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COMPANIES FORM No. 395

A/C 00400107.

Particulars of a mortgage or charge

395

A fee of £10 is payable to Companies House in respect of each register entry for a mortgage or charge.

ACCOUNT

23 SEP 2003

RECEIVED

For official use Company number

113

03982134

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 6)

Name of company

* PRIORY SECURITISATION LIMITED

(the "Obligor")

Date of creation of the charge

4 September 2003

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

The debenture dated 4 September 2003 and executed as a deed by, among others, Citicorp Trustee Company Limited (the "Borrower Security Trustee") and the Obligor (the "Borrower Debenture").

Amount secured by the mortgage or charge

See Schedule 1. A list of the defined terms used in this Form 395 is set out in Schedule 3.

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

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square, Canary Wharf
London

Postcode E14 5LB

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

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

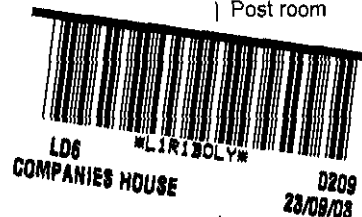
London-2/1465084/1

Time critical reference

TXV/R0021-4502/JSF

For official Use
Mortgage

Post room



See Schedule 2

Please do not
write in
this margin

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

Particulars as to commission allowance or discount (note 3)

None

Signed

Clifford Chance

Date 23 September 2003

On behalf of [Company] [mortgagee/chargee] †

A fee of £10 is
payable to
Companies House
in respect of each
register entry for a
mortgage or
charge.
(See Note 5)

† delete as
appropriate

Notes

- 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.
- 5 Cheques and Postal Orders are to be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is:-

Companies House, Crown Way, Cardiff CF14 3UZ

SCHEDULE 1 TO FORM 395**Amount secured by the mortgage or charge:**

The aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), any liability in respect of any Term Advances, whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as principal or as 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 Borrower Secured Creditors) or any of the other Borrower Secured Creditors under any Borrower Transaction Document

SCHEDULE 2 TO FORM 395

Short particulars of all the property mortgaged or charged:**1. Fixed Charges**

The Obligor charged with full title guarantee (or in the case of assets situated in or governed by the laws of the Isle of Man, charged and assigned as beneficial owner) 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, by way of first fixed charge (which so far as it relates to the English Real Property specified in Part 1 of Schedule 1 (*Details of Real Property*)) to the Borrower Debenture shall be a charge by way of legal mortgage) all right, title and interest of such Obligor from time to time in and to each of the following assets (save to the extent that such assets are situated in Scotland or governed by the laws of Scotland):

- 1.1 the English Real Property;
- 1.2 the Tangible Moveable Property;
- 1.3 the Obligor Accounts;
- 1.4 subject to the terms of the Services Agreement, the Intellectual Property, except that full title guarantee (or, as applicable, beneficial owner) shall not apply to Intellectual Property;
- 1.5 any goodwill and rights in relation to the uncalled capital of the Obligor;
- 1.6 the Investments;
- 1.7 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);
- 1.8 any interest in the Notes held by the Obligor pending their surrender and cancellation;
- 1.9 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; and
- 1.10 the Short Term Leasehold Properties.

2. Assignments

The Obligor assigned with full title guarantee (or, in the case of assets situated in, or governed by the laws of the Isle of Man as beneficial owner) 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 all right, title and interest of such Obligor from time to time in and to each of the following assets (save to the extent such assets are situated in Scotland or governed by the laws of Scotland):

- 2.1.1 the proceeds of the Insurance Policies and all Related Rights to which such Obligor is entitled in respect of any such Insurance Policies;
- 2.1.2 each of the Borrower Transaction Documents to which the Obligor is a party (other than the Subscription Agreement);
- 2.1.3 any Obligor Account (to the extent not effectively charged under Clause 3.1 (*Fixed Charges*) of the Borrower Debenture); and
- 2.1.4 all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into after the Closing Date and 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 to the Obligor in respect of the Real Property including all:
 - (a) claims, remedies, awards or judgments paid or payable to the Obligor (including all liquidated and ascertained damages payable to the Obligor in respect of the items referred to); and
 - (b) guarantees, warranties, bonds and representations given or made by, and any rights or remedies against any designer, builder, contractor, professional adviser, sub-contractor, manufacturer, supplier or installer of any fixture, fitting, fixed plant or machinery,

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

2.2 *Scottish Heritable Property*

The Obligor undertook and bound and obliged 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 and the CapEx Facility Secured Creditors) immediately following its execution of the Borrower Debenture a Standard Security over each Scottish Heritable Property belonging to it at the date of the Borrower Debenture.

2.3 *Floating Charge under English Law*

The Obligor charged with full title guarantee 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 at any time owed or due by way of first floating charge the whole of the undertaking, assets, property and rights of the Obligor whatsoever and whosoever,

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 Borrower Debenture in favour of the Borrower Security Trustee as continuing security for the Borrower Secured Liabilities (but excepting from the foregoing exclusion the whole of the undertaking and assets, property and rights of the Obligor, present or future situated in Scotland or the Isle of Man or governed by the laws of Scotland or the Isle of Man, all of which are charged by the floating charge hereby created).

2.4 *Floating Charge under Scots law*

As continuing security for the payment and discharge of the Borrower Secured Liabilities, the Obligor granted in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the CapEx Facility Secured Creditors) a floating charge over the whole of the property (including uncalled capital) which is or may be from time to time while the Borrower Debenture is in force comprised in the property and undertaking of the Obligor.

Note 1: Clause 6 of the Borrower Debenture contains an undertaking by the Obligor to give further assurance to the Borrower Security Trustee upon the request of the Borrower Security Trustee.

Note 2: Clause 7 of the Borrower Debenture contains an undertaking by the Obligor that it shall not and shall procure (to the extent it is lawfully able to do so) that each other Obligor under the Borrower Debenture shall not, at any time during the subsistence of the security created by 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.

2.5 *Covenant to Pay*

The Obligor covenanted with the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the CapEx Facility Secured Creditors) that it shall on the due date therefor discharge each and every payment obligation the Obligor may on the Closing Date or thereafter 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 neither the Obligor's covenant 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 covenant, undertaking or security to be unlawful or prohibited by any applicable law.

2.6 *Isle of Man Conditional Bond and Security*

Priory Services For Young People (IOM) Limited undertakes and binds and obliges itself under the Borrower Debenture 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 and the CapEx Facility Secured Creditors) immediately following its execution of the Borrower Debenture a Conditional Bond and Security over the Isle of Man Real Property belonging to it at the date of the Borrower Debenture and specified in Part 3 of Schedule 1 (Details of Real Property) to the Borrower Debenture.

SCHEDULE 3 TO FORM 395

Definitions of capitalised words and expressions used in this Form 395:

In this Form 395, the following defined terms have the meanings set out below:

"Account Bank and Cash Management Agreement" means the account bank and cash management agreement dated on or about the Closing Date and made between the Obligors, the Account Bank, the Issuer, the Cash Manager, the Borrower Security Trustee and the Note Trustee;

"Account Bank" means The Royal Bank of Scotland plc, acting through its office at 62-63 Threadneedle Street, London EC2R 8LA, in its capacity as account bank;

"Acquisition Loan" means a loan drawn under the CapEx Facility applied towards the financing of the acquisition of a property or business (whether by way of asset purchase or share purchase);

"Acquisition Security Pool" means any Mortgaged Property which is not part of the Original Security Pool and in respect of which Acquisition Loans and/or Development Loans have been made by the CapEx Facility Provider and are outstanding, but notwithstanding the foregoing including the Mortgaged Property known as Felden Croft Nursing House for so long as a CapEx Loan is outstanding in respect of such Mortgaged Property;

"Additional Obligor Charged Property" has the meaning attributed to it in any relevant Supplemental Issuer Deed of Charge;

"Additional Obligor" means any direct or indirect subsidiary of the Priory Securitisation Group Parent which has become an Additional Obligor in accordance with Clause 6 (*Additional Obligors*) of the Issuer/Borrower Facility Agreement by executing and delivering an Obligor Accession Agreement and an Obligor Security Accession Deed;

"Additional Term Advance" means an advance under an Additional Term Facility, as the context may require;

"Additional Term Facility" means a Further Term Facility and/or a New Term Facility, as the context may require;

"Anticipated Occupancy Reserve Account" means the account known as the "Anticipated Occupancy Reserve Account" held in the name of Priory Securitisation Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957316 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account, and into

which a certain amount of the Initial Term A Advance was deposited on the Closing Date;

"Borrower Secured Creditors" means:

- (a) the Borrower Security Trustee (for itself and for and on behalf of the other Borrower Secured Creditors);
- (b) the Issuer;
- (c) the Cash Manager, only so long as it is not a member of the Priory Group;
- (d) the CapEx Facility Provider;
- (e) the Working Capital Facility Provider;
- (f) the Account Bank;
- (g) the Bridge Facility Provider;
- (h) any Receiver appointed under the Borrower Debenture; and
- (i) any such other creditor who may accede to the Subordination and Intercreditor Deed from time to time in accordance with the terms thereof and is designated as a Borrower Secured Creditor;

"Borrower Secured Liabilities" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), any liability in respect of any Term Advances, whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as principal or as 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 Borrower Secured Creditors) or any of the other Borrower Secured Creditors under any Borrower Transaction Document;

"Borrower Security Documents" means:

- (a) the Borrower Debenture;
- (b) the Subordination and Intercreditor Deed;
- (c) the Standard Securities;
- (d) the Conditional Bond and Security;
- (e) any power of attorney executed and delivered by the Obligors pursuant to the terms of any Borrower Security Document; and

- (f) any other document or instrument granted in favour of the Borrower Security Trustee (on behalf of the Borrower Secured Creditors) creating or evidencing the security for all or any part of the Borrower Secured Liabilities;

"Borrower Transaction Documents" means each or any of:

- (a) the Issuer/Borrower Facility Agreement;
- (b) the Borrower Debenture;
- (c) the Standard Securities;
- (d) the Conditional Bond and Security;
- (e) the Subordination and Intercreditor Deed;
- (f) the Intra-Group Facility Agreement;
- (g) the Subordinated Loan Agreement;
- (h) the Account Bank and Cash Management Agreement;
- (i) the Tax Deed of Covenant;
- (j) the Working Capital Facility Agreement;
- (k) the CapEx Facility Agreement;
- (l) the Bridge Facility Agreement;
- (m) the Resale Agreement;
- (n) the Subscription Agreement;
- (o) the Services Agreement;
- (p) the Master Framework Agreement;
- (q) the Security over Shares Agreement;
- (r) the Trust Agreement; and
- (s) any other agreement, instrument or deed designated as such by the Obligors and the Borrower Security Trustee;

"Borrowers" means Priory Securitisation Limited (registered number 03982134), Priory Securitisation Holdings Limited (registered number 4793915), Priory Healthcare Limited (registered number 01505382), Priory Education Services Limited (registered number 02838284), Blenheim Healthcare Limited (registered number 03136041), Priory Rehabilitation Services Limited (registered number 03074698), Priory Central Services Limited (registered number 04391278), Farm Place Limited (registered number 02663868), Priory Specialist Health Limited (registered number 03899044)

and Farleigh Schools Limited (registered number 03225255), each of which is a private limited company incorporated in England and Wales and each of whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP and the term **"Borrowers"** shall include any Obligor to which an Additional Term Advance is made;

"Bridge Facility Agreement" means the bridge facility agreement dated on or about the Closing Date and made between Priory Securitisation Limited and the Bridge Facility Provider;

"Bridge Facility Provider" means The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB in its capacity as bridge facility provider;

"Calendar Year" means the period commencing on 1 January and expiring on 31 December of each year;

"CapEx Attributable Free Cashflow" means, in respect of an extension at a Mortgaged Property funded by the CapEx Facility (comprising part of the Extensions Security Pool), total Free Cashflow attributable to such extension from the date such extension commenced operations, which shall be calculated (i) by multiplying total Free Cashflow generated by such Mortgaged Property (calculated by the direct proportion of the contribution of such Mortgaged Property to the Operating Profit in relation to the period in question) from the date such extension commenced operations, by the total number of operating beds in such extension, and dividing the result by the total number of operating beds in such Mortgaged Property; or (ii) provided the Ratings Test is satisfied, in accordance with such other method as may be agreed by the Obligors and the CapEx Facility Provider from time to time;

"CapEx Facility Agreement" means the capital expenditure facility agreement dated on or about the Closing Date and made between, *inter alios*, the Obligors, the CapEx Facility Provider and the Borrower Security Trustee;

"CapEx Facility Provider" means the Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB, or such other entity or entities appointed as capital expenditure facility provider from time to time, subject to and in accordance with the terms of the CapEx Facility Agreement;

"CapEx Facility Secured Creditors" means the CapEx Facility Provider, the Borrower Security Trustee in respect of the Pro-rated Share of the First Item Attributable to the CapEx Facility and any Receiver appointed by the Borrower Security Trustee in respect of the Extensions Security Pool and the Acquisition Security Pool;

"CapEx Facility" means the committed sterling term loan facility pursuant to the CapEx Facility Agreement;

"CapEx Loan" means either an Acquisition Loan, a Development Loan or an Extension Loan, as the case may be;

"CapEx Obligors " means (i) the Obligors and (ii) certain companies in the Other Priory Group who have become borrowers from time to time under the CapEx Facility Agreement;

"CapEx Payment Account" means the account known as the "CapEx Payment Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957294 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account, and into which all amounts of Hypothecated Free Cashflow are paid pursuant to the Account Bank and Cash Management Agreement;

"CapEx Reserve Account" means the account known as the "CapEx Reserve Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957278 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Capital Maintenance Amount" means Capital Maintenance Expenditure in an aggregate amount of not less than:

- (t) in respect of the period from the Closing Date to 31 December 2008, £1,600,000 and, thereafter, £2,500,000, each as adjusted on an annual basis, in respect of each Calendar Year following the Closing Date, by multiplying such sum by the CapEx Adjustment; or
- (u) such other lower amount, as determined by the Obligors, provided that the Ratings Test is satisfied notwithstanding such lower Capital Maintenance Amount;

"Capital Maintenance Expenditure" means, in respect of any Obligor, any expenditure in relation to the maintenance and repair of existing Mortgaged Properties and/or the maintenance, replacement and repair of other assets (including plant, machinery and equipment) of the Obligors, which is properly treated as capital expenditure in accordance with the usual accounting policies of the Priory Securitisation Group;

"Cash Manager" means Priory Central Services Limited, in its capacity as cash manager for the Obligors and the Issuer, acting through its registered office at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP, or such other entity or entities appointed as cash manager for the Obligors and the Issuer from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement;

"Closing Date" means 4 September 2003;

"Conditional Bond and Security" means the conditional bond and security granted over the Isle of Man Real Property pursuant to Clause 3.4 (*Isle of Man Conditional Bond and Security*) of the Borrower Debenture substantially in the form set out in Schedule 10 (*Form of Conditional Bond and Security*) thereto;

"Development Loan" means a loan under the CapEx Facility Agreement applied towards the financing of any development or construction, whether or not including fit out, of a building or buildings on sites in which none of the CapEx Obligor has an interest as at the Closing Date;

"Disposal Proceeds Account" means the account known as the "Disposal Proceeds Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957219 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Distribution Reserve Account" means the account known as the "Distribution Reserve Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957235 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"EBITDA" means, in respect of any Relevant Period, the consolidated operating profit of the Obligor shown in the most recent of the audited consolidated financial statements of the Priory Securitisation Group (which, for these purposes, shall include the accounts of the Issuer) or the Investor Report, as the case may be, delivered by the Obligor under the Issuer/Borrower Facility Agreement for such Relevant Period (the **"Operating Profit"**) before deducting tax accrued for such Relevant Period in respect of all amounts and items included in or taken into account in calculating that Operating Profit and before making any adjustments to deferred taxation assets or liabilities in that period, but after adjusting where necessary to exclude:

- (v) any amount attributable to amortisation of goodwill, or other intangible assets or the amortisation or the writing off of acquisition or refinancing costs and any deduction for depreciation of assets;
- (w) items treated as extraordinary or non-operating exceptional income/charges under accounting principles generally accepted in the United Kingdom;
- (x) any amount attributable to the writing up or writing down of any assets of any Obligor after the Closing Date, or, in the case of a company becoming a

subsidiary of an Obligor after the Closing Date, after the date of its becoming a subsidiary of an Obligor;

- (y) any operating amounts earned from any Excluded Group Entity where such amounts have not been received in cash;
- (z) any amounts attributable to the disposal of any Mortgaged Properties or other assets (other than assets disposed of in the ordinary course of business);
- (aa) any interest, commissions, discounts and other fees incurred by any Obligor in respect of Financial Indebtedness, including, for the avoidance of doubt, any Permitted Financial Indebtedness, or any investment income or interest receivable or received; and

any amounts that have been received or become receivable from any Excluded Group Entity (whether or not in cash);

"Eligible Bank" means an authorised institution under the FSMA, the short term unsecured, unsubordinated and unguaranteed debt obligations of which are rated by S&P and Fitch to be at least A-1 by S&P and F-1 by Fitch or the long term unsecured, unsubordinated and unguaranteed debt obligations of which are rated by S&P and Fitch to be at least AA by S&P and AA by Fitch;

"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 and 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;

"Excluded Group Entity" means any entity which is a member of the Other Priory Group;

"Extension Loan" means a loan under the CapEx Facility Agreement applied towards the financing of the development or construction of any new building and/or any structural extension or improvement to any existing building, in each case whether or not including fit out and in each case on sites in which a CapEx Obligor has an interest as at the Closing Date;

"Extensions Security Pool" means any Mortgaged Property which was part of the Original Security Pool but in respect of which an Extension Loan has been made by the CapEx Facility Provider and is outstanding;

"Financial Indebtedness" means, in relation to any Obligor at any time, any indebtedness incurred in respect of:

- (c) the principal amount, and the capitalised element (if any), of money borrowed or raised and debit balances at banks and premia if any and capitalised interest in respect thereof;
- (d) the principal and premia (if any) and capitalised interest in respect of any debenture, bond, note, loan stock or similar debt instrument;
- (e) liabilities in respect of any letter of credit, standby letter of credit, acceptance credit, bill discounting or note purchase facility and any receivables purchase, factoring or discounting arrangements;
- (f) rental or hire payments under any contract between a lessor and a lessee treated as a finance lease in accordance with generally accepted accounting principles in the United Kingdom;
- (g) the deferred purchase price of assets or services save for:
 - (i) any such arrangement entered into in the ordinary course of trading and having a term not exceeding 180 days past the period customarily allowed by the relevant supplier for deferred payment; and/or
 - (ii) where the arrangement is entered into in the ordinary course of trade and the deferred purchase price in respect of assets or services is expressed to be payable in instalments or where the relevant amount is a retention of payment by an Obligor to ensure performance of obligations owed to it;
- (h) liabilities in respect of any foreign exchange agreement, currency swap or interest purchase or swap or other derivative transactions or similar arrangements, provided that to the extent that the relevant contract provides for net payments to be made the amount of Financial Indebtedness shall be the net amount due or the net exposure thereunder (being the amount payable by the party liable thereunder on termination or closing out of such arrangements determined on a mark to market basis);
- (i) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any share capital of any person or any warrants, rights or options to acquire such share capital in respect of transactions which in each such case have the commercial effect of borrowing or which otherwise finance its or the Obligors' operations or capital requirements;

- (j) any other transactions having the commercial effect of borrowing entered into by such Obligor; and
- (k) all Financial Indebtedness of other persons of the kinds referred to in paragraphs (a) to (h) above guaranteed or indemnified directly or indirectly in any manner by such Obligor or having the commercial effect of being guaranteed or indemnified directly or indirectly by such Obligor;

"Fitch" means Fitch Ratings Limited or any successor to its rating business;

"Forward Commitment Account" means the account known as the "Forward Commitment Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957251 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Free Cashflow" means EBITDA for such Relevant Period, less any tax accrued in relation to such Relevant Period (being the actual tax accrued of the Priory Securitisation Group and, subject to the provisions of the Tax Deed of Covenant, taking into account all available allowances, reliefs, deductions and credits) and less an amount equal to the annual Capital Maintenance Amount required to be spent or reserved in relation to such Relevant Period, provided that, where the Relevant Period falls in more than one Calendar Year, the Capital Maintenance Amount for such Relevant Period shall be the aggregate of the Portion of the Capital Maintenance Amount in each Calendar Year in which such Relevant Period falls;

"FSMA" means the Financial Services and Markets Act 2000;

"Further Term Facility" means a further term facility which may be requested by any Obligor at any time by written notice to the Issuer (with a copy thereof to the Borrower Security Trustee) and the Rating Agencies ranking *pari passu* with the relevant Initial Term Facility pursuant to Clause 2.4 (*Request for an Additional Term Facility*) of the Issuer/Borrower Facility Agreement and is made available to the Obligor by the Issuer in accordance with and subject to Clause 2.5 (*Granting of an Additional Term Facility*) of the Issuer/Borrower Facility Agreement;

"Hypothecated Free Cashflow" means the aggregate of, in the case of the Acquisition Security Pool, all Free Cashflow that is attributable to the relevant Mortgaged Properties comprised therein (calculated by the direct proportion of the contribution of such Mortgaged Properties to the Operating Profit in relation to the period in question) and, in the case of the Extensions Security Pool, the CapEx Attributable Free Cashflow;

"Initial Term Facility" means the Term Facility granted by the Issuer to the Borrowers on the Closing Date pursuant to Clause 2.1 (*Initial Term Facilities*) of the Issuer/Borrower Facility Agreement;

"Insurance Policies" means, in respect of each Obligor, each or any 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 at the time of the Closing Date or thereafter have an interest (and each an **"Insurance Policy"**);

"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 (or in the relevant Obligor Security Accession Deed under which an Additional Obligor becomes party thereto);

"Intermediate Parent" means Priory Group Limited (registered number 04433255) whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP;

"Intra-Group Facility Agreement" means the intra-group facility agreement dated on or about the Closing Date and made between the Obligors;

"Investments" means at any time, in respect of each Obligor:

- (a) any stocks, shares, debentures, securities and certificates of deposit (whether registered or unregistered including applications for registration on any stocks, shares, debentures, securities or certificates of deposit, but excluding the Shares or any interest in any Notes);
- (b) all interests in collective investment schemes; and
- (c) all warrants, options and other rights to subscribe or acquire any of the investments described in paragraphs (a) and (b),

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

"Investor Report" means a duly completed report comprising information in respect of the performance of the Priory Securitisation Group for the Relevant Period ending on each Quarterly End Date on a cumulative basis and substantially in the form set out in Schedule 6 (*Form of Investor Report*) of the Issuer/Borrower Facility Agreement to be delivered by the Priory Securitisation Group Parent pursuant to Clause 15.1.3 of the Issuer/Borrower Facility Agreement;

"IPD Payment Account" means the account known as the "IPD Payment Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957189 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Isle of Man Real Property" means the real property specified in Part 3 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture and any other real property situated in the Isle of Man title to which is held by an Obligor either on or after the Closing Date (excluding the Short Term Leasehold Properties specified in Part 4 of Schedule 1 (*Short Term Leasehold Properties*) to the Borrower Debenture);

"Issuer" means Priory Finance Company Limited, a special purpose company with limited liability incorporated in the Cayman Islands with registered number 100676 and whose registered office is at P.O. Box 309, George Town, Grand Cayman, Cayman Islands;

"Issuer/Borrower Facility Agreement" means the facility agreement dated on or about the Closing Date and made between the Obligors, the Issuer, the Cash Manager and the Borrower Security Trustee;

"Loan Notes" means the outstanding unlisted, floating rate, guaranteed, unsecured loan notes due 31 December 2007 issued by Priory Specialist Health Limited pursuant to a loan note instrument dated 31 January 2000 constituting up to £1,654,760 of such loan notes;

"Master Framework Agreement" means the master framework agreement dated on or about the Closing Date and made between, *inter alios*, the Obligors, the Borrower Security Trustee and the Issuer.

"Minor Operating Payments" means the operating payments of a site in an amount not more than £10,000 (as adjusted on an annual basis, in respect of each Calendar Year following the Closing Date, according to the percentage change in the RPI as calculated as at the first day of such Calendar Year);

"Monetary Claims" means, in respect of each Obligor, any book and other debts and monetary claims owing to such Obligor and any proceeds thereof (including any claims or sums of money deriving from or in relation to any Intellectual Property, any Investment, the proceeds of any Insurance Policy (other than any proceeds of any liability insurance payable direct to any third party), any court order, judgment or decree, any contract or agreement to which such Obligor is a party and any other assets, property, rights or undertaking of such Obligor);

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

"Net Asset Reserve Account" means the account known as the "Net Asset Reserve Account" held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957332 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account

Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"New Term Facility" means a new term facility which may be requested by an Obligor at any time by written notice to the Issuer (with a copy to the Borrower Security Trustee and the Rating Agencies) pursuant to Clause 2.4 (*Request for an Additional Term Facility*) of the Issuer/ Borrower Facility Agreement and made available to the Obligors by the Issuer in accordance with and subject to Clause 2.5 (*Granting of an Additional Term Facility*) of the Issuer/Borrower Facility Agreement;

"Note Trustee" means Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB;

"Notes" means the £140,250,000 Class A Secured Fixed/Floating Rate Notes due 2023 of the Issuer constituted by the Trust Agreement, £74,250,000 Class B Secured Floating Rate Notes due 2027 of the Issuer constituted by the Trust Agreement, £13,750,000 Class C Secured Floating Rate Notes due 2033 of the Issuer constituted by the Trust Agreement and, as the context may require, includes the Further Class A Notes, the Further Class B Notes and/or the Further Class C Notes and/or any New Notes as such terms are defined in the terms and conditions to the Notes;

"Obligor Accession Agreement" means a duly executed agreement in the form set out in Schedule 8 (*Form of Obligor Accession Agreement*) to the Issuer/Borrower Facility Agreement;

"Obligor Accounts" means the Obligor Operating Accounts, the Specific Accounts and, as the context may require, any other account opened or maintained by an Obligor with the Account Bank or with an Eligible Bank, in accordance with the Account Bank and Cash Management Agreement;

"Obligor Central Accounts" means one of a number of central accounts which will be held by the principal operating companies of the Priory Securitisation Group into which monies received into the Obligor Receipts Accounts will be swept periodically at the discretion of the Cash Manager (but at least once a month) and from which all payments of the Obligors (other than the Minor Operating Payments) will be made pursuant to 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 in or pursuant to the Borrower Security Documents;

"Obligor Operating Accounts" means the Obligor Receipts Accounts and the Obligor Central Accounts or such other account as may be designated as an Obligor Operating Account in accordance with the Account Bank and Cash Management Agreement;

"Obligor Receipts Accounts" means the current accounts maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement for each local

business site into which all revenues of the Obligor are (and will be required to be) received;

"Obligor Security Accession Deed" means a deed of accession executed by a direct or indirect subsidiary of the Priory Securitisation Group Parent in form and substance satisfactory to the Borrower Security Trustee pursuant to which such Eligible Obligor becomes party to the Borrower Debenture as an Obligor;

"Obligors" means the Borrowers, Priory Rehabilitation Services Holdings Limited (registered number 02915765), Priory Services for Young People (IOM) Limited (registered number 101005C), The Nottingham Clinic Limited (registered number 02220967), North Hill House Limited (registered number 03968590), Highbank Private Hospital Limited (registered number 02049088), Jacques Hall Development Limited (registered number 03213815), Jacques Hall Limited (registered number 03213812), Robinson Kay House (Bury) Limited (registered number 02625256), Priory Hospitals Limited (registered number 03189363), Priory Healthcare Services Limited (registered number 02188451), Libra Health Limited (registered number 01355923), Libra Nursing Homes Limited (registered number 01004767), Ticehurst House Private Clinic Limited (registered number 00904127), Priory Healthcare Holdings Limited (registered number 03738107), Priory Specialist Health Division Limited (registered number 03893502) and where the context requires, any Additional Obligor;

"Operating Profit" means the consolidated operating profit of the Obligors shown in the most recent of the audited consolidated financial statements of the Priory Securitisation Group (which shall include the accounts of the Issuer) or the Investor Report, as the case may be, delivered by the Obligors for the Relevant Period covered thereby under Clause 15 (*Financial Information*) of the Issuer/Borrower Facility Agreement;

"Original Security Pool" means any Mortgaged Property in respect of which no funding provided by the CapEx Facility Provider (if any) is outstanding;

"Original Security Pool" means any Mortgaged Property in respect of which no funding provided by the CapEx Facility Provider (if any) is outstanding;

"Other Priory Group" means the Priory Group other than the Priory Securitisation Group;

"Permitted Encumbrance" means:

- (a) liens arising solely under statute or by operation of law (or by agreement having substantially the same effect) and in the ordinary course of any Obligor's business and not as a result of any default or omission on the part of any Obligor unless contested in good faith;
- (b) rights of set-off existing in the ordinary course of trading activities between any Obligor and its respective suppliers or customers;

- (c) rights of set-off, banker's liens or the like arising by operation of law or by contract by virtue of the provision to any Obligor of clearing bank facilities or committed overdrafts;
- (d) any retention of title of goods, hire purchase, conditional sale agreement or arrangements having similar effect, in relation to goods supplied to any Obligor where such credit arrangement is required by the supplier in the ordinary course of its trading activities and on customary terms;
- (e) any Encumbrance (other than by way of mortgage or standard security over any Mortgaged Properties) securing any deferred purchase arrangements entered into in the ordinary course of trading;
- (f) any Encumbrance arising under the Borrower Security Documents or otherwise expressly permitted by the Borrower Transaction Documents;
- (g) any other Encumbrance created by any Obligor, or from time to time, outstanding, with the prior written consent of the Rating Agencies;
- (h) any Encumbrance over the amount of £1,657,760 on deposit with National Westminster Bank Plc in an account of Priory Specialist Health Limited (formerly Westminster Specialist Health Limited) securing the outstanding unlisted, floating rate, guaranteed, unsecured loan notes due 31 December 2007 issued by Priory Specialist Health Limited pursuant to a loan note instrument dated 31 January 2000 constituting the Loan Notes;
- (i) the Encumbrance in favour of the Secretary of State for Defence registered on 16 November 1999, relating to land at Thornford Park;
- (j) any security arrangements between Obligors;
- (k) any netting or set-off under hedging arrangements or any Encumbrance granted in connection with hedging arrangements in respect of the CapEx Facility Agreement; and
- (l) any Encumbrance in addition to those referred to in paragraphs (a) to (k) above securing indebtedness, provided that the aggregate principal amount of indebtedness secured by one or more Encumbrances which are "Permitted Encumbrances" solely by virtue of this paragraph (l) shall not at any time exceed £1 million (as adjusted on an annual basis, in respect of each Calendar Year following the Closing Date, according to the percentage change in the RPI as calculated as at the first day of such Calendar Year);

"Permitted Financial Indebtedness" means:

- (a) Financial Indebtedness outstanding pursuant to the Issuer/Borrower Facility Agreement;

- (b) Financial Indebtedness outstanding pursuant to the Subordinated Loan Agreement;
- (c) a legally binding obligation to incur any expenditure in the future in respect of Capital Maintenance Expenditure, Capital Enhancement Expenditure and Permitted Developments which complies with the criteria set out in Clause 17.11.8 (*Future Expenditure relating to Capital Maintenance Expenditure, Capital Enhancement Expenditure and Permitted Developments*) of the Issuer/Borrower Facility Agreement;
- (d) Financial Indebtedness by way of overdraft on the Obligor Operating Accounts, provided that the aggregate balance of the Obligor Operating Accounts is not less than zero and such Obligor Operating Accounts are otherwise in accordance with the other terms of the Account Bank and Cash Management Agreement;
- (e) Financial Indebtedness in respect of any foreign exchange agreement for spot delivery or entered into to hedge exposure in the ordinary course of trade of an Obligor or in respect of the CapEx Facility Agreement (but not for investment or speculative purposes);
- (f) Financial Indebtedness permitted by or created under the Transaction Documents in addition to that referred to in the paragraphs above (including certain indebtedness which is being discharged on the Closing Date out of proceeds of the Term Advances);
- (g) the Loan Notes;
- (h) Financial Indebtedness in respect of finance leases for the fleet of cars used by employees of the Priory Securitisation Group;
- (i) Financial Indebtedness incurred, or from time to time outstanding, with the prior consent of the Rating Agencies;
- (j) Financial Indebtedness between Obligors;
- (k) Financial Indebtedness outstanding pursuant to the Working Capital Facility;
- (l) Financial Indebtedness outstanding pursuant to the CapEx Facility;
- (m) Financial Indebtedness outstanding pursuant to the Bridge Facility;
- (n) Financial Indebtedness being deferred consideration under an acquisition agreement, where the payment of such consideration is linked to the performance of the assets which are the subject of such acquisition agreement; and
- (o) Financial Indebtedness in addition to that referred to in paragraphs (a) to (n) above, provided that the aggregate principal amount of Financial Indebtedness

which is "Permitted Financial Indebtedness" solely by virtue of this paragraph (o) shall not at any time exceed £1 million (as adjusted on an annual basis, in respect of each Calendar Year following the Closing Date, according to the percentage change in the RPI as calculated as at the first day of such Calendar Year);

"Portion of the Capital Maintenance Amount", in a Calendar Year in which the Relevant Period falls, means the Capital Maintenance Amount for such Calendar Year multiplied by the number of days in the Relevant Period which fall in such Calendar Year and divided by 365 and provided further that for each day of a Relevant Period falling before the Closing Date, the Capital Maintenance Amount shall be £4,384 for this purpose (being the initial Capital Maintenance Amount divided by 365);

"Priory Group" means the companies, including the Priory Securitisation Group, which have Priory as their ultimate parent company;

"Priory Securitisation Group Parent" means Priory Securitisation Holdings Limited (registered number 4793915), whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP;

"Priory Securitisation Group" means the Obligors;

"Priory" means Priory Healthcare Investments Limited (registered number 04433250) whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP;

"Pro-rated Share of the First Item Attributable to the CapEx Facility" means, in the case of any Borrower Priority of Payments, that proportion of the amounts payable by the Obligors under the first item of each Borrower priority of payments which the then outstanding principal amount of the advances made under the CapEx Facility bears to the then outstanding principal amount of the Term Advances under the Issuer/Borrower Facility Agreement;

"Quarterly End Date" means 31 March, 30 June, 30 September and 31 December of each calendar year;

"Rating Agencies" means Fitch and S&P;

"Ratings Test" means written confirmation from the Rating Agencies, or other satisfactory evidence from the Ratings Agencies to the Note Trustee or the Borrower Security Trustee, confirming that the then current ratings of the relevant class or classes of Notes will not be adversely affected by the relevant event or matter;

"Real Property" means, in respect of each Obligor:

- (a) the English Real Property;
- (b) the Scottish Heritable Property;

- (c) the Isle of Man Real Property;
- (d) all other freehold or leasehold property (or the equivalent thereto) in any jurisdiction now or in the future owned by such Obligor or in which such Obligor has an interest; and
- (e) 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 (d);

"Receiver" means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed by the Borrower Security Trustee under Clause 16 (*Appointment of Receiver or Administrator*) of the Borrower Debenture in respect of the whole or any part of the Obligor Charged Property;

"Regulatory Reserve Account" means an account known as the "Regulatory Reserve Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957308 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account, and into which the Required Regulatory Amount will be deposited in accordance with the Regulatory Reserving Schedule of Deposits;

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

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

"Relevant Period" means each period of 12 months ending on the most recent Quarterly End Date;

"Relevant Recognised Regulatory Change" means any change of law or regulation with which the Obligors are required to comply pursuant to the positive covenant set out in Clause 17.2 of the Issuer /Borrower Facility Agreement where such compliance would, in the view of the directors of the Priory Securitisation Group Parent, entail expenditure which would properly be treated as capital expenditure in accordance with the usual accounting policies of the Priory Securitisation Group in an amount exceeding £1 million (as adjusted on an annual basis in respect of each Calendar Year following

the Closing Date, according to the percentage change in the RPI as calculated as at the first day of such Calendar Year) in any one future Calendar Year;

"Required Regulatory Amount" means amounts in excess of £1,000,000 (as adjusted on an annual basis in respect of each Calendar Year following the Closing Date, according to the percentage change in the RPI as calculated as at the first day of such Calendar Year) that are required to be deposited into the Regulatory Reserve Account in any one future Calendar Year pursuant to a Relevant Recognised Regulatory Change;

"Resale Agreement" means the agreement governing the sale of certain tranches of the Notes dated on or about the Closing Date and made between the Issuer, the Obligors and the Note Trustee;

"RPI" means the Retail Prices Index published by the Office of National Statistics or such successor agency or index as is approved by the Borrower Security Trustee;

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor to its rating business;

"Scottish Heritable Property" means:

- (a) the leasehold property held by PHL and known as 38 Mansionhouse Road, Glasgow registered in the Land Register of Scotland under Title Number GLA 124773;
- (b) the heritable property owned by PHL known as 40 Mansionhouse Road, Glasgow registered in the Land Register of Scotland under Title Number GLA 108784; and
- (c) any other heritable or leasehold property situated in Scotland title to which is held by an Obligor either on or after the Closing Date;

"Security Interest" means any mortgage, standard security, pledge, lien, charge, assignment, assignation, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security;

"Security over Shares Agreement" means a security over shares agreement dated on or about the Closing Date and made between, *inter alios*, Priory, Priory Healthcare Finance Co Limited, the Intermediate Parent and the Obligors;

"Services Agreement" means a services agreement dated on or about the Closing Date and made between the Obligors and Priory;

"Shares" means, in respect of each Obligor:

- (a) all of the shares specified in Schedule 3 (*Details of Shares*) to the Borrower Debenture; or

- (b) all of the shares detailed in an Obligor Security Accession Deed under which an Additional Obligor becomes party to the Borrower Debenture and which are held legally and/or beneficially by such Obligor at any time;

"Short Term Leasehold Properties" means the short term leasehold properties specified in Part 4 of Schedule 1 (*Short Term Leasehold Properties*) to the Borrower Debenture;

"Specific Accounts" means the IPD Payment Account, the Disposal Proceeds Account, the Ticehurst Disposal Proceeds Account, the CapEx Reserve Account, the Forward Commitment Account, the Distribution Reserve Account, the Tax Reserves Account, the Anticipated Occupancy Reserve Account, the Regulatory Reserve Account, the Net Asset Reserve Account and the CapEx Payment Account, or such other account as may be designated as a Specific Account in accordance with the Account Bank and Cash Management Agreement;

"Standard Security" 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 Scottish Heritable Property*) of the Borrower Debenture substantially in the form set out in Schedule 9 (*Form of Standard Security*) thereto;

"Subordinated Loan Agreement" means the subordinated loan agreement dated on or about the Closing Date and made between the Subordinated Loan Borrowers and the Intermediate Parent;

"Subordinated Loan Borrowers" means Priory Rehabilitation Services Limited, Priory Education Services Limited and Blenheim Healthcare Limited (each a **"Subordinated Loan Borrower"**);

"Subordination and Intercreditor Deed" means the subordination and intercreditor deed dated on or about the Closing Date and made between, *inter alios*, the Obligors, the Borrower Security Trustee and the Note Trustee;

"Subscription Agreement" means the subscription agreement in relation to the Notes dated on or before the Closing Date and made between the Issuer, the Obligors and the Managers;

"Tangible Moveable Property" means, in respect of each Obligor, 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 such Obligor) and all Related Rights;

"Tax Deed of Covenant" means a deed of covenant dated on or about the Closing Date and made between, *inter alios*, Priory, the Obligors, the Issuer, the Intermediate Parent, the Note Trustee and the Borrower Security Trustee as such may be amended or supplemented from time to time pursuant to the Tax Deed of Covenant and the Issuer/Borrower Facility Agreement;

"Tax Reserves Account" means the account known as the "Tax Reserves Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957324 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Term Advance" means an advance under the Initial Term, a Further Term Facility and/or a New Term Facility, as the context may require;

"Term Facility" means an Initial Term Facility, a Further Term Facility and/or a New Term Facility, as the context may require;

"Ticehurst Disposal Proceeds Account" means the account known as the "Ticehurst Disposal Proceeds Account" and held in the name of Priory Central Services Limited and maintained with the Account Bank pursuant to the Account Bank and Cash Management Agreement and having account number 21957286 and sort code 151000, or such other account as may be opened in accordance with Clause 12 (*Maintenance of the Accounts*) of the Account Bank and Cash Management Agreement at any branch of the Account Bank or at an Eligible Bank in replacement of such account;

"Trust Agreement" means a trust agreement dated on or about the Closing Date and made between the Priory Securitisation Group Parent, the other Obligors, the Borrower Security Trustee, Priory, the Intermediate Parent and Priory Healthcare Finance Co Limited;

"Working Capital Facility Agreement" means the working capital facility agreement dated on or about the Closing Date and made between the Obligors, the Working Capital Facility Provider, the Account Bank and the Borrower Security Trustee; and

"Working Capital Facility Provider" means:

- (a) The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB; and
- (b) any bank or other financial institution which has become a party to the Working Capital Facility Agreement in accordance with Clause 26 (*Assignment*) of the Working Capital Facility Agreement,

which, in each case, has not ceased to be a party to the Working Capital Facility Agreement in accordance with its terms.

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CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

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

COMPANY No. 03982134

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEBENTURE DATED THE 4th SEPTEMBER 2003 AND CREATED BY PRIORY SECURITISATION LIMITED FOR SECURING THE AGGREGATE OF ALL OBLIGATIONS MONEYS AND LIABILITIES DUE OR TO BECOME DUE FROM THE OBLIGORS TO CITICORP TRUSTEE COMPANY LIMITED (THE BORROWER SECURITY TRUSTEE) OR ANY OF THE OTHER BORROWER SECURED CREDITORS UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 23rd SEPTEMBER 2003.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 26th SEPTEMBER 2003 .

LC. Vernon



Companies House

— for the record —



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES