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* insert full name
of company

COMPANIES FORM No. 395

Particulars of a mortgage or charge

395

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies

For official use

Company number



3189363

Name of company

* FORAY911 LIMITED (the "Borrower") NOW KNOWN AS PRIORY HOSPITALS
HOLDINGS Limited

Date of creation of the charge

21st June, 1996

Description of the instrument (if any) creating or evidencing the charge (note 2)

Composite Guarantee and Debenture dated 21st June, 1996 (the "Guarantee and Debenture")

See Continuation Sheet No. 1, page 1.

Amount secured by the mortgage or charge

The payment of all monies and the discharge of all obligations and liabilities at the date of the Guarantee and Debenture or thereafter (a) due and payable or incurred by the Borrower to the Beneficiaries or any of them under or pursuant to the Facility Documents and/or the Security Documents and (b) due,

69

See Continuation Sheet No. 1, page 2.

A

E- the company and/or all or any of the other
companies named therein to
under or pursuant to the facility documents and/or
the security Documents.

Names and addresses of the mortgagees or persons entitled to the charge

The Royal Bank of Scotland plc, Waterhouse Square,

138 - 142 Holborn, London as Security Trustee for the Beneficiaries

Postcode

EC1N 2TH

Presentor's name address and
reference (if any);

Norton Rose
Kempson House
PO Box 570
Camomile Street
London EC3A 7AN

NCH/144/Y180186/scc004 for

Time critical reference

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Mortgage Section

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In clause 3.1 of the Guarantee and Debenture, the Borrower charges to the Security Trustee by way of first fixed charge (and as regards all the freehold and leasehold property in England and Wales at the date of the Guarantee and Debenture vested in the Borrower by way of first legal mortgage) with full title guarantee as a continuing security for the payment and discharge of the Secured Obligations the following assets or its interest in the following assets, both present and future, from time to time owned by the Borrower:

- (a) Properties: all freehold and leasehold property of the Borrower (excluding the Excluded Properties) (The Excluded Properties are listed on page 4 of Continuation Sheet 6) and all liens, charges, options, agreements, rights and interests in or over land or the proceeds of sale of land and all buildings, fixtures (including trade fixtures) and fixed plant and machinery from time to time on such property or land together with all rights, easements and privileges appurtenant to, or benefitting, the same (the "Properties");

See Continuation Sheet No. 1, page 4.

Particulars as to commission allowance or discount (note 3)

NIL

Signed

Norhoun Rose

Date

9 July 1996

On behalf of ~~[company]~~ [mortgagee/chargee] †

† delete as
appropriate

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
 - (a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
 - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.

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Particulars of a mortgage or charge (continued)

Continuation sheet No 1
to Form No 395 and 410 (Scot)

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

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inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

made between the Borrower (1), the companies listed below (the "Original Charging Subsidiaries") (2) and The Royal Bank of Scotland plc as Security Trustee for the Beneficiaries (as defined on continuation sheet no. 2 page 2) (3).

In the Guarantee and Debenture the Original Charging Subsidiaries are:

Name	Registered Number	Registered Office
CPC (Londinium) Limited (to be renamed Priory Hospitals Services Limited)	2188451)	The Priory
Priory Hospitals Group Limited	1505382)	Priory Lane
Care Continuums Limited	2998874)	Roehampton
Priory Childcare Services Limited	2838284)	London SW15 5JJ

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owing or incurred by every other Principal Debtor to the Beneficiaries or any of them under or pursuant to the Facility Documents and/or the Security Documents (except any obligations or liabilities of such other Principal Debtor as guarantor for the Borrower) in each case when the same shall become due for payment or discharge whether by acceleration or otherwise, and whether such monies, obligations or liabilities are express or implied, present, future or contingent, joint or several, incurred as principal or surety, denominated in Sterling or in any other currency, or incurred on any banking account or in any other manner whatsoever, and shall, without limitation, include interest (both before and after judgment) to date of payment at the rates contained in the Facility Documents, commission, fees and other charges and all legal and other costs, charges and expenses (all as payable or recoverable under the Facility Documents and/or the Security Documents) which may be incurred by the Beneficiaries in relation to any such monies, obligations or liabilities or generally in respect of the Borrower (together the "**Secured Obligations**").

As a separate and independent stipulation, the Borrower agrees that if any purported obligation or liability of any Principal Debtor which would have been the subject of a guarantee of the Borrower had it been valid and enforceable is not, or ceases, to be valid or enforceable against such Principal Debtor on any ground whatsoever whether or not known to the Security Trustee or any of the Beneficiaries (including, without limitation, (i) any irregular exercise, or absence, of any corporate power or (ii) any lack of authority of, or breach of duty by, any person purporting to act on behalf of such Principal Debtor or (iii) any legal or other limitation, whether under the Limitation Acts or otherwise or (iv) any disability or Incapacity or any change in the constitution of such Principal Debtor) the Borrower shall nevertheless be jointly and severally liable with the other Charging Companies to the Security Trustee in respect of that purported obligation or liability as if the same were fully valid and enforceable and the Borrower and the other Charging Companies were the principal debtors in respect thereof. The Borrower jointly and severally agrees with the other Charging Companies to pay to the Security Trustee on demand such amounts as are necessary to keep the Beneficiaries fully indemnified against all damages, losses, costs and expenses arising from any failure of a Principal Debtor to perform or discharge any such purported obligation or liability.

In the Guarantee and Debenture, the Borrower also agrees that, if at any time any applicable law, regulation or regulatory requirement or governmental authority, monetary agency or central bank requires the Borrower to make any deduction or withholding in respect of Taxes from any payment due under the Guarantee and Debenture to the Security Trustee, or if the Security Trustee is required to make any such deduction or withholding from a payment to a Beneficiary, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding by the Borrower or the Security Trustee (as the case may be) and the payment on to the Beneficiaries by the Security Trustee, each Beneficiary receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made; the Borrower shall pay to the Security Trustee such sum as is necessary to indemnify each Beneficiary against any losses or costs incurred by such Beneficiary by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment.

See Continuation Sheet No. 2, page 2.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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- (b) Plant and Machinery: all plant, machinery, vehicles, computers and office and other equipment of the Borrower and the benefit of all contracts and warranties relating to the same;
- (c) Securities: all stocks, shares (including, without limitation, shares in any other Charging Company), bonds and securities of any kind whatsoever whether marketable or otherwise and all other interests (including, but not limited to, loan capital) in any person, including all allotments, rights, benefits and advantages whatsoever at any time accruing, offered or arising in respect of or incidental to the same and all money or property accruing or offered at any time by way of conversion, redemption, bonus, preference, option, dividend, distribution, interest or otherwise in respect thereof;
- (d) Debts: all book and other debts, revenues and claims, whether actual or contingent, whether arising under contracts or in any other manner whatsoever and whether originally owing to the Borrower or purchased or otherwise acquired by it including, without limitation, the full benefit of all insurance policies excluding those charged under clause 3.2 of the Guarantee and Debenture and all proceeds thereof and all things in action which may give rise to any debt, revenue or claim (including, without limitation, the benefit of, and all rights to recover money in respect of, all warranties, indemnities and representations given to the Borrower contained in or given pursuant to the Acquisition Agreement and the Subscription Agreement) together with the full benefit of any Encumbrances, Collateral Instruments and any other rights relating thereto (including, without limitation, reservations of proprietary rights, rights of tracing and unpaid vendor's liens and associated rights) but excluding the assets of the Borrower described in clause 3.1(e) of the Guarantee and Debenture which are subject to a separate fixed charge pursuant to clause 3.1(e) of the Guarantee and Debenture (see below) (together the "**Debts**");
- (e) Bank Accounts: any amount (including, without limitation, amounts being the proceeds of any Debts) from time to time standing to the credit of any bank or other account with the Security Trustee or any of the Beneficiaries or with any other person; and
- (f) Intangible Property: all other uncalled capital, goodwill, patents, patent applications, trade marks and service marks (whether registered or not), trade mark applications, service mark applications, trade names, registered designs, design rights, copyrights, computer programmes, know-how and trade secrets, and all other industrial or intangible property or rights and all licences, agreements and ancillary and connected rights relating to intellectual and intangible property.

In clause 3.2 of the Guarantee and Debenture the Borrower charges to the Security Trustee with full title guarantee as a continuing security for the payment and discharge of the Secured Obligations the Keyman Insurance Policies and any substituted policy or policies therefor, together with all monies, benefits and advantages that may become payable or accrue thereunder and the full benefit of all such policies together with power to give an effective discharge for any of the monies assured or otherwise payable under such policies absolutely.

The assets of the Borrower referred to in clauses 3.1 and 3.2 of the Guarantee and Debenture are referred to together as the "**Fixed Charged Assets**";

See Continuation Sheet No. 2, page 4.

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Particulars of a mortgage or charge (continued)

Continuation sheet No 2
to Form No 395 and 410 (Scot)

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

* delete if
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Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Please complete
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In the Guarantee and Debenture:

"Beneficiaries" means the Security Trustee, the Arranger, the Agent, the A Banks, the B Banks, the Swap Counterparty, the Working Capital Bank and the Loan Stock Holders;

"Security Trustee" means The Royal Bank of Scotland plc and any other person which may be appointed trustee of the security constituted by the Guarantee and Debenture for the Beneficiaries pursuant to the terms of the Inter-Creditor Agreement and (in each case) includes its successors in title;

"Inter-Creditor Agreement" has the meaning ascribed thereto in the Facilities Agreement;

"Arranger" means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London EC1N 2TH;

"Agent" means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London EC1N 2TH and such other person as may be appointed agent for the Banks pursuant to the terms of the Facilities Agreement and includes its successors in title;

"Banks" has the meaning ascribed thereto in the Facilities Agreement;

"Facilities Agreement" means the agreement dated 21st June, 1996 between the Borrower (1), the Banks (2), the Arranger (3) and the Agent (4) under the terms of which (a) the A Banks, subject to and in accordance with the terms thereof, made available to the Borrower a £42,000,000 senior secured term loan facility for the purpose of satisfying part of the purchase consideration for the acquisition by the Borrower of the entire issued share capital of CPC (Londinium) Limited and (b) the B Banks, subject to and in accordance with the terms thereof, made available to the Borrower a £10,000,000 senior secured medium term loan facility for the same purpose;

"A Banks" means the banks listed in schedule 1 to the Facilities Agreement and includes their respective successors in title, assignees and transferees;

"B Banks" means the banks and financial institutions listed in schedule 2 to the Facilities Agreement and includes their respective successors in title, assignees and transferees;

"Swap Counterparty" means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London EC1N 2TH and its successors in title, assignees and transferees;

"Working Capital Bank" means The Royal Bank of Scotland plc and includes its successors in title, assignees and transferees;

"Loan Stock Holders" means the Investors and the Vendor in their capacities as holders of Loan Stock and any other person who from time to time becomes a holder of Loan Stock and has entered into a Loan Stock Holder's and Investor's Adherence;

"Investors", "Vendor" and "Loan Stock" have the meaning ascribed thereto in the Facilities Agreement;

"Loan Stock Holder's and Investor's Adherence" has the meaning ascribed thereto in the Inter-Creditor Agreement;

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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In clause 3.3 of the Guarantee and Debenture the Borrower charges to the Security Trustee by way of first floating charge with full title guarantee as a continuing security for the payment and discharge of the Secured Obligations its undertaking and all its other property, assets and rights whatsoever and wheresoever both present and future not heretofore charged including (without prejudice to the generality of the foregoing) its stock in trade, its heritable property and all other property and assets in Scotland and its Fixed Charge Assets insofar as the fixed security thereon or assignment thereof or on any part thereof herein contained shall for any reason be ineffective as a fixed security or an assignment (together the "Floating Charge Assets").

The undertaking, goodwill, property, assets and rights of the Borrower described in clause 3.1, clause 3.2 and clause 3.3 of the Guarantee and Debenture are referred to together as the "Charged Assets".

Clause 3.5 of the Guarantee and Debenture provides that, notwithstanding anything expressed or implied in the Guarantee and Debenture, if the Borrower creates or attempts to create any Encumbrance (except a Permitted Encumbrance) over all or any of its Floating Charge Assets without the prior consent in writing of the Security Trustee, or if any person levies or attempts to levy any distress, execution, sequestration or other process or does or attempts to do any diligence in execution against any of the Floating Charge Assets, the floating charge created by clause 3.3 of the Guarantee and Debenture over the property or asset concerned shall thereupon automatically without notice be converted into a fixed charge.

Clause 3.6 of the Guarantee and Debenture provides that, notwithstanding anything expressed or implied in the Guarantee and Debenture, the Security Trustee shall be entitled at any time after the occurrence of a Default and while the same is continuing by giving notice in writing to that effect to the Borrower to convert the floating charge over all or any part of the Floating Charge Assets of the Borrower into a fixed charge as regards the assets specified in such notice.

In clause 3.4 of the Guarantee and Debenture the Borrower covenants that it will not without the prior consent in writing of the Security Trustee:

- (a) without prejudice to the generality of clauses 3.4(b) and (c) of the Guarantee and Debenture (see below), sell, assign, discount or factor the Debts or any part thereof or release, set off or compound the same or deal with the same otherwise than in accordance with clause 5.1(a) of the Guarantee and Debenture (see below);
- (b) create or attempt to create or permit to subsist in favour of any person other than the Security Trustee any Encumbrance (except Permitted Encumbrances) on or affecting the Charged Assets or any part thereof; or
- (c) dispose of the Charged Assets or any part thereof or attempt or agree so to do except as permitted under the Facilities Agreement.

In clause 4 of the Guarantee and Debenture the Borrower agrees with the Security Trustee that each of the Beneficiaries may at any time without notice, notwithstanding any settlement of account or other matter whatsoever, combine or consolidate all or any of its then existing accounts wheresoever situate (including accounts in the name of such Beneficiary jointly with the Borrower), whether such accounts are current, deposit, loan or of any other nature whatsoever, whether they are subject to notice or not and whether they are denominated in

See Continuation Sheet No. 3, page 4.

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Particulars of a mortgage or charge (continued)

Continuation sheet No 3
to Form No 395 and 410 (Scot)

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

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inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

"**Facility Documents**" means the Facilities Agreement, the Swap Documents, the Working Capital Facility Letter and the Loan Stock Instrument;

"**Swap Documents**" means the documents evidencing the Swap Transactions;

"**Swap Transactions**" means the interest rate swap and/or other hedging arrangements entered, or to be entered, into between the Borrower and the Swap Counterparty pursuant to clause 9.4 of the Facilities Agreement relating to the respective interest rate exposures of the Borrowers thereunder;

"**Working Capital Facility Letter**" means the letter dated 21st June, 1996 from the Working Capital Bank to the Borrower and certain of the Charging Subsidiaries under the terms and subject to the conditions of which the Working Capital Facility is made available.

"**Working Capital Facility**" means the £2,000,000 senior secured working capital facility to the Borrower and certain of the Charging Subsidiaries under the terms of and subject to the conditions of the Working Capital Facility Letter;

"**Loan Stock Instrument**" has the meaning ascribed thereto in the Facilities Agreement;

"**Security Documents**" has the meaning ascribed thereto in the Facilities Agreement;

"**Principal Debtor**" means any Charging Company, to the extent only that it owes Indebtedness as principal and not as surety to any one or more of the Beneficiaries;

"**Indebtedness**" has the meaning ascribed thereto in the Facilities Agreement;

"**Charging Company**" means the Borrower and each of the Charging Subsidiaries;

"**Charging Subsidiaries**" means the Original Charging Subsidiaries and any other company which becomes a party to the Guarantee and Debenture pursuant to a Supplemental Deed;

"**Supplemental Deed**" means a deed supplemental to the Guarantee and Debenture executed by a Subsidiary in form and substance satisfactory to the Security Trustee by virtue of which such Subsidiary becomes a Charging Subsidiary;

"**Subsidiary**" has the meaning ascribed thereto in the Facilities Agreement; and

"**Incapacity**", in relation to a person, means the insolvency, liquidation, dissolution, winding-up, administration, receivership, amalgamation, reconstruction or other incapacity of that person whatsoever.

See Continuation Sheet No. 4. page 2.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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Sterling or in any other currency, and set-off or transfer any sum standing to the credit of any one or more such accounts in or towards satisfaction of the amounts owed to such Beneficiary by any Charging Company under any of the Facility Documents or the Guarantee and Debenture which are at that time due and payable. The Borrower agrees with the Security Trustee that, for this purpose, each Beneficiary is authorised to purchase with the monies standing to the credit of such accounts such other currencies as may be necessary to effect such applications.

Clause 5.1(a) of the Guarantee and Debenture contains a covenant by the Borrower to collect in the ordinary course of its business and pay into its account with the Security Trustee, or such other account as the Security Trustee may from time to time specify, all monies which it may receive in respect of the Debts forthwith on receipt and not, without the prior written consent of the Security Trustee, seek to compromise, compound, vary, discharge, postpone or release any of the Debts or waive its right of action in connection therewith or do or omit to do anything which may delay or prejudice the full recovery thereof provided that the Security Trustee authorises the Borrower, acting on its own behalf and on behalf of the Security Trustee, to compromise, compound, vary or postpone any Debt in an amount not exceeding £5,000 where, in the opinion of the Borrower (acting reasonably), it is commercially expedient to do so in order to maximise the recovery of such Debt.

Clause 5.1(l) of the Guarantee and Debenture contains a covenant by the Borrower not without the prior consent in writing of the Security Trustee to grant any lease of, or part with possession or share occupation of, the whole or any part of any of the Properties (except to another Charging Company), or confer any licence or right to occupy (except to another Charging Company), or grant any licence or permission to assign or underlet or part with possession of, the same, or create or knowingly permit to arise any overriding interest affecting the same within the definition in the Land Registration Acts or within the meaning of the Land Registration (Scotland) Act 1979, or permit any person to be registered (jointly with the Borrower or otherwise) as proprietor of any of the Properties under the Land Registration Acts or to become entitled to any right, easement, covenant, interest or other title encumbrance which might in a materially adverse way affect the value or marketability of any of the Properties.

Clause 5.1(m) of the Guarantee and Debenture contains a covenant by the Borrower not without the prior consent in writing of the Security Trustee (not to be unreasonably withheld or delayed) to vary, surrender, cancel or dispose of, or permit to be forfeit, any leasehold interest in any of its Properties.

Clause 6 of the Guarantee and Debenture provides that the Borrower shall at any time if and when required by the Security Trustee execute such further Encumbrances in favour of the Security Trustee and/or the other Beneficiaries as the Security Trustee shall from time to time reasonably require (in terms not more onerous than the Guarantee and Debenture and/or any other appropriate Security Document) over all or any of the Charged Assets to secure the Secured Obligations of the Borrower.

See Continuation Sheet No. 4, page 4.

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Particulars of a mortgage or charge (continued)

Continuation sheet No 4
to Form No 395 and 410 (Scot)

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

In the Facilities Agreement:

"Inter-Creditor Agreement" means the inter-creditor and security trustee agreement in the agreed form entered into or, as the case may be, to be entered into between the Arranger (1), the Agent (2), the Banks (3), the Swap Counterparty (4), the Working Capital Bank (5), the Security Trustee (6), the Investors (7), the Vendor (8), the Borrower (9) and the other members of the Charging Group (10);

"Charging Group" means the Borrower and the Charging Subsidiaries;

"Investors" means the several persons defined as Investors in the Subscription Agreement which are subscribing shares in the Borrower pursuant to the Subscription Agreement;

"Subscription Agreement" means the agreement relating to the subscription for shares in the Borrower entered, or to be entered, into between Ian Reynolds and Eric Millard (1), the Investors (2) and the Borrower (3);

"Vendor" means Community Psychiatric Centers Inc. of 5110 W. Sahara Avenue, Las Vegas Nevada 89102-3702, U.S.A.;

"Banks" means the A Banks and the B Banks;

"Loan Stock Instrument" means the deed or instrument constituting the Loan Stock;

"Loan Stock" means the loan stock issued, or to be issued, by the Borrower to the Investors and the Vendor in an aggregate amount of £35,250,000 on terms (inter alia) that, save as permitted thereunder and by the Inter-Creditor Agreement, it may not be repaid in whole or in part unless and until there has occurred the payment in full of the A Loan (and includes, for the avoidance of doubt, loan stock issued by the Borrower under the Loan Stock Instrument in respect of interest owing by the Borrower under the terms of the Loan Stock and/or the Loan Stock Instrument;

"A Loan" means the aggregate principal amount owing to the A Banks under the Facilities Agreement in respect of the A Loan Facility at any time;

"A Loan Facility" means the facility granted by the A Banks to the Borrower in the principal sum of £42,000,000;

"Security Documents" means (i) the Guarantee and Debenture, (ii) the Standard Security and (iii) any and all other mortgages, charges, guarantees and other instruments from time to time entered into by the Borrower and/or its Subsidiaries by way of guarantee or other assurance of and/or security for amounts owed to the Agent and/or the Banks under the Facilities Agreement (whether or not also guaranteeing or otherwise assuring and/or securing any other Indebtedness) and (iv) the Inter-Creditor Agreement;

"Indebtedness" means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

"Standard Security" means the standard security in the agreed form executed or to be executed by Priory in favour of the Security Trustee;

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

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Clause 14.5 of the Guarantee and Debenture provides that during the continuance of the security created by the Guarantee and Debenture the statutory and any other powers of leasing, letting, entering into agreements for leases or lettings and accepting or agreeing to accept surrenders of leases or tenancies shall not be exercisable by the Borrower in relation to the Charged Assets or any part thereof, save as permitted by clause 5.1(1) of the Guarantee and Debenture (see above).

Clause 14.8 of the Guarantee and Debenture provides that the Guarantee and Debenture shall remain binding on each Charging Company notwithstanding any change in the constitution of the Security Trustee or any other Beneficiary or its absorption in, or amalgamation with, or the acquisition of all or part of its undertaking by, any other person, or any reconstruction or reorganisation of any kind.

In the Guarantee and Debenture:

"**Acquisition Agreement**" has the meaning ascribed thereto in the Facilities Agreement;

"**Encumbrance**" has the meaning ascribed thereto in the Facilities Agreement;

"**Excluded Properties**" means the freehold and leasehold property of which details are set out in Part C of schedule 2 to the Guarantee and Debenture;

"**Collateral Instruments**" means negotiable and non-negotiable instruments, guarantees, indemnities and other assurances against financial loss and any other documents or instruments which contain or evidence an obligation (with or without security) to pay, discharge or be responsible directly or indirectly for any liabilities of any person;

"**Keyman Insurance Policies**" has the meaning ascribed thereto in the Facilities Agreement;

"**Permitted Encumbrance**" has the meaning ascribed thereto in the Facilities Agreement; and

"**Default**" has the meaning ascribed thereto in the Facilities Agreement.

In the Facilities Agreement:

"**Acquisition Agreement**" means together (i) the Principal Agreement and (ii) the side-letters relating to tax indemnities, the Series 'A' Loan Note and the Acquisition Disclosure Letter;

"**Principal Agreement**" means the agreement dated 21st June, 1996 for the sale and purchase of the entire issued share capital of CPC (Londinium) Limited entered into between the Vendor and the Borrower;

"**Series 'A' Loan Note**" has the meaning ascribed thereto in the Loan Stock Instrument;

"**Acquisition Disclosure Letter**" means the disclosure letter referred to and defined as such in the Principal Agreement but does not include the information which is the subject of the general disclosures contained in Part B thereof or which is otherwise referred to, but is not specifically set out, therein;

See Continuation Sheet No. 5, page 4.

COMPANIES FORM No. 395 (Cont.) AND FORM No. 410 (Scot)(Cont.)

**Particulars of a mortgage or charge
(continued)**

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Continuation sheet No 5
to Form No 395 and 410 (Scot)

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

"**Priory**" means Priory Hospitals Group Limited (Company No. 1505382); and

"**Subsidiary**" has the meaning ascribed to that term by section 736, 736A and 736B of the Companies Act 1985 but is also deemed to include a subsidiary undertaking as that term is defined in sections 258, 259 and 260 of the said Act (in each case, as amended or inserted by the Companies Act 1989).

In the Inter-Creditor Agreement: "**Loan Stock Holder's and Investor's Adherence**" means an undertaking in the form, or substantially the form, of Part C of the schedule to the Inter-Creditor Agreement.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

"**Encumbrance**" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest, title retention or other encumbrance of any kind securing, or any right conferring a priority of payment in respect of, any obligation of any person;

"**Keyman Insurance Policies**" means keyman insurance policies effected or, as the case may be, to be effected by the Borrower on the lives of Mr Ian Reynolds, Mr. Eric Millard and the person from time to time appointed as finance director of the Borrower to provide prospective death, disability and critical illness benefits in favour of the Group for a period of at least five years (in the case of Mr. Reynolds) and three years (in the case of Mr. Millard and such person who is from time to time appointed finance director of the Borrower) after the Acquisition Completion Date (or for such shorter period as they are employed by the Group) in amounts not less than £500,000 (in the case of Mr. Reynolds) and £250,000 (in the case of Mr. Millard and such person who is from time to time appointed finance director of the Borrower) (or such higher amounts as may from time to time be agreed between the Borrower and the Agent);

"**Group**" means the Borrower and all its Subsidiaries for the time being;

"**Acquisition Completion Date**" means the date on which the Acquisition was duly effected by completion of the Acquisition Agreement;

"**Acquisition**" means the proposed acquisition by the Borrower of the entire issued share capital of CPC (Londinium) Limited;

"**Permitted Encumbrance**" means an Encumbrance being any of the following, namely:

- (a) title retention arrangements arising in the ordinary course of trading with suppliers of goods to the Borrower or any of its Subsidiaries or arising under conditional sale or hiring arrangements in respect of goods supplied to the Borrower or any of its Subsidiaries in the ordinary course of trading;
- (b) liens and rights of set-off arising in the ordinary course of trading or by operation of law;
- (c) any Encumbrance created by any of the Security Documents;
- (d) any Encumbrance created with the prior written consent of the Agent acting on the instructions of (i) all the Banks, in the case of an Encumbrance that would rank (whether by operation of law or otherwise) in priority to or *pari passu* with any Encumbrance created by any of the Security Documents or (ii) the Majority Banks, in any other case;

"**Majority Banks**" means Banks and the Working Capital Bank the aggregate of whose Commitments (or, in the case of the Banks only and following the Loans being advanced, Contributions) exceeds 66 per cent. of the total of the Commitments (or, in the case of the Banks only and following the Loans being advanced, Contributions) of all the Banks and the Working Capital Bank;

COMPANIES FORM No. 395 (Cont.) AND FORM No. 410 (Scot)(Cont.)

**Particulars of a mortgage or charge
(continued)**

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Continuation sheet No 6
to Form No 395 and 410 (Scot)

CHA 116

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Company Number

3189363

Name of Company

FORAY 911 LIMITED

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

Amount due or owing on the mortgage or charge (continued)

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

Please complete
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in black type, or
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"Loans" means the A Loan and the B Loan;

"B Loan" means the aggregate principal amount owing to the B Banks in respect of the B Loan Facility at any relevant time;

"B Loan Facility" means the facility granted by the B Banks to the Borrower in the sum of £10,000,000;

"Commitment", means, in relation to a Bank, all or any (as the context may require) of its A Loan Commitment and its B Loan Commitment and, in relation to the Working Capital Bank (for the purposes only of determining the Majority Banks), the amount of the Working Capital Facility;

"A Loan Commitment" means, in relation to an A Bank, the amount set opposite its name in the column headed "A Loan Commitment" in schedule 1 to the Facilities Agreement as adjusted pursuant to clause 15 of the Facilities Agreement or as assumed in a Substitution Certificate and, in any case, as reduced by any relevant term of the Facilities Agreement;

"Substitution Certificate" means a certificate substantially in the terms of schedule 6 to the Facilities Agreement;

"B Loan Commitment" means, in relation to a B Bank, the amount set opposite its name in the column headed "B Loan Commitment" in schedule 2 to the Facilities Agreement as adjusted pursuant to clause 15 of the Facilities Agreement or as assumed in a Substitution Certificate and, in any case, as reduced by any relevant term of the Facilities Agreement;

"Contribution" means, in relation to a Bank, the principal amount of the A Loan and the B Loan owing to such Bank at any relevant time;

"Default" means any Event of Default or any event which with the giving of notice or lapse of time or the making of any determination, in each case as specified in clause 11.1 of the Facilities Agreement, (or any combination thereof) would constitute an Event of Default; and

"Event of Default" means any of the events or circumstances described in clause 11.1 of the Facilities Agreement.

In the Loan Stock Instrument: "Series 'A' Loan Note" means the £3,000,000 loan notes issued in the form set out in Part A of schedule 1 to the Loan Stock Instrument.

The Excluded Properties, as set out in Part C of schedule 2 to the Guarantee and Debenture, are as follows:

- 1 Priory Suite, Beardwood Hospital, Preston New Road, Blackburn, Lancashire BB2 7AE
- 2 The Longridge Clinic, Samuel Hill House, Springfield Hospital, Glenburnie Road, London SW17
- 3 3 Consulting Rooms, The Coach House, Bredon House, 321 Tettenhall Road, Wolverhampton
- 4 Watton Place Clinic, Watton Place House, Watton at Store, Hertfordshire
- 5 Renal Unit, West Wales General Hospital, Caernavon



FILE COPY

CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 03189363

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A COMPOSITE GUARANTEE AND DEBENTURE DATED 21st JUNE 1996 AND CREATED BY FORAY 911 LIMITED NOW KNOWN AS PRIORY HOSPITALS HOLDINGS LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY AND/OR ALL OR ANY OF THE OTHER COMPANIES NAMED THEREIN TO THE ROYAL BANK OF SCOTLAND PLC AS SECURITY TRUSTEE FOR THE BENEFICIARIES UNDER OR PURSUANT TO THE FACILITY DOCUMENTS AND/OR THE SECURITY DOCUMENTS WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985, ON THE 9th JULY 1996.

GIVEN AT COMPANIES HOUSE, CARDIFF ON THE 11th JULY 1996.

RICHARD NEIL OWENS

for the Registrar of Companies

LC
11-7 Sh



COMPANIES HOUSE