



**Q4-2011 BEHAVIORAL HEALTHCARE INDUSTRY UPDATE**

**MARKET OVERVIEW**

Acadia Healthcare Company, Inc., majority owned by Chicago-based Waud Capital Partners, has completed its previously announced merger with PHC, Inc., (d.b.a. Pioneer Behavioral Health) and will become a publically traded company trading under the ticket "ACHC". Moving forward, Acadia is now the country's leading publicly traded pure-play provider of inpatient behavioral health care services, based on total number of licensed beds – the Company operates 34 facilities, with approximately 1,950 licensed beds spanning 18 states. For the twelve months ended June 30, 2011, the companies would have produced annual revenues of more than \$325 million on a pro forma basis. Following the merger, Acadia shareholders equity ownership equates to approximately 77.5% of the combined entity, with the remaining equity stake allocated to PHC's existing shareholders. The merged company will be headquartered in Franklin, TN, and operate as Acadia Healthcare Company, Inc., while continuing to provide the same high-quality treatment in the communities each company currently serves.

The merger of these two industry leaders is entirely indicative of the value inherent in consolidation activity, primarily through cost savings, maximization of operational efficiencies, and strategic growth strategies both organic and otherwise. There is no secret that the combined organization will look to aggressively expand its market presence, service lines, and geographic coverage. According to Joey Jacobs, Chairman and Chief Executive Officer of Acadia, "In addition, by improving the Company's access to capital as a public company, the transaction enhances our ability to drive Acadia's growth through additional acquisitions in the highly fragmented behavioral health care services industry. Based on our management team's significant industry experience and expertise, we are confident of our ability to complete and successfully integrate such transactions, as well as to produce increased organic growth, productivity and efficiency in the facilities we operate." Aside from increased organic demand for a continuum of behavioral healthcare services, the industry has also been the beneficiary of attention from Capitol Hill by way of focusing on preventative healthcare and cost minimization practices. With such a fragmented industry coupled with highly growing niche service areas as well as a strong position in regard to reform and the changing landscape of the delivery and care, Provident is confident consolidation will continue to remain strong within behavioral health services throughout 2012.

**SELECT TRANSACTIONS**

| Month         | Acquirer                        | Company Acquired                       | Details   |
|---------------|---------------------------------|--|---|
| December 2011 | Cressey & Company               | InnerChange                            | Cressey & Company has acquired a majority stake in InnerChange, a residential treatment provider for young women with behavioral, emotional and substance abuse problems. InnerChange is a nationally recognized residential treatment provider offering clinically sophisticated therapeutic services and accredited academics to young women. Headquartered in Orem, Utah, the company operates treatment programs throughout Utah and Texas. With the capital resources InnerChange now has access to, the Company will be able to expand its proven treatment services to successfully treat its patient demographic. The financial terms if the transaction were not disclosed.  |
| November 2011 | Acadia Healthcare Company, Inc. | PHC, Inc.                              | Acadia Healthcare has completed its previously announced merger with PHC, Inc., creating the largest provider of inpatient behavioral care in the country. The transaction provides Acadia with a strong team of skilled professionals along with a noteworthy portfolio of facilities and services. The merger will also fuel growth for Acadia through its increased access to capital which will be used in part to finance additional acquisitions.   |
| October 2011  | Permira Funds                   | Renaissance Learning                   | Permira Funds has acquired Renaissance Learning, a provider of technology-based student assessment programs for \$440 million or \$14.85 per share in cash, representing a 26% premium over the Company's most recent closing price. Renaissance is a leading provider of technology-based school improvement and student assessment programs for K-12 schools. Adopted by approximately 70,000 schools, Renaissance's tools provide daily formative assessment and periodic progress-monitoring technology to enhance core curriculum, support differentiated instruction, and personalize practice in reading, writing and math. The Company will remain headquartered in Wisconsin Rapids, WI with its current management.   |
| October 2011  | CI Capital Partners             | Interactive Health Solutions           | New York-based CI Capital Partners has acquired and added Interactive Health Solutions to its investment portfolio. Interactive Health provides clinically based and HIPAA compliant population health management programs to companies nationwide. The year-round IHS program includes annual on-site health evaluations, individualized health goals, in-person courses, online informational resources, as well as full program administration, record keeping, and reporting. The partnership will add value to IHS, as CI Capital has a strong track record of helping companies accelerate growth and deliver a greater benefit to their customers. MidCap Financial, Solar Capital, and PennantPark Investment Corporation provided financing for the transaction, however the financial terms were not disclosed. |
| October 2011  | Ensign Group                    | The Springs at Pacific Regent La Jolla | The Ensign Group, Inc., has announced that the company has acquired The Springs at Pacific Regent La Jolla, a 59-bed Medicare-only skilled nursing facility located in the Village of La Jolla, San Diego. Moving forward, The facility will be operated by Southern-California's Flagstone Group, a subsidiary of Ensign Group. Ensign will benefit as they continue to build-out their presence in the area, while also allowing The Springs, along with its sister facilities, to serve a broader area of San Diego's patients with post-acute care needs.   |