



## Q4-2009 BEHAVIORAL HEALTH INDUSTRY UPDATE

### M&A OVERVIEW

As credit markets continue to loosen and industry consolidators refine their acquisition and investment profiles, we expect a more robust year for mergers and acquisitions in 2010. Strategic players that have remained on the sidelines for the majority of 2009 will be focusing on acquisition opportunities that not only make financial and strategic sense, but increase operational efficiency as well. Acquisitions throughout the past few quarters have been focused on geographic diversification and increasing overall access to quality care, but moving forward, deals will undoubtedly center around cost minimization, and the continued development and implementation of IT-based behavioral health services. In both the *Life Options / The Institute for Life Coach Training* and *Healthways / HealthHonors* transactions outlined below, IT infrastructure and scalability were major components of the transactions, significantly increasing the overall valuations and final purchase prices in both cases.

### Aetna Acquires Horizon Behavioral Services

On November 3<sup>rd</sup>, 2009 Aetna, Inc. completed the acquisition of Horizon Behavioral Services from its parent company, Psychiatric Solutions, for approximately \$70 million in cash. The acquisition will significantly increase Aetna's market share of the domestic Employee Assistance Programs services sector, as Horizon is the third largest provider by membership. Horizon has approximately 1,400 contracted employer clients and represents over 5 million covered employees in all 50 states, as well as countries around the globe. Aetna will also benefit from Horizon's substantial IT capabilities, with substantial telephonic and online employee assistance program platforms. This acquisition, although most likely much larger than others to follow, is indicative of the strategic focus on improving operational efficiencies, gaining market share, and developing IT platforms.

### RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
November 2009	LifeOptions Group, Inc.	The Institute for Life Coach Training	LifeOptions Group, Inc., has completed the acquisition of The Institute for Life Coach Training, a leading ICF-accredited, coach training organization based in Plano, Texas. This acquisition will significantly expand LifeOptions' service offerings and allow the Company to add an international network of behavioral healthcare practitioners to provide highly personalized services to users of the programs. The financial terms of the acquisition were not publicly disclosed.
November 2009	Oklahoma Community Health Services, Inc.	Variety Health Center, Inc.	Oklahoma Community Health Services, Inc. has acquired Variety Health Center, Inc., a provider of medical, dental, and behavioral healthcare services throughout Oklahoma. Through this acquisition, OCHS will significantly expand its coverage area throughout Oklahoma City, Del City, Tipton and Fort Cobb, as well as enhance the Company's service offerings. The operation of all sites included in the transaction will continue, and the combined entity will be known as Variety Care. The financial terms of the transaction were not disclosed.
November 2009	Aetna, Inc.	Horizon Behavioral Services, LLC	Aetna, Inc. has completed the previously announced acquisition of Horizon Behavioral Services, LLC from its parent company, Psychiatric Solutions, for an approximate purchase price of \$70 million in cash. The business will now be part of Aetna Behavioral Health. Headquartered in Lewisville, Texas, Horizon Behavioral Services is a leading provider of Employee Assistance Programs to both mid-sized and large employers. This acquisition will strategically place Aetna as a key player in the domestic EAP business, significantly expanding the Company's EAP service offerings to customers.
November 2009	Acadia Healthcare	Peninsula Village	Acadia Healthcare has announced the acquisition of Peninsula Village from Parkwest Medical Center, based in Knoxville, TN. Peninsula Village is a 145-bed residential treatment center located in Louisville, which primarily services adolescents suffering from emotional and/or behavioral disorders. With an already strong foothold in the adolescent and residential treatment services sector, this acquisition will only enhance the experience and treatment services that Acadia offers. Peninsula Village will undergo a name change and will now become known as "The Village". The financial terms of the transaction were not disclosed.
October 2009	Healthways, Inc.	HealthHonors	Healthways, Inc. has completed the acquisition of Massachusetts-based HealthHonors for an upfront cash payment of \$14.7 million, including an additional multi-year earn-out agreement. HealthHonors is a behavioral science and healthcare IT company that designs software used to motivate patients to adhere to healthy behavior. With increased global demand for IT-based behavioral health services, this acquisition will significantly expand Healthways' science and technology platform, Embrace™, the Company's comprehensive information system.