



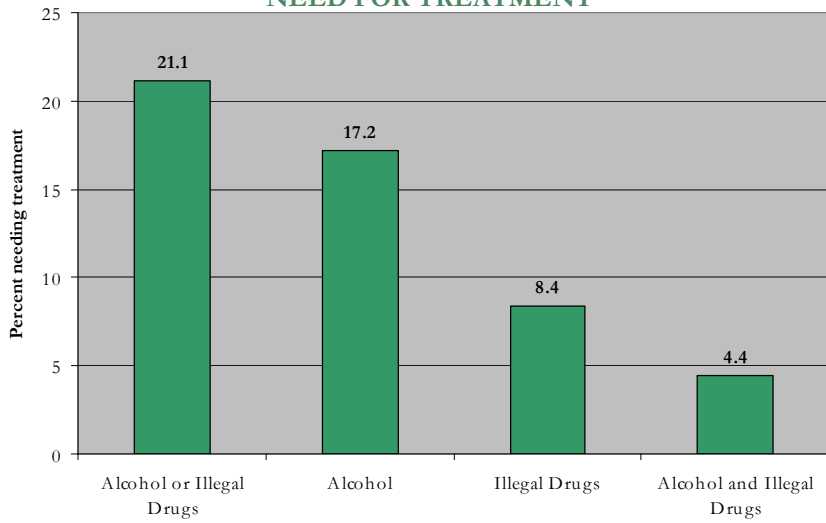
OVERVIEW

As the face of healthcare in the United States begins to change under the American Recovery and Reinvestment Act of 2009, it is becoming more evident that we must not solely direct our attention on the aging population and information technology systems. As in the past, recent studies have confirmed a continued trend of increased abuse of both drugs and alcohol by the youth of the country. The number of young adults in America engaged in some form of substance abuse is not only increasing, but the percent of this population that is seeking or receiving some sort of treatment is decreasing.

According to the most recent study by the Substance Abuse & Mental Health Services Administration, approximately 7 million young adults (18-25 years of age) were classified as needing treatment for the use of drugs or alcohol. The report also brings to light the fact that young adults covered by Medicaid/Children's Health Insurance Program (CHIP) were more than three times as likely to receive treatment for alcohol or illicit drug use in an accredited facility as those covered under private insurance or using self-pay. With rehabilitation programs in place and roughly one in five young American adults still needing attention, there has been increasing concern to ensure this demographic is receiving the health insurance coverage that they deserve and so obviously need.

Based on the report published by the National Survey on Drug Use and Health, of the estimated 7 million young adults in America needing treatment, nearly 93 percent did not receive it. Roadblocks to professional care have come in many forms, but the most common are: personal financial inability to pay for services, legislation, and an overwhelming number (96 percent) of teens not recognizing or accepting they need help. The behavioral health space is already highly fragmented, with the top 50 companies in the industry accounting for approximately 20 percent of industry revenue. Significant opportunities in treatment services exist based on this fragmentation, and coupled with the underserved young-adult demographic, the industry is poised for growth through the current economic climate and into 2010. Industry consolidators and financial investors will continue to make platform and add-on acquisitions in all areas of treatment, focusing on smaller facilities that have significant growth potential, strong marketing capabilities, and diversified treatment services.

NEED FOR TREATMENT



Source: 2007 SAMHSA National Survey on Drug Use and Health (NSDUH).

M&A OUTLOOK

The graph on the left highlights the percentage breakdown of young adults in the United States that were in need of treatment for some sort of substance abuse in 2007. To date, there are approximately 15,000 mental health and substance abuse facilities operating in the U.S. that provide a variety of treatment options. Smaller facilities are able to survive within the competitive landscape by offering more individual attention, specialized treatment and more efficient follow-up services. Larger, less nimble industry players are shifting their acquisition profiles to smaller facilities and focusing more on customer service and diversifying treatment coverage through platform acquisitions. The current industry market value is approximated \$17 billion, and with such a large segment of the U.S. population going untreated, continued growth and consolidation can be expected.

SELECT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
May 2009	The Riverside Company	Dementia Care Specialists	The Riverside Company purchased Dementia Care Specialists as an add-on acquisition for its current portfolio company Crisis Prevention Institute. The financial terms of the transaction were not disclosed. Dementia Care Specialists has trained more than 5,000 professionals since its inception and offers its training to professional therapists and other staff members of long-term care facilities. The transaction provides a quality behavioral health training company for Riverside's current portfolio company.
April 2009	ResCare, Inc.	Friendship Development Services	ResCare, Inc. has acquired Friendship Developmental Services, a California-based intellectual and developmental disabilities services provider. The facility serves approximately 90 people across 15 residential locations and has projected annual revenues of \$6.5 million for 2009. This transaction expands ResCare's California disabilities services and helps the company move into a new geographic area, which is indicative of ResCare's aggressive growth strategy and continued focus on opening creating new market opportunities. The financial terms of this transaction were not disclosed.