

Declaration 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
(Address overleaf - Note 5)

For official use

Company number

03893502

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

Name of company

* Priory Specialist Health Division Limited

*Insert full name of company

†We† See Appendix 1

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

§ Delete as appropriate

~~the sole director~~ [all the directors] § of the above company do solemnly and sincerely declare that:

The business of the company is:

‡ Delete whichever is inappropriate

- (a) ~~that of a recognised bank or licensed institution within the meaning of the Banking Act 1979~~
- (b) ~~that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business in the United Kingdom~~
- (c) something other than the above ‡

The company is proposing to give financial assistance in connection with the acquisition of shares in the ~~company~~ [company's holding company] § Priory Healthcare Holdings Limited

The assistance is for the purpose of ~~that acquisition~~ [reducing or discharging a liability incurred for the purpose of that acquisition].

The number and class of the shares acquired or to be acquired is: See Appendix 2

Presentor's name, address and reference (if any):

Skadden, Arps, Slate,
Meagher & Flom (UK) LLP
One Canada Square, Canary
Wharf, London, E14 5DS
Ref: **SNB**
DX

For official use
General Section

Post room



LD4
COMPANIES HOUSE

0391
04/09/08

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

Please do not
write in
this margin

Priory Group Limited (company number 04433255)
Priory House
Randalls Way
Leatherhead
Surrey KT22 7TP

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

The assistance will take the form of:

See Appendix 3

The person who [has acquired]~~[will acquire]~~* the shares is:
Priory Group Limited

*Delete as
appropriate

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

See Appendix 4

The amount of cash to be transferred to the person assisted is £ Nil

The value of any asset to be transferred to the person assisted is £ Nil

The date on which the assistance is to be given is Within 8 weeks of the date hereof

Please do not write in this margin

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

Delete either (a) or (b) as appropriate

~~/~~We have formed the opinion, as regards the 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)

(a) ~~/~~We have formed the opinion that the 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 the company within 12 months of that date, and /we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding-up.] † (note 3)~~

And ~~/~~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 1 Embankment Place, London

Declarants to sign below

on

Day	Month	Year
218	017	20103

before me A. Whitehead

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.
- 5 The address for companies registered in England and Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

PRIORY SPECIALIST HEALTH DIVISION LIMITED

Company Number 03893502

Appendix 1 - Form 155(6)(a)

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

Mr Paul John Greensmith of 19 Chatsworth Road, London, W4 3HY

PRIORY SPECIALIST HEALTH DIVISION LIMITED

Company Number 03893502

Appendix 2 – Form 155(6)(a)

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 03893502

(the "Company")

Appendix 3 – Form 155(6)(a)

1. In this statutory declaration (including Appendix 4) the following expressions have, unless otherwise defined, the following meanings:

"Account Bank" means The Royal Bank of Scotland plc;

"Account Bank and Cash Management Agreement" means an account bank and cash management agreement to be entered into on or after the date of this declaration between, amongst others, the Obligors, the Account Bank, the Issuer, the Cash Manager, the Borrower Security Trustee and the Note Trustee;

"Borrower Debenture" means the debenture to be entered into on or after the date of this declaration between, amongst others, the Obligors and the Borrower Security Trustee as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors pursuant to which each of the Obligors (including the Company) will create fixed and floating charges over all of its assets and undertaking in favour of the Borrower Security Trustee and will provide a guarantee and indemnity in respect of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities;

"Borrower Secured Creditors" means the Borrower Security Trustee, the Issuer, the Cash Manager (only so long as it is not a member of the Priory Group), the Capex Facility Provider, the Working Capital Facility Provider, the Account Bank and any receiver appointed under (and as defined in) the Borrower Debenture;

"Borrower Secured Liabilities" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as a principal or as a surety or in some other capacity) and under or in respect of any guarantees) which from time to time are or may become due, owing or payable by the Obligors to the Borrower Security Trustee or any of the other Borrower Secured Creditors under any Borrower Transaction Document;

"Borrower Security Trustee" means Citicorp Trustee Company Limited;

"Borrower Transaction Documents" means:

- (a) the Issuer/Borrower Facility Agreement;
- (b) the Borrower Debenture;
- (c) the Standard Securities;
- (d) the Subordination and Intercreditor Deed;
- (e) the Subordinated Loan Agreement;
- (f) the Account Bank and Cash Management Agreement;

- (g) the Tax Deed of Covenant;
- (h) the Working Capital Facility Agreement;
- (i) the Capex Facility Agreement;
- (j) the Subscription Agreement;
- (k) the Master Framework Agreement;
- (l) the Intra-Group Facility Agreement;
- (m) the Bridge Facility Agreement,

and certain other agreements defined as such in the Master Framework Agreement;

"Borrowers" means Priory Securitisation Limited, Priory Securitisation Holdings Limited, Priory Healthcare Limited, Priory Education Services Limited, Blenheim Healthcare Limited, Priory Rehabilitation Services Limited and Fairleigh Schools Limited;

"Bridge Facility Agreement" means a bridge facility agreement to be entered into on or after the date of this declaration between, amongst others, the Issuer as borrower and The Royal Bank of Scotland plc as lender pursuant to which The Royal Bank of Scotland plc will make facilities available to the Issuer for the purpose of, inter alia, reducing and discharging liabilities incurred for the purpose of financing the acquisition by the Intermediate Parent of shares in Priory Healthcare Holdings Limited;

"Capex Facility Agreement" means a capital expenditure facility agreement to be entered into on or after the date of this declaration between, amongst others, the Obligors, the Capex Facility Provider and the Borrower Security Trustee pursuant to which the Capex Facility Provider will provide term loan facilities of up to £55 million for the capital expenditure purposes of the Obligors;

"Capex Facility Provider" means The Royal Bank of Scotland plc;

"Capex Facility Secured Creditors" means the Capex Facility Provider, the Borrower Security Trustee in respect of certain amounts attributable to the facilities provided under the Capex Facility Agreement and any receiver appointed by the Borrower Security Trustee in respect of any Mortgaged Property the subject of a loan made under the Capex Facility Agreement;

"Capex Facility Secured Liabilities" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as a principal or as a surety or in some other capacity) and under or in respect of any guarantees), which from time to time are or may become due, owing or payable by the Obligors to the Borrower Security Trustee (whether for its own account or as trustee for the Capex Facility Secured Creditors) or any of the other Capex Facility Secured Creditors, in each case under the Capex Facility Agreement;

"Cash Manager" means Priory Central Services Limited;

"Encumbrance" means:

- (a) a mortgage, charge, security, pledge, lien, assignment, standard security, assignation or other encumbrance securing any obligation of any person or any agreement or arrangement having a similar effect (including any title transfer or retention arrangement); or
- (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person;

"English Real Property" means the real or leasehold properties specified in Part 1 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture and any other real or leasehold property situated in England title to which is held by an Obligor either on or after the Closing Date (as defined in the Master Framework Agreement);

"Insurance Policies" means, in respect of each Obligor, each of the policies of insurance or assurance set out in Schedule 5 (*Details of Insurance Policies*) to the Borrower Debenture, including any other policies of insurance or assurance taken out by or on behalf of any Obligor in which any Obligor may, on or after the Closing Date (as defined in the Master Framework Agreement), have an interest;

"Intellectual Property" means, in respect of each Obligor, any registered trade marks owned by such Obligor, details of which are set out in Schedule 6 (*Details of Intellectual Property*) to the Borrower Debenture;

"Intermediate Parent" means Priory Group Limited (formerly Priory Healthcare Acquisition Co. Limited);

"Intra-Group Facility Agreement" means the intra-group facility agreement to be entered into on or after the date of this declaration between the Obligors;

"Investments" has the meaning given to it in the Master Framework Agreement;

"Issuer" means Priory Finance Company Limited;

"Issuer/Borrower Facility Agreement" means a facility agreement to be entered into on or after the date of this declaration between, amongst others, the Borrowers, the Company, the other Obligors, the Issuer, the Borrower Security Trustee and the Cash Manager, pursuant to which the Issuer will make available to the Borrowers certain term loan facilities for the purpose of, inter alia, reducing and discharging liabilities incurred for the purpose of financing the acquisition by the Intermediate Parent of shares in the Company;

"Master Framework Agreement" means a master framework agreement between, amongst others, the Issuer, the Obligors, the Intermediate Parent, the Account Bank, the Capex Facility Provider and the Working Capital Facility Provider which sets out certain definitions, common terms, representations and warranties, covenants and other provisions which are incorporated to the extent stated in each of the Borrower Transaction Documents;

"Monetary Claims" has the meaning given to it in the Master Framework Agreement;

"Mortgaged Property" means a freehold, leasehold or heritable property interest over which an Obligor has granted a mortgage, fixed charged, standard security or conditional bond and security (as applicable) pursuant to the terms of the Borrower Debenture;

"Notes" means:

- (a) the class A secured fixed/floating rate notes due 2023;
- (b) the class B secured floating rate notes due 2027;
- (c) the class C secured floating rate notes due 2033,

to be issued by the Issuer on or after the date of this declaration;

"Note Trustee" means Citicorp Trustee Company Limited;

"Obligors" means the Borrowers, the Company and each of Priory Rehabilitation Services Holdings Limited, Priory Services for Young People (IOM) Limited, The Nottingham Clinic Limited, North Hill House Limited, Priory Central Services Limited, Highbank Private Hospital Limited, Jacques Hall Development Limited, Jacques Hall Limited, Robinson Kay House (Bury) Limited, Priory Hospitals Limited, Farm Place Limited, Priory Healthcare Services Limited, Libra Health Limited, Libra Nursing Homes Limited, Ticehurst House Private Clinic Limited, Priory Specialist Health Division Limited and Priory Specialist Health Limited;

"Obligor Accounts" means the Obligor Operating Accounts (as defined in the Master Framework Agreement) the Specific Accounts (as defined in the Master Framework Agreement) and any other account opened or maintained by an Obligor with the Account Bank or with an Eligible Bank (as defined in the Master Framework Agreement), in accordance with the Account Bank and Cash Management Agreement;

"Obligor Charged Property" means the property, assets, rights and undertaking of each Obligor that are the subject of the security interests created under or pursuant to the Borrower Security Documents (as defined in the Master Framework Agreement);

"Parent" means Priory Healthcare Investments Limited;

"Permitted Encumbrance" has the meaning given to it in the Master Framework Agreement;

"Priory Group" means those companies in respect of which Parent is their ultimate parent company;

"Real Property" means, in respect of the Company:

- (a) the English Real Property;
- (b) the Scottish Heritable Property;
- (c) all other freehold or leasehold property (or the equivalent thereto) in any jurisdiction now or in the future owned by the Company or in which the Company has an interest; and

- (d) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated or forming part of any such property specified in paragraphs (a) to (c) above;

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

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any license, 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 Heritable Property" means the heritable or leasehold properties specified in Part 2 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture;

"Scottish Mortgaged Property" means a Scottish Heritable Property over which an Obligor has granted a Standard Security and any other real or leasehold property situated in Scotland, title to which is held by an Obligor either on or after the Closing Date (as defined in the Master Framework Agreement);

"Shares" means, in respect of the Company, all of the shares specified in Schedule 3 (*Details of Shares*) to the Borrower Debenture;

"Standard Securities" means each standard security in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970 granted over a Scottish Mortgaged Property pursuant to Clause 3.3 (*Scottish Heritable Property*) or Clause 5.9 (*Future Heritable Property*) of the Borrower Debenture;

"Subordinated Creditors" means the Intermediate Parent and any party which accedes to the Subordination and Intercreditor Deed as a Subordinated Creditor pursuant to the terms thereof;

"Subordinated Loan Agreement" means the loan agreement to be entered into on or after the date of this declaration between the Intermediate Parent as lender and certain of the Obligors as borrowers;

"Subordination and Intercreditor Deed" means the subordination and intercreditor deed to be entered into on or after the date of this declaration between, amongst others, the Obligors, the Borrower Security Trustee, the Borrower Secured Creditors, the Capex Facility Secured Creditors, the Subordinated Creditors and the Note Trustee;

"Subordinated Liabilities" has the meaning given to it in the Master Framework Agreement;

"Subscription Agreement" means a subscription agreement between the Issuer, the Obligors and The Royal Bank of Scotland plc as lead manager pursuant to which The Royal Bank of Scotland plc has agreed to subscribe, or procure subscriptions, for the Notes;

"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 stock in trade or work in progress of the Company and all Related Rights;

"Tax Deed of Covenant" means the tax deed of covenant to be entered into on or after the date of this declaration between, amongst others, the Parent, the Intermediate Parent, the Obligors, the Issuer, the Note Trustee and the Borrower Security Trustee;

"Working Capital Facility Agreement" means the working capital facility agreement to be entered into on or after the date of this declaration between the Obligors, the Working Capital Facility Provider, the Account Bank and the Borrower Security Trustee pursuant to which the Working Capital Facility Provider will provide a facility of up to £5,000,000 for working capital and general corporate purposes of the Obligors; and

"Working Capital Facility Provider" means The Royal Bank of Scotland plc.

2. The financial assistance will take the form of execution, delivery and performance by the Company of:
 - 2.1 the Issuer/Borrower Facility Agreement pursuant to which the Company will guarantee to the Issuer all of the obligations of each of the Obligors under the Issuer/Borrower Facility Agreement and will give certain representations and undertakings, and will grant certain rights of set off, in favour of the Borrower Security Trustee and the Borrower Secured Creditors in respect of the Borrower Secured Liabilities;
 - 2.2 the Borrower Debenture pursuant to which the Company will create fixed and floating charges over all of its assets and undertaking in favour of the Borrower Security Trustee as security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities and will grant a guarantee and indemnity in favour of the Borrower Security Trustee in respect of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities;
 - 2.3 the Subordination and Intercreditor Deed, pursuant to which the Company will agree to certain arrangements between the Borrower Secured Creditors, the Capex Facility Secured Creditors and the Subordinated Creditors which regulate the ranking and priority of the Borrower Secured Liabilities, the Capex Facility Secured Liabilities and the Subordinated Liabilities;
 - 2.4 the Intra-Group Facility Agreement, pursuant to which the Company agrees that, where any Borrower has insufficient funds to discharge in full its payment obligations under the Issuer/Borrower Facility Agreement, it will (to the extent that it has sufficient funds available to do so) lend to that Borrower such amounts as are necessary for the Borrower to be able to discharge in part or (if sufficient funds are available) in full its payment obligations under the Issuer/Borrower Facility Agreement;
 - 2.5 the Bridge Facility Agreement, pursuant to which the Company will give certain representations and undertakings, and grant certain rights of set off, in favour of The Royal Bank of Scotland plc;
 - 2.6 the Tax Deed of Covenant;

- 2.7 the Subscription Agreement; and
- 2.8 the Master Framework Agreement.

Priory Specialist Health Division Limited
Company Number 03893502

(the "Company")

Appendix 4 – Form 155(6)(a)

1. By entering into the Issuer/Borrower Facility Agreement as Obligor, the Company will inter alia:
 - 1.1 become an Obligor (as defined in the Issuer/Borrower Facility Agreement) and as such give certain representations and undertakings in relation to, amongst other things, the Borrower Secured Liabilities which, if breached, could result in the Company having to make payments as damages or otherwise; and
 - 1.2 guarantee to the Issuer each and every payment obligation of each of the other Obligors (including on account of repayments of principal and payments of interest, the Initial Facility Fee and the Ongoing Facility Fee (each as defined in the Issuer/Borrower Facility Agreement) by the Borrowers) under the Issuer/Borrower Facility Agreement.
2. By entering into the Borrower Debenture, the Company inter alia:
 - 2.1 guarantees to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) each and every payment obligation in respect of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities and promises to pay to the Borrower Security Trustee from time to time on demand the unpaid balance of every sum (of principal, interest or otherwise) now or hereafter owing, due or incurred by any Obligor to the Borrower Security Trustee (whether for its own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) or any of the other Borrower Secured Creditors or Capex Facility Secured Creditors in respect of any such Borrower Secured Liabilities or any such Capex Facility Secured Liabilities, in each case in accordance with, or under any Borrower Transaction Documents;
 - 2.2 agrees as a primary obligation to indemnify the Borrower Security Trustee (whether for the Borrower Security Trustee's own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) from time to time on demand from and against any loss or liability suffered by the Borrower Security Trustee or any Borrower Secured Creditor or any Capex Facility Secured Creditor as a result of any Borrower Secured Liability or any Capex Facility Secured Liability guaranteed by it being or becoming void, voidable, unenforceable or ineffective as against any Obligor for any reason whatsoever, whether or not known to the Borrower Security Trustee, the amount of such loss or liability being the amount which the Borrower Security Trustee would otherwise have been entitled to recover from such Obligor; and
 - 2.3 covenants with the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) that it shall on demand of the Borrower Security Trustee discharge each and every payment obligation such Obligor may now or hereafter have to the Borrower Security Trustee (whether for its own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) or any of the other Borrower Secured Creditors or any Capex Facility Secured Creditor under or pursuant to, and in accordance with, the terms of

the Borrower Debenture and each other Borrower Transaction Document to which it is a party,

provided that none of the covenants or undertakings in Clause 2.1 of the Borrower Debenture nor the security constituted by or pursuant to the Borrower Debenture shall extend to or include any liability or sum which would, but for this proviso, cause such covenants, undertakings or security to be unlawful or prohibited by any applicable law;

2.4 charges with full title guarantee (or in the case of assets situated in Scotland or governed by the laws of Scotland, charges and assigns with absolute warrandice) in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities, by way of first fixed charge (which so far as it relates to the English Real Property shall be a charge by way of legal mortgage) all of its right, title and interest from time to time in and to each of the following assets:

- (a) the English Real Property;
- (b) the Tangible Moveable Property;
- (c) the Obligor Accounts;
- (d) the Intellectual Property, except that full title guarantee (or, as applicable, absolute warrandice) shall not apply to Intellectual Property;
- (e) any goodwill and rights in relation to its uncalled capital;
- (f) the Investments;
- (g) the Shares, all dividends, interest and other monies payable in respect of the Shares (including rights of redemption, any bonus, or any rights arising under any preference, option, substitution or conversion relating to the Shares);
- (h) any interest in the Notes held by it; and
- (i) 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 Borrower Debenture and all Related Rights;

2.5 assigns with full title guarantee (or, in the case of assets situated in, or governed by the laws of, Scotland, with absolute warrandice) to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities all of its right, title and interest from time to time in and to each of the following assets:

- (a) the proceeds of the Insurance Policies and all Related Rights to which it is entitled in respect of any such Insurance Policies;
- (b) each of the Obligor Specified Contracts (as defined in the Borrower Debenture);
- (c) each of the Borrower Transaction Documents to which it is a party (other than the Subscription Agreement);

- (d) the Obligor Accounts; and
- (e) all agreements, contracts, deeds, licenses, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future in order to enable the Borrower Security Trustee to perfect its rights thereunder or under the Borrower Debenture) entered into by or given it in respect of the Real Property including all:
 - (i) claims, remedies, awards or judgments paid or payable to it (including all liquidated and ascertained damages payable to it 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;

- 2.6 undertakes and binds and obliges itself as continuing security for the payment and discharge of the Borrower Secured Liabilities to execute and deliver to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors) immediately following its execution of the Borrower Debenture a Standard Security over the Scottish Heritable Property belonging to it at the date thereof and specified in Part 2 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture;
- 2.7 charges with full title guarantee (or in relation to assets situated in Scotland, or governed by the laws of Scotland with absolute warrandice) in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities at any time owed or due by way of first floating charge the whole of its undertaking and assets, present and future, 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 governed, in favour of the Borrower Security Trustee as continuing security for the Borrower Secured Liabilities and the Capex Facility Secured Liabilities;
- 2.8 undertakes that it shall not and shall procure (to the extent it is lawfully able to do so) that each other Obligor shall not, at any time during the subsistence of the security created by the Borrower Debenture, save for Permitted Encumbrances, create (or agree to create) or permit to subsist any Encumbrance over all or any part of the Obligor Charged Property without the prior written consent of the Borrower Security Trustee.
- 3. By entering into the Subordination and Intercreditor Deed, the Company will, amongst other things, agree to certain arrangements regulating the ranking and priority of the Borrower Secured Liabilities, the Capex Facility Secured Liabilities and the Subordinated Liabilities, and will agree that any Subordinated Liabilities owed by it to any Subordinated Creditor will be subordinated to any Borrower Secured Liabilities owed by it any Borrower Secured Creditor.

4. By entering into the Intra-Group Facility Agreement, the Company will agree that, where any Borrower has insufficient funds to discharge in full its payment obligations under the Issuer/Borrower Facility Agreement, it will (to the extent that it has sufficient funds available to do so) lend to that Borrower such amounts as are necessary for the Borrower to be able to discharge in part or (if sufficient funds are available) in full its payment obligations under the Issuer/Borrower Facility Agreement.
5. By entering into the Tax Deed of Covenant, the Company will, inter alia, give certain representations, warranties and undertakings in relation to the tax affairs of the Parent, the Intermediate Parent and certain other members of the Priory Group, and will grant certain indemnities in relation thereto.
6. By entering into the Subscription Agreement, the Company will, inter alia, make certain representations and undertakings to, and grant certain indemnities in favour of, The Royal Bank of Scotland plc as a condition to The Royal Bank of Scotland plc agreeing to subscribe, or procure subscriptions, for the Notes.
7. By entering into the Master Framework Agreement, the Company will agree that certain definitions, common terms, representations and warranties, covenants and other provisions set out therein will be incorporated in each of the Borrower Transaction Documents to the extent stated in such Borrower Transaction Documents.
8. By entering into the Bridge Facility Agreement, the Company will, inter alia, Company will, inter alia, make certain representations and undertakings to, and grant certain indemnities in favour of, The Royal Bank of Scotland plc.
9. The obligations of the Company described above continue in relation to the Borrower Transaction Documents as they may be amended, varied, novated, supplemented or replaced from time to time.

The Directors
Priory Specialist Health Division Limited
Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

28 July 2003

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 28 July 2003 in connection with the proposal that the Company's subsidiary undertaking, Priory Specialist Health Limited, should give financial assistance for the acquisition of the following shares of the Company's holding company, Priory Healthcare Holdings Limited, by Priory Group Limited (formerly Priory Healthcare Acquisition Co Limited) on 10 June 2002:

- 86,031,339 A ordinary shares;
- 30,412,224 special shares;
- 13,593,413 ten per cent cumulative preference shares; and
- 10 B non-voting deferred shares.

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 LLP

Chartered Accountants and Registered Auditors