

Consent to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 17 February 2016

Completed acquisition by Acadia Healthcare Company, Inc. (Acadia) of the entire issued share capital of Priory No.1 Limited (Priory)

We refer to your emails and accompanying notes requesting that the CMA consents to derogations to the Initial Enforcement Order of 17 February (the 'Initial Order'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, Acadia and PiC are required to hold separate the business of Acadia (and its subsidiaries) from the business of Priory (and its subsidiaries) and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Acadia and PiC may carry out the following actions, in respect of the specific paragraphs:

1. Paragraph 5(l) of the Order

Information sharing

Subject to the safeguards listed below, the CMA consents to certain information of PiC relating to personnel data for grades and roles, without the names, the PiC TSA, with both the names of the suppliers and the names of the contracts redacted, and the NewCo staff plan being shared with two individuals ([X]).

The CMA also consents to a redacted version of the Priory interdependencies document being shared with three individuals ([X]), [X] themselves concerning the TSA arrangements.

Subject to the safeguards listed below, the CMA also consents to the following information for the 12 Priory divested sites being shared with two individuals ([X]), for the purpose of assessing the viability and status of the divestment business:

- personnel names and their key roles;
- organograms up to regional level for the Priory business; and
- staff numbers for each facility.

The CMA consents to three PiC employees ([REDACTED]) making site visits to the Priory divestment hospitals, in order to facilitate the divestment process, on the condition that they be accompanied by [REDACTED] to ensure that they do not gain access to confidential information.

The CMA also consents to specified information being shared with certain individuals for the sole purposes of planning transitional services arrangements for the divestment business. Information will only be provided to the following designated individuals:

Priory

- [REDACTED]

PiC

- [REDACTED]

The CMA also consents to documents and information relating to the divestment business's projections and transitional service arrangements being made available to [REDACTED], on the condition that certain specified information be redacted.

Safeguards

Confidentiality undertakings

Information will only be provided to each of the above named individuals once Acadia has received appropriate signed written undertakings (in a form approved in advance by the CMA) to preserve the confidentiality of the information and to use the information only for the purposes specified in this letter. In particular, the individuals will undertake not to discuss or otherwise share this information with any individual except for the purpose specified above, or use the information for any purpose other than that specified above.

Firewalls

Acadia, Priory and PiC will ensure that robust firewall measures are put in place to prevent any Priory employee accessing information from PiC, or PiC employee accessing information from Priory, which has been shared under the above

derogations, other than information to which they have been permitted access by a derogation.

Destruction and return of information

In the event that the transaction is prohibited, any records or copies (electronic or otherwise) of such information that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

Paragraph 5(d) of the Order

Facility closure and asset disposal

The CMA consents to the transfer of [✂].

The CMA also consents to the closure of [✂].

The CMA consents also to the temporary closure of one of the wards at [✂].

Paragraph 5(i) and (k) of the Order

The CMA consents to the following amendments to the Parties' staff, which arose as part of the normal course of business:

- the departure of [✂]; and
- the conclusion of a settlement agreement with [✂].

Paragraph 5(c) of the Order

The CMA consents to internal restructurings to permit the Parties to move their hospital assets forming part of the divestment business into the divestment entities.