

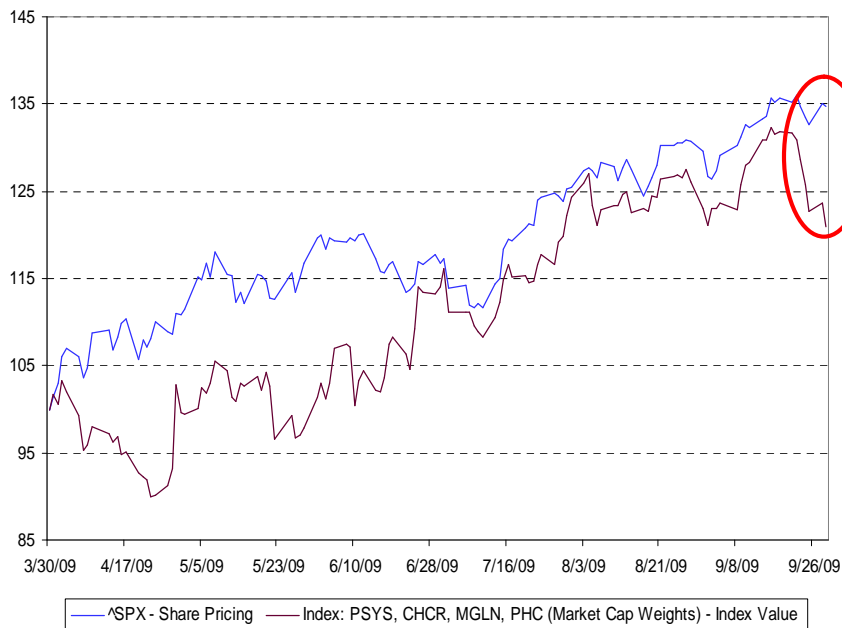


## Q3-2009 BEHAVIORAL HEALTH INDUSTRY UPDATE

### M&A OVERVIEW

As highlighted on the graph at right, the major publically traded behavioral healthcare companies have followed the S&P 500 through a very bullish two quarters. As the economy begins to stabilize and credit markets start to thaw, merger and acquisition activity is expected to increase throughout the fourth quarter of 2009 and into 2010. It is more likely mergers and joint ventures will dominate the M&A landscape rather than strategic acquisitions, which is highlighted in the Youth Villages / Inner Harbour and ACHIEVA / The Arc of Westmoreland County mergers discussed below. The dip in the Behavioral Health Indices at right denoted by the red circle are partly due to government funding beginning to contract, putting downward pressure on companies to find more efficient means to operate and manage their economies of scale, spurring M&A activity in the industry. This pressure coupled with the financial benefit of merging synergistic business operations has become more attractive to management teams and executive boards across the country.

### Q2-Q3 2009 Behavioral Health Public Performance



### RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
September 2009	Inverness Medical Innovations	Free & Clear	Waltham, MA-based Inverness Medical Innovations has announced that it will acquired Seattle-based Free & Clear for \$100 million in cash, plus up to \$30 million in potential earn out payments based on Free & Clear's 2010 revenues. Free & Clear specializes in evidence-based programs which address the four key modifiable health risks that contribute to chronic disease: tobacco use, poor nutrition, physical inactivity and stress. The Company was formerly backed by Polaris Venture Partners, Three Arch Partners, and Kaiser Permanente Ventures; and offers Inverness an opportunity to grow into the behavioral healthcare and addiction treatment arena.
August 2009	Youth Villages	Inner Harbour	The boards of Memphis-based Youth Villages and Inner Harbour approved a merger of the two companies in principle, and will now work on finalizing details to be expected by the end of the year. The proposed merger makes synergistic sense as the two companies will compliment each others business services well. Youth Villages is a private, nonprofit organization, with youth services including intensive in-home care, residential treatment, foster care and adoption, among others. Inner Harbour is one of the largest intensive residential treatment centers for children and youth in Georgia and has developed a wide range of residential-based programs that would go hand-in-hand with those offered by Youth Villages to better and more efficiently serve their patient base.
August 2009	GEO Care, Inc.	Just Care, Inc.	GEO Care, Inc. the mental health subsidiary of The GEO Group, a world leader in the delivery of correctional, detention, and mental health services, has signed a definitive agreement to acquire Just Care, Inc., a provider of detention healthcare focusing on the delivery of medical and mental health services for approximately \$40 million. The proposed acquisition includes Just Care's 354-bed care center located in Columbia, South Carolina and is expected to add approximately \$30 million in annual revenues to GEO Care's operations. The Just Care facility houses both medical and mental health residents as well as special needs detainees under custody of the U.S. Marshals Service and U.S. Immigration and Customs Enforcement.
July 2009	ACHIEVA	The Arc of Westmoreland County	South Side-based ACHIEVA has merged with The Arc of Westmoreland County, creating a larger more dynamic nonprofit agency to provide residential, vocational and related services for people with disabilities. This merger is indicative of a trend of consolidation that is expected throughout the next year among social service agencies as government funding begins to shrink. The combined organization will have annual revenue of \$49 million and a work force of about 1,400 people with the overwhelming majority of both the budgets and workforce coming from ACHIEVA. ACHIEVA will benefit from the merger by further expanding into Westmoreland County. There was not money exchanged in the transaction.