



OVERVIEW

Due to an ongoing shift of both public and government attention to preventative care, and the realized importance of mental and physical health maintenance in the workplace, the behavioral health field has transformed in its definition. Becoming more of an umbrella term, behavioral health encompasses not only addiction and substance abuse treatment, but psychiatric evaluations and marriage/family counseling as well. With recent figures showing an estimated 26 percent of the general U.S. population suffering from a treatable mental disorder, behavioral healthcare providers have been receiving increased demand as millions of Americans look for treatment and therapy. The current marketplace is highly fragmented with approximately 15,000 mental health and substance abuse facilities operating in the U.S., comprising a market value of over \$17 billion.

With healthcare reimbursement expanding to include behavioral and mental health coverage through the parity law, interest from strategic buyers and private equity groups is on the rise. We believe deal volume and consolidation activity in the industry will continue to increase throughout 2009, with 7 deals already being completed in the first quarter.

ADMISSION OF MISUSE

There are now over 2 million annual admissions for treatment of alcohol and drug abuse in the United States from facilities that are licensed or certified by the State substance abuse agency. Five substances constitute over 90 percent of the admissions with the most pervasive being alcohol, opiates, marijuana, cocaine and stimulants. Recent studies have also shown that admissions for prescription pain killer misuse has risen dramatically over the past decade from 1 percent of all admissions in 1997 to now constituting over 5 percent. With a changing mix of misused substances, facilities must be able to adjust treatment options.

KEY PLAYERS TO WATCH

- **APS Healthcare** (Private)
- **Behavioral Care Centers of America** (Private)
- **Horizon Health/Psychiatric Solutions Inc.** (NASDAQ: PSYS)
- **Comprehensive Care Corporation** (OTC BB: CHCR.OB)
- **Magellan** (NASDAQ: MGLN)
- **Pioneer Behavioral Health** (AMEX: PHC)

SELECT TRANSACTIONS

Acquirer	Company Acquired	Details
Premier Research Group	Pivotal Research Centers	<i>March</i> - PHC, Inc. also known as Pioneer Behavioral Health, has completed the sale of Pivotal Research Centers to Premier Research Arizona, LLC, a unit of Premier Research Group. The deal closed for \$5 million, with \$3 million being paid upfront in cash and the remaining \$2 million contingent upon Pivotal reaching certain revenue targets over the next 12 months. Premier Research will use the newly acquired Pivotal Research Centers to expand their services in the Midwest and to handle a significant amount of their testing needs.
Acadia Healthcare	Acadiana Addiction Center	<i>March</i> - Acadia Healthcare has completed the acquisition of Acadiana Addiction Center, a 32-bed substance abuse facility. Under Acadia ownership, Acadiana will be able to expand their current programs and services on their existing campus while continuing its core services for those in need of specialty chemical dependency treatment. This acquisition is the most recent step in Acadia's ongoing development and operation of a network of behavioral health centers across the country.
ResCare, Inc.	Friendship Developmental Services	<i>March</i> - ResCare, Inc. has acquired Friendship Developmental Services, a company based in National City, California. FDS provides intellectual and developmental disabilities services in 15 residential locations throughout California. The acquisition expands ResCare's developmental disabilities services, and allows the company to expand into a new geographic area. FDS is expected to achieve annual revenues of \$6.5 million in 2009, but other financial terms of the transaction were not disclosed.
Eastfield Ming Quong, Inc.	FamiliesFirst, Inc.	<i>February</i> - Eastfield Ming Quong, Inc. has acquired FamiliesFirst, Inc. with the combined entity being known as EMQ FamiliesFirst. EMQ will provide mental health services for troubled children and adolescents and their families as well as outpatient and in-home services. With this acquisition EMQ strengthens its customer base in the California area, and enhances their support and educational services for children and their family members.
Forterus, Inc.	Solutions 4 Recovery	<i>February</i> - Forterus, Inc. has completed the acquisition of Solutions 4 Recovery, a California based drug and alcohol treatment center. This is the second acquisition for Forterus in the past six months and the company plans on continuing this trend of growth through acquisition. Solutions 4 Recovery will operate as a wholly owned subsidiary of Forterus and will provide a solid platform for expansion into the West-Coast market. The financial details of the transaction were not released.
Comprehensive Care Corp.	Core Corporate Consulting Group, Inc.	<i>January</i> - Comprehensive Care Corporation has acquired 100% of Core Corporate Consulting Group, Inc.'s stock. Core markets a variety of health-related products under its Medquip™ brand name, and insurance and discounted health products under the Core Advantage™ name. This acquisition dramatically expands CompCare's marketing capabilities in both domestic and international markets, as well as provides CompCare with a substantially expanded product line to be marketed in addition to its already existing line of healthcare offerings. The financial terms of the transaction were not disclosed.
Delmar Cengage Learning, Inc.	Concept Media	<i>January</i> - Delmar Cengage Learning, Inc. has acquired Concept Media from Jobson Medical Information, LLC. Concept provides educational programs in the categories of abuse and violence, nursing/critical care skills, and community outreach/parenting skills, among others. Concept Media's library of education materials will be merged into the career and professional division of Delmar's healthcare group, complementing their existing training and reference information for health and nursing customers. The financial terms of the transaction were not disclosed.