

Consent to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 28 December 2016

Completed acquisition by Universal Health Services Inc. (through Cygnet Health Care Limited) of the Cambian Adult Services business

We refer to your emails dated 19 and 21 December 2016 requesting that the CMA consents to derogations to the Initial Enforcement Order of 28 December 2016 (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, Cygnet, Cygnet UK TopCo and UHS are required to hold separate the Cambian Adult Services business from the UHS/Cygnet business 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, Cygnet, Cygnet UK TopCo and UHS may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(b); (c); (d); (e); (h); (i); (k); 6; 7; and 8 of the Initial Order

The CMA consents to UHS' operations outside the UK being excluded from the requirements under these paragraphs of the Order. This is on the basis that UHS has no activities in the UK whatsoever other than through its wholly-owned subsidiary, Cygnet, which is also an addressee of the Initial Order.

2. Paragraph 5(l) of the Initial Order

Medical and clinical governance

The CMA consents to [redacted]:

- (a) obtaining reports regarding any serious and/or dangerous health and safety incidents, including any CQC inspections carried out at the Cambian Adult Services facilities and their overall recommendations and implications; as well as any steps being taken to manage the incidents;
- (b) in particular, being informed of any such incidents, especially if this may result in any fines or penalties being imposed on a facility for which UHS will be

liable as parent company and/or which might lead to significant reputational damage to UHS; and

- (c) taking necessary action (including escalating the incident to the Board of Directors) which would be immediately required by CQC or NHS Improvement (formerly Monitor) (the "**Regulators**") in response to any such incidents.

Notwithstanding any immediate actions that the Regulators would require the designated individual to carry out, in the event that UHS becomes aware of a deficiency that creates a risk to patient or staff safety, and UHS is concerned that Cambian Adult Services is not taking steps to address the issue, UHS will request a further derogation from the Initial Order to commission any action to assess and remedy these issues.

[X] will enter into appropriate confidentiality and non-use undertakings in a form acceptable to the CMA and firewalls will be put in place to prevent any other UHS employee from accessing Cambian Adult Services information.

Financial Information

To the extent that any such action is prohibited by 5(l) of the Initial Order the CMA consents to an accounting team ([X]) receiving certain financial information from Cambian Adult Services, and to this team uploading and managing this Cambian Adult Services information on the accounting system used by Cygnet. This would include the receipt and oversight of the preparation of:

- (a) the following monthly financial information for each Cambian Adult Services facility:
 - (i) monthly profit and loss;
 - (ii) monthly cash flow and weekly cash flow forecast;
 - (iii) monthly balance sheet;
 - (iv) monthly operating costs;
 - (v) comparison of actual results to budget and prior year results; and
 - (vi) commentary to financial information provided;
- (b) daily occupancy;
- (c) sales ledger, general ledger and accounts payable information (including name and value by site);
- (d) detailed fixed asset information;

- (e) statistical data (for example, staffing and related KPI information); and
- (f) payroll data.

The CMA also consents to these designated individuals being permitted to:

- (a) access to sufficient information and local management to be able to effect the [X], to the designated individuals;
- (b) review banking and allow approvals of supplier payments; and
- (c) cash/credit fund the business as necessary.

To the extent these individuals need to share any information with UHS employees or shareholders, this will be provided in a format approved by the CMA.

These designated individuals will enter into appropriate confidentiality and non-use undertakings in a form acceptable to the CMA and firewalls will be put in place to prevent any other UHS employee from accessing Cambian Adult Services information.

Insurance

The CMA consents to Cygnet arranging for insurance policies to be put in place on completion of the transaction in relation to Cambian Adult Services' businesses which are [X]. The CMA also consents to [X] obtaining Cambian Adult Services information necessary to comply with UHS' insurance obligations (for example, information about potential claims).

[X] will enter into appropriate confidentiality and non-use undertakings in a form acceptable to the CMA and firewalls will be put in place to prevent any other UHS employee from accessing Cambian Adult Services information.