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CHFP025

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COMPANIES FORM No. 155(6)a

Declaration in relation to
assistance for the acquisition
of shares

155(6)a

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 ☐

☐ insert name(s) and
address(es) of all
the directors

See paragraph 1 of the Appendix

† delete as
appropriate

~~XXXXXXXXXXXX~~ [all the directors]† of the above company do solemnly and sincerely declare that:

The business of the company is:

§ delete whichever
is inappropriate

~~that on a recognised bank, licensed institution† within the meaning of the Banking Act 1978~~

~~that it is a person authorised under section 3 of 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 Investments

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: 981,167 Ordinary Shares,

8,827,833 A Ordinary Shares, 1,177,833 Preference Shares and 425,000 B Ordinary Shares

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

Linklaters
One Silk Street
London
EC2Y 8HQ

A05406271

For official Use
General Section

Post room



LD5
COMPANIES HOUSE

339
21/10/2005

The assistance is to be given to: (note 2) Priory Health No. 2 Limited, a company
incorporated and registered in the Cayman Islands, whose registered address is
PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman,
Cayman Islands

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

The assistance will take the form of:

See paragraph 2 of the Appendix

The person who [has acquired] ~~will acquire~~† the shares is:

† delete as
appropriate

Priory Health No. 2 Limited

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

See paragraph 3 of the Appendix

The amount of cash to be transferred to the person assisted is £ See paragraph 4 of the Appendix

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 See paragraph 5 of the Appendix

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write in this
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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)

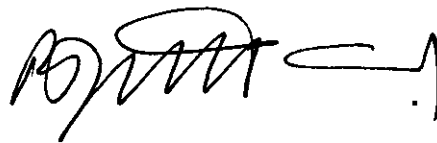
(a) ☒ We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

(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 One Silk Street
London EC2Y 8HQ

Declarants to sign below



on

Day	Month	Year
17	10	2005

before me SAMA MANOELFIELD Selandyfield

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 or 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

Appendix
Form 155(6)(a)

Priory Specialist Health Division Limited
(Company Number 3893502)
(the "**Company**")

1 List of Directors

The names and addresses of all the directors of the Company are as follows:

Paul John Greensmith
19 Chatsworth Road
London
W4 3HY

Chaitanya Bhupendra Patel
Robin Hill
Warren Lane
Oxshott
Surrey
KT22 0ST

2 Form which assistance will take

2.1 In this Statutory Declaration the following expressions have, unless otherwise defined, the following meanings:

"**Acquiror**" means Priory Health No. 2 Limited;

"**Bridge Facility Agreement**" means the £665,000,000 credit agreement dated 5 July 2005 between, amongst others, the Acquiror, the Original Guarantors (as defined therein), ABN AMRO Bank N.V. London Branch (as arranger, facility agent and Counterparty), ABN AMRO Bank N.V. Amsterdam Branch (as issuing bank) and ABN AMRO Bank N.V. London Branch (as original lender), as amended or restated from time to time;

"**Intra-Group Borrowers**" means Priory Health No. 2 Limited and certain of its subsidiaries (together the "**Intra-Group Borrowers**");

"**Intra-Group Creditor**" means each of the Target, the Company and certain other subsidiaries of the Target (together the "**Intra-Group Creditors**");

"**Intra-Group Funding Agreement**" means the intra-group funding agreement to be entered into between the Intra-Group Creditors (including the Company) and the Intra-Group Borrowers (including Priory Health No. 2 Limited);

"**Intra-Opco Group Debt**" means all Liabilities of any Opco Obligor to an Intra-Opco Group Creditor (as defined in the Opco Subordination Agreement);

"**Investor Debt**" means all Liabilities of any Opco Obligor to any Investor Creditor (as defined in the Opco Subordination Agreement) on a liquidation or other insolvency of any Opco Obligor;

"Lease" means any lease to be entered into between the Propco (as landlord) and the Company (as tenant) in respect of any of the Properties (or such other freehold, leasehold and/or feuhold estates held by Propco (together the **"Leases"**);

"Lease Guarantee" means the deed of guarantee to be entered into by the Lease Guarantors and Propco in respect of the Leases;

"Lease Guarantors" means the Target, the Company and certain subsidiaries of the Target;

"Liability" means any present or future liability (actual or contingent), together with:

- (a) any permitted refinancing, novation, deferral or extension of that liability;
- (b) any claim for breach of representation, warranty, undertaking, or on an event of default or under any indemnity in connection with that document or agreement;
- (c) any further advance which may be made under any agreement expressed to be supplemental to any document in respect of that liability, together with all related interest, fees and costs;
- (d) any claim for damages or restitution in the event of rescission of that liability or otherwise;
- (e) any claim flowing from any recovery by a payment or discharge in respect of that liability on grounds of preference or otherwise; and
- (f) any amount (such as post-insolvency interest) which would be included in any of the above but for its discharge, non-provability, unenforceability or non-allowability in any insolvency or other proceedings;

"Opco Borrower" means each Original Borrower as defined in the Opco Credit Agreement;

"Opco Chargors" means those companies listed in Schedule 1 to the Opco Security Agreement including the Company;

"Opco Credit Agreement" means the £120,000,000 capital expenditure and working capital facilities agreement to be entered into between (among others) Priory Securitisation Limited, the Opco Borrowers, the Opco Guarantors, ABN AMRO Bank N.V., London Branch (as arranger and counterparty and issuing bank), the Opco Facility Agent and the Original Lenders as defined therein;

"Opco Facility Agent" means ABN AMRO Bank N.V., London Branch in its capacity as facility agent under the Opco Credit Agreement;

"Opco Finance Party" means a Lender, an Administrative Party or a Hedging Bank (as each term is defined in the Opco Credit Agreement);

"Opco Group" means Priory Securitisation Limited and its subsidiaries and Fanplate Limited and its subsidiaries;

"Opco Guarantors" means each Original Guarantor as defined in the Opco Credit Agreement;

"Opco Obligor" means an "Obligor" as defined in the Opco Subordination Agreement and includes the Company;

"Opco Secured Liabilities" means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of an Obligor (as defined in the Opco Credit Agreement) to any Opco Finance Party under each Finance Document (as defined in the Opco Credit Agreement) to which an Obligor (as defined in the Opco Credit Agreement) is a party;

"Opco Security Agreement" means the security agreement to be entered into between each Opco Chargor and the Opco Facility Agent;

"Opco Security Assets" means all assets of each Opco Chargor the subject of any security created by the Opco Security Agreement;

"Opco Senior Debt" means all Liabilities payable or owing by any member of the Opco Group to an Opco Finance Party under or in connection with the Finance Documents (as defined in the Opco Credit Agreement);

"Opco Subordinated Creditor" means an Intra-Opco Group Creditor or an Investor Creditor (each as defined in the Opco Subordination Agreement);

"Opco Subordinated Debt" means the Intra-Opco Group Debt and the Investor Debt;

"Opco Subordination Agreement" means the subordination agreement to be entered into between, among others, Priory Securitisation Limited, the Opco Obligors, the Opco Subordinated Creditors and the Opco Facility Agent;

"Propco" means Priory Finance Property LLP (Partnership No. OC315650);

"Propco Lease" means any lease (including the Leases) between Propco and a Propco Tenant (together the **"Propco Leases"**);

"Propco Tenant" means a subsidiary of the Target (including the Financial Assistance Subsidiary) which is a party to a Propco Lease (together the **"Propco Tenants"**);

"Security Agent" means ABN AMRO Trustees Limited as agent and trustee for the Finance Parties (as defined in the Propco Credit Agreement);

"Security Interest" means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect;

"Target" means Priory Healthcare Investments Limited (registered number 04433250); and

"Target Group" means the Target and its subsidiaries.

2.2 The financial assistance will take the form of:

- 2.2.1 the execution, delivery and performance by the Company of its obligations under the following documents (as the same may be amended, varied, supplemented or substituted from time to time) (together, the **"Assistance Documents"**):

- (i) the Opco Credit Agreement pursuant to which the Company shall, jointly and severally with the other Opco Guarantors, guarantee the obligations of the Opco Borrowers under the Opco Credit Agreement;
- (ii) the Opco Security Agreement pursuant to which the Company covenants that it will discharge all the Opco Secured Liabilities and grant fixed and floating charges and arrangements over its assets and undertakings in favour of the Opco Facility Agent;
- (iii) the Opco Subordination Agreement pursuant to which the Company will agree to enter into certain subordination arrangements and give certain undertakings with respect to the Opco Senior Debt;
- (iv) the Lease Guarantee pursuant to which the Company will guarantee to Propco the punctual performance by each Propco Tenant of all that Propco Tenants obligations under the Propco Leases to which that Propco Tenant is a party and undertakes and indemnifies to pay Propco on demand whenever the Propco Tenant does not pay an amount when due under a Propco Lease;
- (v) the Intra-Group Funding Agreement pursuant to which the Company may make loans available to the Intra-Group Borrowers for the purpose, inter alios, of paying, repaying or prepaying amounts owing under the Bridge Facility Agreement;

2.2.2 by the performance of any other acts or the execution of any other documents ancillary or otherwise relating to the Assistance Documents.

3 Principal terms of the assistance given

All capitalised terms in this paragraph 3 shall, unless contrary indication appears, have the same meanings given to them in paragraph 2.1.

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

3.1 By executing the Opco Credit Agreement, the Company (as an Opco Guarantor) (among other things):

3.1.1 jointly and severally and irrevocably and unconditionally:

- (i) guarantees to each Opco Finance Party punctual performance by each Opco Borrower of all its payment obligations under the Finance Documents (as defined in the Opco Credit Agreement);
- (ii) undertakes with each Opco Finance Party that, whenever an Opco Borrower does not pay any amount when due under any Finance Document (as defined in the Opco Credit Agreement), it must immediately on demand by the Opco Facility Agent pay that amount as if it were the principal obligor; and
- (iii) indemnifies each Opco Finance Party immediately on demand against any loss or liability suffered by that Opco Finance Party if any payment obligation guaranteed by it is or becomes unenforceable, invalid or illegal; the amount of the loss or liability under this indemnity will be equal to the amount the Opco Finance Party would otherwise have been entitled to recover;

- 3.1.2 makes certain representations and warranties to the Opco Finance Parties; and
- 3.1.3 undertakes to comply with certain general undertakings, including an undertaking not to create or permit to subsist any security over any of its assets and not to dispose of any of its assets (in each case, subject to certain exceptions).
- 3.2 By executing the Opco Security Agreement, the Company (among other things):
- 3.2.1 covenants to pay or discharge the Opco Secured Liabilities in the manner provided for in the Finance Documents (as defined in the Opco Credit Agreement) provided that neither such covenant to pay nor the security constituted by the Opco Security Agreement shall extend to or include any liability or sum which would but for this proviso, cause such covenant or security to be unlawful or prohibited by any applicable law;
- 3.2.2 charges:
- (i) by way of a first legal mortgage, all estates or interest in any freehold or leasehold property now owned by it (including any real property specified in Schedule 2 of the Opco Security Agreement set out opposite its name);
 - (ii) (to the extent that they are not the subject of a mortgage under subparagraph (i) above) by way of first fixed charge all estates or interests in any freehold or leasehold property;
 - (iii) by way of a first legal mortgage all shares in any member of the Opco Group (as defined in the Opco Security Agreement) (other than itself) owned by it or held by any nominee on its behalf (including shares specified in Schedule 3 of the Opco Security Agreement set out opposite its name);
 - (iv) to the extent that they are not the subject of a mortgage under subparagraph (iii) above by way of a first fixed charge its interest in all shares, stocks, debentures, bonds or other securities and investments owned by it or held by any nominee on its behalf;
 - (v) by way of a first fixed charge all plant and machinery owned by it and its interest in any plant or machinery in its possession;
 - (vi) by way of a first fixed charge, all of its rights in respect of any know-how, patent, trade mark, service mark, design, business name, topographical or similar right (including the patents and trademarks specified in Schedule 4 of the Opco Security Agreement set out opposite its name), any copyright or other intellectual property monopoly right and any interest (including by way of licence) in any of the above, in each case whether registered or not and including all applications for the same; and
 - (vii) by way of first fixed charge any beneficial interest, claim or entitlement it has in any pension fund its goodwill, the benefit of any authorisation (statutory or otherwise) held in connection with its use of any Opco Security Asset, the right to recover and receive compensation which may be payable to it in respect of any authorisation (statutory or otherwise) held in connection with its use of any Security Asset (as defined in the Opco Security Agreement) and its uncalled capital;

- 3.2.3 assigns absolutely, subject to a proviso for re-assignment on redemption (and subject, in the case of buildings insurance only, to the interest of Propco under a Lease) all of its rights in respect of any contract or policy of insurance taken out by it or on its behalf or in which it has an interest;
- 3.2.4 charges by way of a first floating charge all its assets not at any time otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, charge or assignment;
- 3.2.5 indemnifies each Opco Finance Party, receiver, attorney, manager, agent or other person appointed by the Facility Agent against certain costs, claims, expenses and liabilities;
- 3.2.6 makes certain representations to the Opco Finance Parties;
- 3.2.7 undertakes to comply with certain undertakings; and
- 3.2.8 must, at its own expense, take whatever action the Opco Facility Agent or a Receiver (as defined in the Opco Security Agreement) may require for:
 - (i) creating, perfecting or protecting any security intended to be created by the Opco Security Agreement; or
 - (ii) facilitating the realisation of any Opco Security Asset, or the exercise of any right, power of discretion exercisable, by the Opco Facility Agent or any Receiver (as defined in the Opco Security Agreement) or any of its delegates or sub-delegates in respect of any Opco Security Asset,

including:

- (i) the execution of any transfer, conveyance, assignment or assurance of any property, whether to the Opco Facility Agent or to its nominee; or
- (ii) the giving of any notice, order or direction and the making of any registration,

which, in any such case, the Opco Facility Agent may think expedient.

3.3 By executing the Opco Subordination Agreement, and until such time as all amounts owing under the Finance Documents (as defined in the Opco Credit Agreement) have been repaid or prepaid in full:

- 3.3.1 no Opco Subordinated Creditor will, among other things, (subject to certain exceptions):
 - (i) demand or receive payment of, or any distribution in respect or on account of, any of the Opco Subordinated Debt in cash or in kind from an Opco Obligor or any other source;
 - (ii) apply any money or assets in discharge of any Opco Subordinated Debt;
 - (iii) discharge any of the Opco Subordinated Debt by set-off;
 - (iv) allow to exist or receive any Security Interest (as defined in the Opco Subordination Agreement) for any of the Opco Subordinated Debt;
 - (v) allow to exist or receive any guarantee or other assurance against loss in respect of any of the Opco Subordinated Debt;

- (vi) allow to exist or receive any guarantee or other assurance against loss in respect of Opco Subordinated Debt;
- (vii) allow any of the Opco Subordinated Debt to be evidenced by a negotiable instrument;
- (viii) take or omit to take any action which might impair the subordination achieved or intended to be achieved by the Opco Subordination Agreement;
- (ix) demand payment of any Opco Subordinated Debt;
- (x) accelerate any of the Opco Subordinated Debt or otherwise declare any of the Opco Subordinated Debt prematurely payable;
- (xi) enforce the Opco Subordinated Debt by attachment, set-off, execution or otherwise; or
- (xii) initiate or support or take any steps with a view to: any insolvency, liquidation, reorganisation, administration or dissolution proceedings; any voluntary arrangement or assignment for the benefit of creditors, or any similar proceedings involving any Opco Obligor, whether by petition, convening a meeting, voting for a resolution or otherwise; or otherwise exercise any remedy for the recovery of the Opco Subordinated Debt;

3.3.2 each Opco Subordinated Creditor agrees that if:

- (i) it receives a payment or distribution in respect of any of the Opco Subordinated Debt from an Opco Obligor or any other source other than as allowed under the Opco Credit Agreement; or
- (ii) it receives the proceeds of any enforcement of any Security Interest (as defined in the Opco Subordination Agreement) or any guarantee or other assurance against financial loss for any Opco Subordinated Debt,

that Opco Subordinated Creditor must hold the amount received by it (up to a maximum of an amount equal to the Opco Senior Debt on trust for the Opco Finance Parties, and immediately pay that amount (up to that maximum) to the Opco Facility Agent for application against the Opco Senior Debt;

3.3.3 each Opco Subordinated Creditor agrees that if, for any reason, any of the Opco Subordinated Debt is discharged in any manner other than as expressly permitted under the Opco Subordination Agreement, it must immediately pay an amount equal to the amount discharged to the Opco Facility Agent for application against the Opco Senior Debt;

3.3.4 each Opco Subordinated Creditor agrees that it shall hold all payments and distributions in cash or in kind received or receivable by it in respect of the Opco Subordinated Debt from the Insolvent Obligor (as defined in the Opco Subordination Agreement) or from any other source on trust for the Opco Finance Parties and pay and transfer such payments and distributions to the Opco Facility Agent for application against the Opco Senior Debt; and

3.3.5 each Opco Subordinated Creditor makes certain representations and warranties to the Opco Finance Parties.

3.4 By executing the Lease Guarantee, the Company as Lease Guarantor will, among other things:

3.4.1 jointly and severally irrevocably and unconditionally:

- (i) guarantees to Propco the punctual performance by each Propco Tenant of all that Propco Tenant's obligations under the Propco Leases to which that Propco Tenant is a party;
- (ii) undertakes with Propco, whenever a Propco Tenant does not pay any amount when due under or in connection with a Propco Lease to which that Propco Tenant is a party, that it must within 5 days of demand by Propco pay that amount as if it were the principal obligor in respect of that amount; and
- (iii) indemnifies Propco immediately on demand against any loss or liability suffered by Propco if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal; the amount of the loss or liability under this indemnity will be equal to the amount Propco would otherwise have been entitled to recover;

3.4.2 make certain representations to Propco;

3.4.3 undertake to comply with certain general undertakings, including that it shall not incur any Financial Indebtedness (as defined in the Lease Guarantee) unless it is permitted under the Opco Credit Agreement; and

3.4.4 if requested to do so by Propco upon reasonable notice in relation to a transfer by Propco of a property the subject of a Propco Lease, the Company must issue a guarantee to the transferee, in substantially similar terms to the guarantee and other obligations set out in Clause 2 of the Lease Guarantee for the purposes of enabling Propco to effect the transfer to that transferee.

3.5 By executing the Intra-Group Funding Agreement, the Company (amongst other things):

3.5.1 may at any time make loans available to the Acquiror and members of the Target Group for general corporate purposes, including directly or indirectly funding the payment, repayment or prepayment of amounts owing under the Bridge Facility Agreement; and

3.5.2 agree that the loans shall be repayable on such dates as may be agreed from time to time between it and the relevant borrower. Any interest accrued but not paid on the specified interest payment date shall be capitalised to the principal amount of the loan.

4 **The amount of cash to be transferred to the person assisted**

Such sums as are payable under the Intra-Group Funding Agreement.

5 **Date on which the assistance is to be given**

The financial assistance is to be given on any date prior to 8 weeks from the date of this Statutory Declaration.

PricewaterhouseCoopers LLP
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
Priory House
Randalls Way
Leatherhead
Surrey, KT22 7TP

19 October 2005

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 19 October 2005 in connection with the proposal that the Company should give financial assistance for the purchase of the following shares of the Company's holding company, Priory Healthcare Investments Limited:

981,167	Ordinary shares;
8,827,833	A Ordinary shares;
1,177,833	Preference shares; and
425,000	B Ordinary shares

This report, including the opinion, has been prepared for and only for the Company and the Company's directors in accordance with Section 156 of the Companies Act 1985 and for no other purpose. We do not, in giving the opinion set out below, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

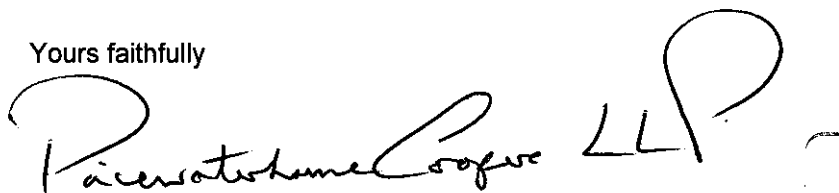
Basis of opinion

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