at law or in equity) by way of fixed security under the laws of England and Wales, or of the jurisdiction in which that asset is situated or by which it is governed, in favour of the Trustee as security for the Secured Obligations.

2.3 undertakes that it shall not, at any time during the subsistence of the Debenture, create or permit to subsist any Security over all or any part of the Charged Property other than a Permitted Security.

- 2.4 undertakes that it shall not (and shall not agree to) at any time during the subsistence of the Security constituted by the Debenture assign or otherwise dispose of any interest in any Account and no right, title or interest in relation to any Account maintained with the Trustee, or the credit balance standing to any such Account shall be capable of assignment or other disposal except as permitted in a written agreement with the Trustee.
3. The Debenture contains a covenant for further assurances and shall remain in full force and effect notwithstanding any amendments, variations or novation from time to time of the Facilities or any assignment, transfer or novation of the rights and obligations of any Lender or the Trustee.

The Directors
Priory Specialist Health Division Limited
Westminster House
Randalls Way
Leatherhead
Surrey, KT22 7TZ

10 June 2002

Dear Sirs

**Auditors' report to the directors of Priory Specialist Health Division Limited
pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors of Priory Specialist Health Division Limited ('the Company') dated 10 June 2002 in connection with the proposal that the Company should give financial assistance for the purchase of all of the ordinary shares of the Company's ultimate holding company, Priory Healthcare Acquisition Company Limited.


Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors