



## Q2-2011 BEHAVIORAL HEALTHCARE INDUSTRY UPDATE

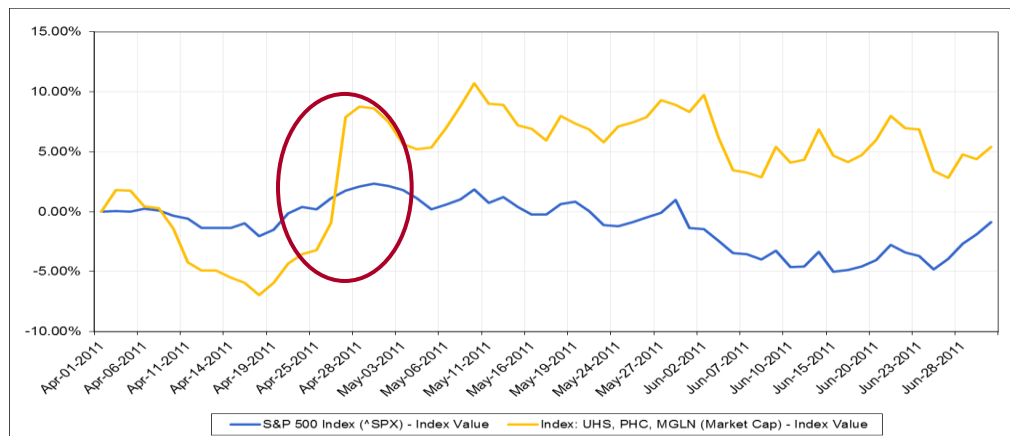
### MARKET OVERVIEW

Benchmark equities in the Behavioral Health sector surged above the S&P 500 this quarter with the help of United Health Services, Magellan Health Services and the potential merger between Pioneer Behavioral Health and Acadia Healthcare. As highlighted in the chart below, United Health Services reported a quarterly diluted \$1.15 earnings per share on April 26<sup>th</sup> as well as a quarterly net revenue jump to \$1.91 billion, a 42% increase from last quarter. The Company attributes the additional revenue to the November 2010 acquisition of Psychiatric Solutions, as well as raw organic growth as adjusted admissions increased 6.4% this quarter. Three days later, on April 29<sup>th</sup>, Magellan Health Services announced that they had also beaten Q1 estimates. Even though revenue decreased by approximately 4%, - a reported earnings per share of \$1.02 beat the \$0.79 estimate. Provident continues to have a strong outlook on the sector as industry leaders remain acquisitive, and as recent M&A activity shows there are significant advantages that consolidation and service diversification have on profitability.

### DEAL SPOTLIGHT

On May 24, Pioneer Behavioral Health (NYSE Amex: PHC) signed a definitive agreement to merge with Acadia Healthcare Company, Inc. The merger combines Acadia's nineteen behavioral health facilities in thirteen states with PHC's five inpatient facilities in four states. Acadia will assume the Pioneer Behavioral Health name and plans to issue the combined stock on the NASDAQ. Provident expects the combined entity to continue to beat estimates by aggressively leveraging competencies and continuing to pursue a targeted growth strategy in the fragmented behavioral health sector while also continuing to look for platform and add-on acquisitions.

### Q2 INDUSTRY PERFORMANCE



### RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
June 2011	Sequel Youth & Family Services	Camelot System of Care	Levine Leichtman Capital Partners (LLCP), a Los Angeles-based private equity firm, announced that their portfolio company, Sequel Youth & Family Services, has completed the strategic acquisition of Camelot System of Care for an undisclosed amount. The deal marks a combining of powers in the behavioral health industry as the two entities will combine their businesses and management teams to create a more efficient and patient-friendly organization.
May 2011	EOS Partners	First Rehab Life	EOS Partners, a New York private equity firm, has provided First Rehab Life with \$37 million in growth financing. The investment will be used to expand First Rehab Life's business to non-insurance products and services, to be sold through its client network. The management team will remain unchanged.
April 2011	Acadia Healthcare	Youth & Family Centered Services	Acadia Healthcare has acquired Texas-based Youth & Family Centered Services for an undisclosed amount. Acadia Healthcare owns and operates a network of behavioral centers across the country to provide premier psychiatric and chemical dependency services in a variety of settings. With the acquisition, they have extended their service to 19 facilities in 13 states and will manage over 1,700 patient beds generating over \$260 million in annual revenue.

### Announced Transactions

June 2011	MBF Healthcare Partners	eMindful Inc.	MBF Healthcare Partners has taken a minority position in eMindful, Inc. eMindful provides specialized technology-enabled solutions delivered through live online classrooms that are designed to assist individuals in preventing, mitigating, and slowing the progression of diseases associated with family, work and lifestyle risk factors. MBF plans to help eMindful by providing capital and expertise in expanding eMindful's products, services and customer base while lowering costs. Financial terms of the partnership were not disclosed.
May 2011	Acadia Healthcare	PHC, Inc.	PHC, Inc. and Acadia Healthcare have announced the signing of a definitive merger agreement stipulating that Acadia stockholders will assume 77.5% of the combined entity while PHC stockholders will own 22.5% (numbers are approximated as exact financial terms were not disclosed). PHC is a national healthcare company that provides behavioral health services in five states. The merger will grow Acadia's presence in Utah, Virginia, Michigan, Pennsylvania, and Nevada and further accentuates their aggressive growth strategy.