

3982134

23 December 2002

**WE HEREBY CERTIFY
THAT THIS IS A TRUE
COPY OF THE ORIGINAL**

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

AGREEMENT

**for the transfer of shares in
Priory Services for Young People (IOM)
Limited
and other matters**

**SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
ONE CANADA SQUARE
CANARY WHARF
LONDON E14 5DS**



WITNESS MY HAND
AND SEAL OF OFFICE
JANUARY 11 1903

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THIS AGREEMENT is made on 23 December 2002:

BETWEEN

- (1) **PRIORY HEALTHCARE HOLDINGS LIMITED**, a private company limited by shares with registered number 03738107 whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP ("**PHHL**")
- (2) **PRIORY SECURITISATION LIMITED**, a private company limited by shares with registered number 03982134 whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP ("**PGL**")
- (3) **PRIORY HEALTHCARE ACQUISITION CO LIMITED**, a private company limited by shares with registered number 04433255 whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP ("**PHACL**")
- (4) **PRIORY CHILDCARE SERVICES LIMITED**, a private company limited by shares with registered number 02838284 whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP ("**PCSL**")

WHEREAS

- (A) PHHL is the sole legal and beneficial owner of the PSYPL Shares (as defined below).
- (B) For the consideration, and upon the terms, set out in this Agreement:
 - (i) PHHL has agreed to transfer all the PSYPL Shares (as defined below) to PCSL;
 - (ii) PCSL has agreed to issue shares to PGL;
 - (iii) PGL has agreed to issue shares to PHACL; and
 - (iv) PHACL has agreed to pay to PHHL the Purchase Price.

IT IS AGREED as follows:

1. DEFINITIONS

Where used in this Agreement the following terms shall have the following meanings:

"**New PCSL Shares**" the 428,000 ordinary shares of £1.00 each in the capital of the PCSL to be issued to PGL on the terms of this Agreement credited as fully paid and ranking *pari passu* with the existing ordinary shares of £1.00 each in the capital of PCSL.

"New PGL Shares"	the 1 ordinary share of £1.00 in the capital of PGL to be issued to PHACL on the terms of this Agreement credited as fully paid and ranking pari passu with the existing ordinary shares of £1.00 each in the capital of PGL.
"PSYPL"	Priory Services for Young People (IOM) Limited, a private limited company registered in the Isle of Man.
"PSYPL Shares"	the entire issued share capital of PSYPL.
"Purchase Price"	the amount of £1,057,728.44.

2. AGREEMENT FOR SALE AND PURCHASE OF THE PSYPL SHARES

- 2.1 For the consideration of the payment referred to in clause 4, PHHL agrees to sell the PSYPL Shares and PCSL agrees to purchase the PSYPL Shares on the terms that the same covenants shall be deemed to be given by PHHL on Completion in relation to the PSYPL Shares as are implied under Part I of the Law of Property (Miscellaneous Provisions) Act 1994 where a disposition is expressed to be made with full title guarantee, subject to the terms of and obligations contained within a debenture dated 10 June 2002 in favour of The Royal Bank of Scotland plc as trustee and a Security Accession Deed (entered into pursuant to the said Debenture) also dated 10 June 2002 made by PHHL in favour of the said Royal Bank of Scotland plc (together the **Charge**) to the intent that PCSL shall observe and perform the covenants and obligations contained in, and hold the PSYPL Shares subject to the Charge. The PSYPL Shares shall be sold with all rights attaching to them including, without limitation, the right to receive all dividends and other distributions declared, made or paid on or after the date of this Agreement.

3. SHARE ISSUES

- 3.1 In consideration for the transfer of the PSYPL Shares to PCSL, PCSL shall issue the New PCSL Shares to PGL.
- 3.2 In consideration for the issue of the New PCSL Shares to PGL, PGL shall issue the New PGL Shares to PHACL.
- 3.3 All shares issued pursuant to clauses 3.1 and 3.2 shall be issued credited as fully paid in accordance with clause 5.

4. PAYMENT

In consideration for the issue of the New PGL Shares to PHACL, PHACL agrees to pay the Purchase Price to PHHL, which sum shall be paid in accordance with clause 5.

5. COMPLETION

- 5.1 The sale and purchase of the PSYPL Shares, the issue of the New PGL Shares and the New PCSL Shares and the payment of the Purchase Price (in accordance with clause 5.5 below) shall take place simultaneously immediately after this Agreement is signed, when the events set out in the following provisions of this clause 5 shall take place.
- 5.2 PHHL shall deliver or cause to be delivered to PCSL duly executed transfers into the name of PCSL or its nominee in respect of all the PSYPL Shares, together with the relative share certificates.
- 5.3 PCSL shall, in satisfaction of its obligations under clause 3.1, cause the New PCSL Shares to be allotted to PGL and PGL's name to be entered in the register of members in respect thereof (with a relative share certificate being delivered to PGL).
- 5.4 PGL shall, in satisfaction of its obligations under clause 3.2, cause the New PGL Shares to be allotted to PHACL and PHACL's name to be entered in the register of members in respect thereof (with a relative share certificate being delivered to PHACL).
- 5.5 The Purchase Price referred to in clause 4 shall be left outstanding as a debt payable by PHACL on demand by PHHL at any time after the date of this Agreement.

6. ENTIRE AGREEMENT

This Agreement sets out the entire agreement and understanding between the parties in respect of the subject matter hereof. It is agreed that:

- (a) No party has entered into this Agreement in reliance upon any representation, warranty or undertaking of any other party which is not expressly set out or referred to in this Agreement.
- (b) A party shall have no claim or remedy under this Agreement in respect of misrepresentation (whether negligent or otherwise, and whether made prior to, and/or in, this Agreement) or untrue statement made by any other party.
- (c) This clause shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

7. COUNTERPARTS

This Agreement may be entered into in any number of counterparts and by the parties to it on separate counterparts, each of which is an original, but all of which together constitute one and the same instrument.

8. FURTHER ASSURANCE

The parties agree to perform (or procure the performance of) all further acts and things, and execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as any other party may reasonably require, whether on or after Completion, to implement and/or give full effect to this Agreement and the transaction contemplated by it and for the purpose of vesting (a) in PCSL the full benefit of the PSYPL Shares to be transferred to PCSL under this Agreement and (b) in PGL and PHACL respectively the full benefit of the New PCSL Shares and New PGL Shares respectively.

9. SEVERABILITY

If any provision of this Agreement is held to be invalid or unenforceable, then such provision shall (so far as it is invalid or unenforceable) be given no effect and shall be deemed not to be included in this Agreement but without invalidating any of the remaining provisions of this Agreement. The parties shall then use all reasonable endeavours to replace the invalid or unenforceable provision by a valid and enforceable substitute provision the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision.

10. NO RIGHTS UNDER CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

11. GOVERNING LAW

This Agreement and the relationship between the parties shall be governed by, and interpreted in accordance with, English Law.

IN WITNESS whereof this Agreement has been signed by and on behalf of the parties on the day and year first before written.

SIGNED by Paul Greensmith
for and on behalf of PRIORY HEALTHCARE
HOLDINGS LIMITED
in the presence of: [Signature]

) *Bozith*

SIGNED by Paul Greensmith
for and on behalf of PRIORY SECURITISATION LIMITED
in the presence of:

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SIGNED by Dr Chaitanya Patel
for and on behalf of PRIORY HEALTHCARE
ACQUISITION CO LIMITED
in the presence of:

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SIGNED by Dr Chaitanya Patel
for and on behalf of PRIORY CHILDCARE
SERVICES LIMITED
in the presence of:

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