

G

CHA 116

COMPANIES FORM No. 155(6)a

**Declaration in relation to
assistance for the acquisition
of shares.**

155(6)a

Please do not
write in this
margin

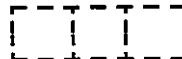
Pursuant to section 155(6) of the Companies Act 1985

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

To the Registrar of Companies

For official use

Company number



2838284

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

Name of company

* PRIORY CHILDCARE SERVICES LIMITED

*Insert full name
of company

*/Wet DR. IAN PETER REYNOLDS of 2 The Stables, Sarratt Road, Croxley Green,

Part name(s) and
address(es) of all
the directors

Rickmansworth, WD3 4LN and

ERIC ALAN MILLARD of Chatsworth, Poolside, Madeley, Crewe, CW3 9DX

§Delete as
appropriate

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

The business of the company is:

‡Delete whichever
is inappropriate

(a) that of a [recognised bank] [licensed institution] § within the meaning of the Banking Act 1979 ‡

(b) that of a person authorised under section 8 or 4 of the Insurance Companies Act 1982 to carry on

insurance business in the United Kingdom ‡

(c) something other than the above ‡

The company is proposing to give financial assistance in connection with the acquisition of shares in the

[company] [company's holding company] CPC (LONDINIUM) LIMITED (Company No.

2188451)

Limited ‡

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

The number and class of the shares acquired or to be acquired is: See rider attached

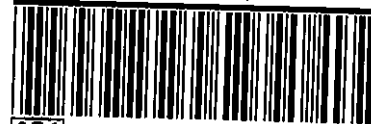
Presentor's name, address and
reference (if any):Eversheds
14 Fletcher Gate
Nottingham

NG1 2FX

For official use

General Section

Post room

A24 *A7PMKMSQ* 472
COMPANIES HOUSE 28/06/96

The assistance is to be given to: (note 2) See attached rider

Please do not
write in this
margin

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

The assistance will take the form of:

See attached rider

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

*Delete as
appropriate

Foray 911 Limited whose registered office is situate at 14 Fletcher Gate,
Nottingham, NG1 2FX (Company No. 3189363)

The principal terms on which assistance will be given are:

See attached rider.

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

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

The date on which the assistance is to be given is See attached rider

Please do not
write in this
margin

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

Delete either (a) or
(b) as appropriate

I/We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

- (a) [I/We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]† (note 3)
- (b) [~~It is intended to commence the winding up of the company within 12 months of that date, and I/We have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.~~]† (note 3)

And I/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at 10 Snow Hill
London EC1A 2AL
the 21st day of June
One thousand nine hundred and Six
before me M Barker (M. BARKER)

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

Declarants to sign below

[Signature]
[Signature]
D.H.W. Kelly
[Signature]

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.

The number and class of shares to be acquired or to be acquired is:-

3,407,203 Ordinary shares of £1 each and **16,106,313** Ordinary US shares of US\$0.01 each in CPC (Londinium) Limited.

The assistance is to be given to:

The Beneficiaries referred to and defined below, Foray 911 Limited ("the Purchaser") whose registered office is situate at 14 Fletcher Gate, Nottingham, NG1 2FX.

The assistance will take the form of:

Entering into and accepting and complying with the terms and conditions of:-

- 1 a composite guarantee and debenture ("the Guarantee and Debenture") in favour of The Royal Bank of Scotland plc ("RBS") as Security Trustee for the Beneficiaries (as defined below);
- 2 a support agreement ("the Support Agreement") expressed to be made between the Purchaser (1) the Company and others (2) under which, inter alia, the Company will agree to lend moneys to the Purchaser; and
- 3 an inter-creditor agreement ("the Inter-creditor Agreement") with RBS as Arranger, Agent, Security Trustee, Working Capital Bank and Swap Counterparty (1), the banks whose names are set out in Schedules 1 and 2 of the Facilities Agreement (as defined below) as banks ("the Banks") (2), Mercury Asset Management PLC ("MAM") and others as Investors and Loan Stock Holders ("Investors") (3), Community Psychiatric Centers as Vendor and a Loan Stock Holder ("CPC") (4), the Purchaser as Borrower (5) and the Charging Subsidiaries (including the Company) (6).

All as more particularly specified in the documents noted above and approved by the directors.

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

- 1 The principal terms of the Guarantee and Debenture provide for the Company (along with every other Charging Company (as defined below));
 - (a) to covenant to pay on demand to the Security Trustee all monies and discharge all obligations and liabilities due and payable or incurred by it to the Beneficiaries or any of them under or pursuant to the Facility Documents and/or the Security Documents (each as defined below);
 - (b) to guarantee to pay on demand to the Security Trustee all monies and discharge all obligations and liabilities due, owing or incurred by every other Principal Debtor (as defined below) to the Beneficiaries or any of them under or pursuant to the Facility Documents and/or the Security Documents (each as defined below);

- (c) to create fixed and floating charges over all its assets and undertaking as a continuing security for the payment and discharge of its obligations under the Guarantee and Debenture; and
 - (d) at any time if and when required by the Security Trustee to execute such further Encumbrances (as defined below) in favour of the Security Trustee and/or the other Beneficiaries as the Security Trustee shall from time to time reasonably require over all or any of the assets and undertakings of the Subsidiary to secure its obligations under the Guarantee and Debenture.
- 2 The principal terms of the Support Agreement provide that the Purchaser and certain of its subsidiaries (including the Company) will agree (upon request or if default is made) to lend moneys to each other for the purposes of enabling repayment by the Purchaser in respect of amounts owing under the terms of the Facility Documents and to enable each of the Purchaser and certain of its subsidiaries (including the Company) to comply with its obligations if any to the Banks, the Investors and/or CPC; all such moneys to be lent being interest free and unsecured.
- 3 The principal terms of the Inter-creditor Agreement provide for the Company (along with every other Charging Company) to acknowledge the order of payment recorded therein and to undertake with each of the other parties thereto to observe the provisions of the Inter-creditor Agreement at all times and not in any way prejudice or affect the enforcement of such provisions or do or suffer anything which would be a breach of the terms of the Inter-creditor Agreement.

The date on which the assistance to be given:-

Subject (to the extent applicable) to the provisions of Section 158(2) and (3) of the Companies Act 1985 on any date prior to 1996.

In this Statutory Declaration the following terms shall bear the following meanings:-

"Agent"	means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London, EC1N 2TH or such other person as may be appointed agent for the Banks pursuant to the terms of the Facilities Agreement and (in each case) includes its successors in title
"Arranger"	means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London, EC1N 2TH
"Beneficiaries"	means the Security Trustee, the Arranger, the Agent, the Banks, the Swap Counterparty, the Working Capital Bank and the Loan Stock Holders
"Charging Company"	means the Purchaser and each of the Charging Subsidiaries

"Charging Subsidiaries"	means any of CPC (Londinium) Limited, Priory Hospitals Group Limited, Care Continuums Limited, Priory Childcare Services Limited and any other company which becomes a party to the Guarantee and Debenture as a Charging Subsidiary
"Encumbrances"	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
"Facilities Agreement"	means the agreement expressed to be made between the Purchaser as Borrower (1), RBS and others as Banks (2), RBS as Arranger (3) and RBS as Agent (4) under the terms of which the Banks will make available to the Purchaser senior secured term loan facilities of up to £52,000,000
"Facility Documents"	means the Facilities Agreement, the Swap Documents, the Working Capital Facility Letter and the Loan Stock Instrument
"Indebtedness"	means any obligations for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent
"Investors"	means Mercury Asset Management PLC of 33 King William Street, London, EC4R 9AS and the other Investors pursuant to the Subscription Agreement
"Loan Stock"	means the loan stock issued, or to be issued, by the Purchaser to the Investors and CPC in an aggregate amount of £35,250,000
"Loan Stock Holders"	means the Investors and CPC in their capacity as holders of Loan Stock and any other person who from time to time becomes a holder of Loan Stock and has entered into an undertaking in the form of Part C of the Schedule to the Inter-creditor Agreement
"Loan Stock Instrument"	means the deed or instrument constituting the Loan Stock
"Principal Debtor"	means any Charging Company, to the extent only that it owes Indebtedness as principal and not as surety to one or more of the Beneficiaries

"Security Documents"	means (i) the Guarantee and Debenture, (ii) the Standard Security, (iii) any and all other mortgages, charges, guarantees and other instruments from time to time entered into by the Purchaser 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 Guarantee and Debenture (whether or not also guaranteeing or otherwise assuring and/or securing any other Indebtedness) and (iv) the Inter-creditor Agreement
"Security Trustee"	means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London, EC1N 2TH or such other person as may be appointed security trustee for the Beneficiaries pursuant to the terms of the Inter-creditor Agreement and (in each) includes its successors in title
"Standard Security"	means the standard security in the agreed form executed or to be executed by Priory Hospitals Group Limited in favour of the Security Trustee
"Subscription Agreement"	means the agreement relating to the subscription for shares in the Company
"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
"Swap Documents"	means the documents evidencing the Swap Transactions
"Swap Transactions"	means the interest rate swap and/or other hedging arrangements entered, to be entered, into between the Purchaser and the Swap Counterparty pursuant to the Facilities Agreement
"Working Capital Bank"	means The Royal Bank of Scotland plc of Waterhouse Square, 138-142 Holborn, London, EC1N 2TH and includes its successors in title assignees and transferees
"Working Capital Facility"	means the £2,000,000 senior secured working capital facility to the Purchaser and certain of the Charging Subsidiaries made available or to be made available under the terms of the Working Capital Facility Letter
"Working Capital Facility Letter"	means the letter from the Working Capital Bank to the Purchaser and certain of the Charging Subsidiaries under the terms and subject to the conditions of which the Working Capital Facility is made available

AUDITORS' REPORT TO THE DIRECTORS OF PRIORY CHILDCARE SERVICES LIMITED ("THE COMPANY") PURSUANT TO SECTION 156(4) OF THE COMPANIES ACT 1985

We have examined the attached statutory declaration of the directors dated ^{21 D&T}~~20~~ June 1996 in connection with the proposal that the Company should give financial assistance to Foray 911 Limited in connection with its purchase of the entire issued share capital of CPC (Londinium) Limited.

Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in section 156(2) of the Companies Act is unreasonable in all the circumstances.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
~~20~~ June 1996

²¹
D&T

Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR