

**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:

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

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

- the replacement of [✂]; and
- the reaching of [✂].

The CMA also consents to the following changes to the Parties' staff, which arose as part of the normal course of business, on the condition that this derogation will take effect only following the CMA's acceptance of undertakings in lieu:

- the movement of [✂].

**Paragraph 5(c) of the Order**

The CMA consents to the restructuring of the management of [✂].

## Paragraph 5(I) of the Order

### *Sale and transitional services*

In order to facilitate the sale of the Divestment Business and the arrangement of transitional services, and subject to the relevant individuals signing undertakings in a form approved by the CMA, the CMA consents to sharing:

- certain information of PiC relating to personnel data for grades and roles, without the names, being shared with certain Priory individuals ([REDACTED]);
- the Priory schedule to the transitional service agreement, with names of supplier and contracts redacted, with two individuals ([REDACTED]);
- certain information of Priory and PiC necessary to set up certain digital services with two individuals ([REDACTED]); and
- the names and GMC numbers for all the doctors for Priory's divestment sites with two individuals ([REDACTED]).

### *Business operations*

The CMA consents to certain individuals from Acadia's accounting team receiving certain Priory information, subject to their signing confidentiality undertakings in a form approved by the CMA, for the sole purpose of meeting its legal, fiduciary and corporate governance obligations, and to determine that Priory is able to continue its business effectively and to protect the value of Acadia's investment. This includes the following monthly financial information in respect of each Priory facility:

- Monthly profit & loss;
- Monthly cash flow and weekly cash flow forecast;
- Monthly balance sheet;
- Monthly operating reports;
- Comparison of actual results to budget and prior year results; and
- Commentary to financial information provided highlighting any material matters in the accounts and the reasons for any variances to budget together with actions being taken to address those variances.

Acadia will not use the information in any way to intervene in the management or day-to-day operation of the Priory.

### *Transition planning*

For the sole purpose of planning and preparing for the Divestment Business's and Acadia/Priory's operations following Completion, and subject to their signing confidentiality undertakings in a format approved by the CMA, the CMA consents to permit the Specified Individuals named below and the Other Individuals as described below to discuss the necessary technical and operational information falling into the categories articulated below (the **Specified Information**):

- Information relating to the operation of the Parties' financial systems, processes and interfaces (not including substantive financial information about each company):
  - [✂].
- Information relating to the HR functions, systems and processes of the Parties (including benefits, recruitment, policies, staffing and payroll):
  - [✂].
- Information required for the Parties to reach an agreement on the handling of any regulatory and/or mandatory IT system changes required on Day 1:
  - [✂].
- Information relating to the Parties' reporting obligations and procedures for the purpose of maintaining a necessary standards of patient care and health and safety:
  - [✂].
- Information relating to risk and audit policies and procedures to safeguard and ensure the safety of patients and staff from Day 1 (not including details of existing complaints, inquests, regulatory investigations and claims):
  - [✂].
- Information relating to the Parties' real estate (not including details of any disputes or planning consents):
  - [✂].

The following individuals are the Specified Individuals:

Priory

- [✂]

PiC

- [✂]

Individuals at the same level as, or below, the Specified Individuals, once Acadia has informed the CMA that they require access to the Specified Information and provided their name and role, are the Other Individuals.

*Information relating to confirmed regulatory investigations/prohibitions, and civil claims and any registration/manager/compliance issues*

For the sole purpose of planning and preparing for the Parties' complaints, inquests, regulatory and claims operations following Completion, and subject to their signing confidentiality undertakings in a format approved by the CMA, the CMA consents to

permit [✂] to discuss the necessary technical and operational information falling into the categories articulated below:

- details of the Parties' complaints, inquests, suspected and confirmed regulatory investigations/prohibitions, and civil claims including the processes and systems in place to manage and resolve any such complaints, inquests, investigations and claims; and
- details of any registration/manager/compliance issues facing any site to assess whether immediate steps are required to be taken with a regulator.

Yours sincerely,

Ronan Scanlan

Assistant Director, Mergers