

# Overview of the Behavioral and Mental Health Services Market

May 2010

Brocair Partners Industry Survey Series

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## 1. Market Overview

This report covers two similar markets, each of which has some distinct characteristics. The first market is Mental Health and Substance Abuse services. The second is Mental Disability services. We have chosen to incorporate both in this research piece due to their similarities, and because firms frequently compete in both areas. In both markets, there is high participation by government and non-profit service providers. However our emphasis is on the for-profit market participants.

The mental health and substance abuse industry is growing in response to both an increased awareness of the diseases, along with a growing de-stigmatization of treatment. It is estimated that in 2010 the industry will generate roughly \$11.9 billion in revenue, which will be a 6.4% increase over 2009. Over the next five years, industry revenue is forecasted to grow by 4.1% annually with revenue in 2015 projected between \$14.0 and \$15.0 billion.<sup>1</sup>

Demand for behavioral health services can be determined by the affordability of care, the incidence of psychiatric and substance abuse disorders in the general public, cultural acceptance of treatment and the availability of facilities and medication. These macro trends are coupled with the recent enactment of the Patient Protection and Affordable Care Act which extends mental health protections of the 2008 Mental Health Parity and Addiction Equity Act. The bill allows most people who are now uninsured to become eligible to receive coverage for behavioral treatment. This is expected to increase demand for care among the 67% of adults and 80% of children needing mental health care who do not receive care.<sup>2</sup>

Over the next five years (to 2015), employment in the sector as well as wages are expected to rise. These expected costs will be accompanied by a projected continuation of a deterioration of the payor mix, with a larger percentage of revenue being derived from Medicare, Medicaid, and government sources. Even in the face of rising costs, the industry-wide profit is expected to increase moderately by 5.5% by 2015.<sup>3</sup> The increased profit margin will be achieved through higher reimbursement rates for public and private insurance as well as improved cost management.

Mental health and substance abuse treatment services are delivered in a variety of settings. Residential care is around-the-clock care to patients living in the facility. These facilities can also include group homes (or halfway houses) and centers for the rehabilitation of substance abusers, which can include the supply of methadone for reducing opiate dependency. Outpatient facilities deliver similar services, but treatment is less intensive, or is primarily directed toward follow up care and reinforcement. The most common illnesses treated are alcohol, cocaine and marijuana abuse, depression, anxiety, eating disorders, post-traumatic stress disorder, phobias, schizophrenia, obsessive-compulsive disorder, and bipolar disorders. Dementia can fall into this category, but is generally not included in the scope of this report. In 2010, services by the projected \$11.9 billion industry are delivered as follows<sup>4</sup>:

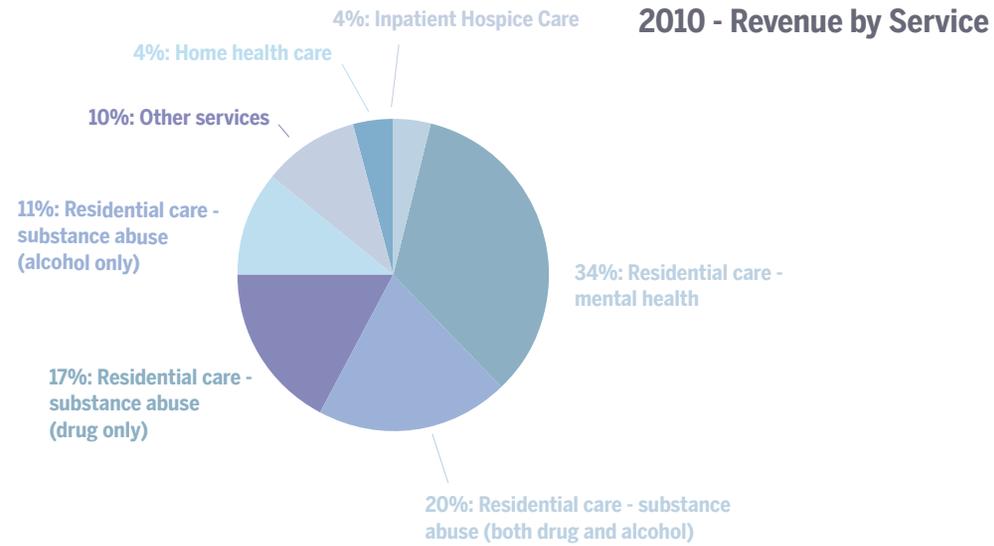
1 www.ibisworld.com, "Substance Abuse & Mental Health Facilities in the US"; April 2010.

2 www.ibisworld.com, "Substance Abuse & Mental Health Facilities in the US"; April 2010, page 8.

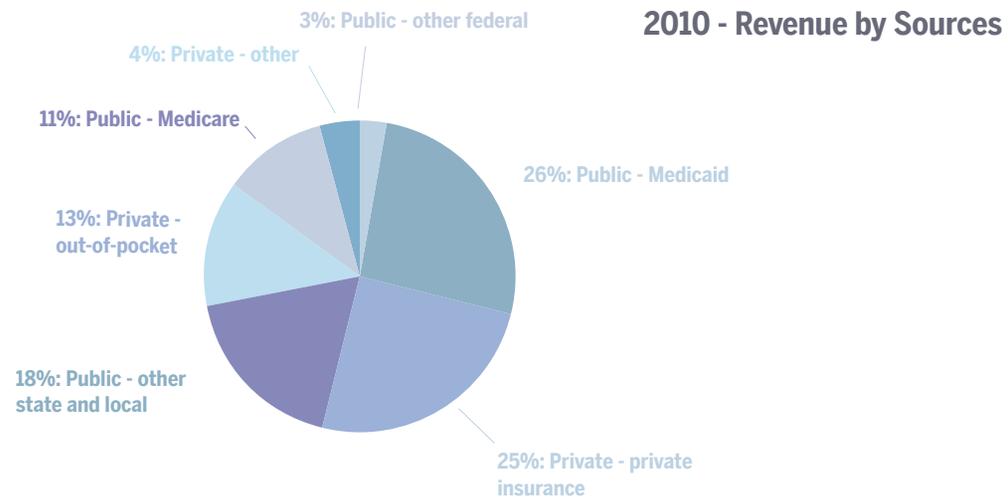
3 www.ibisworld.com, "Substance Abuse & Mental Health Facilities in the US"; April 2010.

4 www.ibisworld.com, "Substance Abuse & Mental Health Facilities in the US"; April 2010.

# 1. Market Overview (cont'd)



For the 2010, 55% of the \$11.6 billion is projected to come from public sources with 13% of revenue coming from out-of-pocket payments by recipients. The estimated breakout of revenue by payor is as follows<sup>5</sup>:



<sup>5</sup> www.ibisworld.com, "Substance Abuse & Mental Health Facilities in the US", April 2010.

## 1. Market Overview (cont'd)

The mental disability services industry mostly comprises group homes, hospitals, and outpatient care facilities for the mentally handicapped and for patients with autism spectrum disorders.

The mental retardation component of this market alone is estimated to generate \$20.2 billion of revenue annually, and is expected to grow 3% annually.

There has been an increasing rate of closure of large, government-operated, facilities which has reduced average facility size. About 40% of people discharged from these facilities have been placed in group homes, 15% in semi-independent facilities, and the rest either in large private facilities or with relatives. The trend has been toward smaller, more cost-effective facilities. Also as people with mental disabilities live longer, they will require services longer or their caregivers will age and be unable to continue to care for them. These patients will increasingly require outside supervision. Both of these trends are expected to drive market growth.

The high cost of care in state mental retardation facilities will continue to promote facility closures, thus reducing the number of individuals in state mental retardation facilities. Increasingly, states will have no government-operated mental retardation facilities at all. In light of expected future growth in demand, governments are expected to focus more on services that reduce utilization of more costly institutional care.

Almost 70% of the revenue in the industry is generated by firms that are exempt from federal income tax. Recent federal budgets have provided funds for the Compassion Capital Fund in order to enhance the ability of community-based, charitable organizations to provide social services and expand their organizations. While not-for-profit companies have certain advantages, including the ability to receive donations and the income tax exemption, for-profit enterprises are expected to see greater opportunities as the trend by state governments to outsource these services continue. For-profit companies often have greater efficiencies and lower cost structures, positioning them well to compete in this market.

## 2. Behavioral and Mental Health Services Selected Competitive Matrix

Table 1: Selected Behavioral and Mental Health Services Companies Matrix by Product Type

Companies	Adult	Adolescent	Outpatient	Inpatient	Residential	Workplace	Alcohol/Drugs	Psychiatric	Mentally Handicapped	Geography
Acadia Healthcare Company, LLC.										US: HI, LA, MT, TN, TX
Acorn Care and Education Ltd.										United Kingdom
AdvoServ, Inc.										US: DE, FL, NJ
Aegis Medical Systems, Inc.										US: CA
Aetna, Inc. (Horizon Behavioral Service)										US: Nationwide
APS Healthcare, Inc.										US: TX
AscendHealth Corporation										US: Nationwide
BCA Behavioral Health Strategises, LLC										US: OR, TX
Beacon Health Strategies, LLC										US: Northeast, Mid-Atlantic, Midwest
Cambian Group										United Kingdom
Camelot Schools, Inc., The										US: IL, KS, NJ, NM, OK, TN, VA
Care Aspirations, Ltd.										United Kingdom
CareTech Holdings plc										United Kingdom
CastleCare Group										United Kingdom
CIGNA Corporation										US: Nationwide
CENTENE Corporation (Cenpatico Behavioral Health)										US: AZ, FL, GA, IN, KS, MA, OH, SC, TX, WI
Clearwater Care (Group), Ltd.										UK: Southeast and Midlands

## 2. Selected Competitive Matrix (cont'd)

Companies	Adult	Adolescent	Outpatient	Inpatient	Residential	Workplace	Alcohol/ Drugs	Psychiatric	Mentally Handicapped	Geography
Comprehensive Care Corp.										US: Nationwide
Cornell Companies, Inc.										US: AK, CA, CO, DE, GA, IL, KS, OH, OK, NM, NV, PA, MS, TX, UT
Craegmoor Healthcare Co., Ltd.										UK: England Scotland, Wales
CRC Health Corporation										US: Nationwide
Crisis Prevention Institute, Inc.										Worldwide
Cygnat Health Care, Ltd.										UK: England
DDM										US: CA, TN
Elements Behavioral Health, Inc.										US: CA
Forterus, Inc.										US: CA
Four Seasons Health Care Limited (The Huntercombe Group)										UK: England, Scotland
Habit OPCO										US: MA, NH, NJ, PA, VT
Haven Behavioral Healthcare, Inc.										US: AZ, CO, OK, TN, TX, VA
Health Net, Inc. (Managed Health Network)										US: Nationwide / Direct Clinical Services in CA
Homewood Corporation										Canada, US, Mexico / Homewood Health Centre in Ontario
Korian SA										France: Aquitaine, Centre, Haute-Normandie, Ile-de-France
Magellan Health Services, Inc. (Managed Behavioral Health)										US: Nationwide
Med Options, Inc.										Serves 3rd party LTC facilities in CT, MA, MD, RI
MedcoHealth Solutions, Inc. (Liberty Healthcare)										US: Nationwide

## 2. Selected Competitive Matrix (cont'd)

Companies	Adult	Adolescent	Outpatient	Inpatient	Residential	Workplace	Alcohol/ Drugs	Psychiatric	Mentally Handicapped	Geography
Medmark Services, LLC										US: CA, NM
Meridian Behavioral Health, LLC										US: NM
National Mentor Holdings, Inc.										US: Mostly nationwide
Partnerships in Care Limited										UK: England, Scotland, Wales
PHC, Inc.										US: MI, NV, UT, VA
Pinnacle Treatment Centers, Inc.										US: NJ, PA
Priory Group, The										United Kingdom
Psychiatric Solutions, Inc.										US: Nationwide
Res-Care Inc.										US: Nationwide; Canada: Ontario
Sequal Youth and Family Services, Inc.										US: AZ, FL, IA, MI, WY
Solhaggruppen AB										Sweden
Southern Cross Healthcare Group plc										United Kingdom
Svenska Specialistpsykiatrigruppen AB										Sweden
TRS Behavioral Care, Inc. (d/b/a TheRight Step)										US: NM, TX
UnitedHealth Group, Inc. (Behavioral Solutions)										US: Nationwide
Universal Health Services, Inc.										US: Nationwide
VeriCare Management, Inc.										Serves 3rd party LTC facilities in CA, DE, FL, IN, NJ, PA, TX
Youth and Family Centered Services, Inc. (YFCS)										US: AR, AZ, FL, IN, MO, MS, NM, PA, TX

### 3. Profiles of Select Participants in the Behavioral and Mental Health Services Market

Company & Description	Key Financial Data						
 <p><b>Location: Potters Bar, United Kingdom</b></p> <ul style="list-style-type: none"> <li>CareTech Holdings PLC provides specialist care and housing support services for people with learning and physical disabilities in the United Kingdom.</li> <li>The company offers specialist services and support for people with severe physical disabilities, challenging behaviors, mental health problems, dementia and autism spectrum disorders, as well as elderly people.</li> <li>As of September 2009, CareTech had bed capacity of 1,430.</li> </ul>	<b>\$ in millions</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008A</b>	<b>2009A</b>	<b>LTM</b>
	Sales	\$39.8	\$62.6	\$108.4	\$120.4	\$133.4	\$133.4
	Sales growth		36.5%	73.1%	11.2%	10.8%	
	EBITDA	\$4.3	\$10.3	\$21.1	\$30.5	\$36.1	\$36.1
	EBITDA Margin	10.8%	16.4%	19.4%	25.3%	27.1%	27.1%
	Market Cap	\$289.4					
	Enterprise Value*	\$430.6					
	FYE: September 30, 2009 LTM: September 30, 2009						
 <p><b>Location: Houston, TX</b></p> <ul style="list-style-type: none"> <li>Cornell Companies, Inc., operates correctional and treatment services to local, state and federal agencies. It offers a wide range of corrections and therapeutic programs for adults and juveniles, including federal and state low to maximum security prisons, city jails, detention centers, residential re-entry centers, drug and alcohol treatment programs, and juvenile detention, treatment and alternative education centers.</li> <li>Cornell currently operates more than 70 facilities serving 4 federal agencies, 15 states, and numerous cities and counties. It has a service capacity of nearly 21,000.</li> <li>In April 2010, The Geo Group offered to acquire the company for \$685 million, including the assumption of debt.</li> </ul>	<b>\$ in millions</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008A</b>	<b>2009A</b>	<b>LTM</b>
	Sales	\$310.8	\$360.9	\$360.6	\$386.7	\$412.4	\$412.4
	Sales growth		16.1%	-0.1%	7.2%	6.6%	
	EBITDA	\$44.3	\$61.4	\$63.2	\$81.1	\$87.9	\$87.9
	EBITDA Margin	14.3%	17.0%	17.5%	21.0%	21.3%	21.3%
	Market Cap	\$414.4					
	Enterprise Value*	\$692.3					
	FYE: December 31, 2009 LTM: December 31, 2009						

\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares

Market Capitalization and Enterprise Value as of 5/5/2010.

### 3. Profiles of Select Companies (cont'd)

Company & Description	Key Financial Data						
 <p><b>Location: Cupertino, CA</b></p> <ul style="list-style-type: none"> <li>CRC Health Group is the nation's leading provider of treatment and educational programs for adults and youth who are struggling with behavioral issues, chemical dependency, eating disorders, obesity, pain management, or learning disabilities. They treat more than 30,000 people each day.</li> <li>CRC provides clinically sound, research-based treatment options at 145 facilities conveniently located throughout the United States.</li> <li>CRC divides its services in two main divisions: Recovery Division (Inpatient Rehab Treatment, Intensive Outpatient Treatment, Comprehensive Treatment Clinics, and Extended Care), and Healthy Living Division (Eating Disorders, Adolescent Weight Management, Adult Weight Management, Aspen Education Group, Wilderness Programs, Therapeutic Boarding Schools, and Summer Camps).</li> <li>CRC is privately held, owned by Bain Capital.</li> </ul>	<b>\$ in millions</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008A</b>	<b>2009A</b>	<b>LTM</b>
	Sales	\$209.0	\$265.4	\$429.7	\$454.2	\$429.6	\$429.6
	Sales growth		21.2%	61.9%	5.7%	-5.4%	
	EBITDA	\$55.3	\$62.8	\$83.5	\$87.7	\$86.3	\$86.3
	EBITDA Margin	26.5%	23.7%	19.4%	19.3%	20.1%	20.1%
	Market Cap	Not publicly traded					
	Enterprise Value*	Not publicly traded					
FYE:	December 31, 2009						
LTM:	December 31, 2009						
 <p><b>Location: Boston, MA</b></p> <ul style="list-style-type: none"> <li>National Mentor Holdings, Inc. operates a national network of local human services providers offering an array of quality, community-based services to adults and children with intellectual and developmental disabilities, acquired brain injury and other catastrophic injuries and illnesses and to youth with emotional, behavioral and medically complex challenges as well as their families.</li> <li>The MENTOR Network works in three divisions: Services for Individuals with Intellectual and Developmental Disabilities; Services for Children, Adolescents and their Families; and Neurological, Brain and Spinal Cord Injury Services.</li> <li>National Mentor Holdings was taken private in June 2006 by Vestar Capital Partners in a management buy-out.</li> </ul>	<b>\$ in millions</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008A</b>	<b>2009A</b>	<b>LTM</b>
	Sales	\$693.8	\$789.2	\$887.7	\$941.4	\$979.4	\$990.0
	Sales growth		13.8%	12.5%	6.0%	4.0%	
	EBITDA	\$75.9	\$54.0	\$98.8	\$95.8	\$102.7	\$104.4
	EBITDA Margin	10.9%	6.8%	11.1%	10.2%	10.5%	10.5%
	Market Cap	Not publicly traded					
	Enterprise Value*	Not publicly traded					
FYE:	September 30, 2009						
LTM:	December 31, 2009						

\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares

Market Capitalization and Enterprise Value as of 5/5/2010

### 3. Profiles of Select Companies (cont'd)

Company & Description	Key Financial Data																																																															
 <b>PIONEER BEHAVIORAL HEALTH</b>  <b>Location: Peabody, MA</b>  <ul style="list-style-type: none"> <li>• PHC, Inc., through its subsidiaries, provides behavioral health services through inpatient and outpatient facilities in the United States.</li> <li>• The company offers psychiatric services to individuals who have behavioral health disorders, including alcohol and drug dependency; and to individuals in the gaming and transportation industries. Its substance abuse facilities provide specialized treatment services to patients who have poor recovery prognoses and who are prone to relapse.</li> <li>• PHC also operates help lines for employee assistance programs, and call centers for state and local programs, as well as provides management, administrative and online behavioral health services.</li> <li>• As of June 30, 2009, the company operated two substance abuse treatment centers, two psychiatric hospitals, one residential treatment facility and eight outpatient psychiatric centers.</li> </ul>	<table border="1"> <thead> <tr> <th>\$ in millions</th> <th>2005A</th> <th>2006A</th> <th>2007A</th> <th>2008A</th> <th>2009A</th> <th>LTM</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>\$34.1</td> <td>\$38.0</td> <td>\$45.1</td> <td>\$45.4</td> <td>\$46.4</td> <td>\$49.2</td> </tr> <tr> <td>Sales growth</td> <td></td> <td>11.6%</td> <td>18.7%</td> <td>0.6%</td> <td>2.2%</td> <td></td> </tr> <tr> <td>EBITDA</td> <td>\$4.1</td> <td>\$4.0</td> <td>\$3.8</td> <td>\$3.8</td> <td>\$0.2</td> <td>\$2.4</td> </tr> <tr> <td>EBITDA Margin</td> <td>12.0%</td> <td>10.4%</td> <td>8.3%</td> <td>8.5%</td> <td>0.4%</td> <td>4.8%</td> </tr> <tr> <td>Market Cap</td> <td>\$23.7</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Enterprise Value*</td> <td>\$23.3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>FYE: June 30, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>LTM: December 31, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	\$ in millions	2005A	2006A	2007A	2008A	2009A	LTM	Sales	\$34.1	\$38.0	\$45.1	\$45.4	\$46.4	\$49.2	Sales growth		11.6%	18.7%	0.6%	2.2%		EBITDA	\$4.1	\$4.0	\$3.8	\$3.8	\$0.2	\$2.4	EBITDA Margin	12.0%	10.4%	8.3%	8.5%	0.4%	4.8%	Market Cap	\$23.7						Enterprise Value*	\$23.3						FYE: June 30, 2009							LTM: December 31, 2009						
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  <b>Location: Tucson, AZ</b>  <ul style="list-style-type: none"> <li>• The Providence Service Corporation provides and manages government sponsored social services to individuals and families.</li> <li>• The company offers home and community based counseling, foster care and provider management services. Its community based counseling and social services include home based counseling, substance abuse treatment, autism services, behavioral monitoring, prevention services, violence prevention, therapeutic mentoring, school support services, probation supervision and workforce development.</li> <li>• The company also provides non-emergency transportation management services to Medicaid recipients, members of the disability community and senior citizens.</li> </ul>	<table border="1"> <thead> <tr> <th>\$ in millions</th> <th>2005A</th> <th>2006A</th> <th>2007A</th> <th>2008A</th> <th>2009A</th> <th>LTM</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>\$145.7</td> <td>\$191.9</td> <td>\$285.2</td> <td>\$691.7</td> <td>\$801.0</td> <td>\$801.0</td> </tr> <tr> <td>Sales growth</td> <td></td> <td>31.7%</td> <td>48.6%</td> <td>142.5%</td> <td>15.8%</td> <td></td> </tr> <tr> <td>EBITDA</td> <td>\$18.6</td> <td>\$18.9</td> <td>\$30.7</td> <td>\$33.3</td> <td>\$67.2</td> <td>\$67.2</td> </tr> <tr> <td>EBITDA Margin</td> <td>12.8%</td> <td>9.9%</td> <td>10.8%</td> <td>4.8%</td> <td>8.4%</td> <td>8.4%</td> </tr> <tr> <td>Market Cap</td> <td>\$212.6</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Enterprise Value*</td> <td>\$373.0</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>FYE: December 30, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>LTM: December 30, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	\$ in millions	2005A	2006A	2007A	2008A	2009A	LTM	Sales	\$145.7	\$191.9	\$285.2	\$691.7	\$801.0	\$801.0	Sales growth		31.7%	48.6%	142.5%	15.8%		EBITDA	\$18.6	\$18.9	\$30.7	\$33.3	\$67.2	\$67.2	EBITDA Margin	12.8%	9.9%	10.8%	4.8%	8.4%	8.4%	Market Cap	\$212.6						Enterprise Value*	\$373.0						FYE: December 30, 2009							LTM: December 30, 2009						
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Market Capitalization and Enterprise Value as of 5/5/2010

### 3. Profiles of Select Companies (cont'd)

		Key Financial Data					
 <p><b>PSI</b> PSYCHIATRIC SOLUTIONS, INC.</p> <p><b>Location: Franklin, TN</b></p> <ul style="list-style-type: none"> <li>Psychiatric Solutions, Inc. provides inpatient behavioral health care services in the United States.</li> <li>The company offers its services to children, adolescents and adults through acute inpatient behavioral health care facilities and residential treatment centers. Its services include 24-hour nursing observation and care, daily interventions and oversight by a psychiatrist and coordinated treatment by a physician-led team of mental health professionals.</li> <li>The company also provides contract management and a managed care plan, which involve the development, organization and management of behavioral health care and rehabilitation programs within medical/surgical hospitals.</li> <li>As of December 31, 2009, it owned and leased 94 inpatient behavioral health care facilities with approximately 11,000 beds in 32 states, Puerto Rico and the U.S. Virgin Islands.</li> <li>Psychiatric Solutions announced in March 2010 that it had hired an investment bank for a possible sale of the business.</li> </ul>	<p><b>\$ in millions</b></p> <p><b>2005A</b></p> <p><b>2006A</b></p> <p><b>2007A</b></p> <p><b>2008A</b></p> <p><b>2009A</b></p> <p><b>LTM</b></p>						
	<p>Sales</p> <p>Sales growth</p> <p>EBITDA</p> <p>EBITDA Margin</p> <p>Market Cap</p> <p>Enterprise Value*</p> <p>FYE: December 31, 2009</p> <p>LTM: December 31, 2009</p>	<p>\$715.3</p> <p></p> <p>\$107.3</p> <p>15.0%</p> <p>\$1,839.7</p> <p>\$3,024.3</p> <p></p> <p></p>	<p>\$1,004.4</p> <p>40.4%</p> <p>\$158.7</p> <p>15.8%</p> <p></p> <p></p>	<p>\$1,414.7</p> <p>40.8%</p> <p>\$234.8</p> <p>16.6%</p> <p></p> <p></p>	<p>\$1,696.1</p> <p>19.9%</p> <p>\$284.9</p> <p>16.8%</p> <p></p> <p></p>	<p>\$1,805.4</p> <p>6.4%</p> <p>\$311.4</p> <p>17.2%</p> <p></p> <p></p>	<p>\$1,805.4</p> <p></p> <p>\$311.4</p> <p>17.2%</p> <p></p> <p></p>
 <p><b>ResCare</b></p> <p><b>Location: Louisville, KY</b></p> <ul style="list-style-type: none"> <li>Res-Care, Inc., a human service company, provides residential, therapeutic, job training and educational support services in the United States and Canada. The company operates in three segments: community services, job corps training services and employment training services.</li> <li>The community services segment offers services for individuals with intellectual, cognitive or other developmental disabilities and provides periodic in-home care services to the elderly. Its services include social, functional and vocational skills training; supported employment; and emotional and psychological counseling.</li> <li>The company's community services segment serves approximately 33,000 individuals in 41 states.</li> <li>The job corps training services segment operates various programs for disadvantaged youths through the federal Job Corps program, which offers educational and vocational skills training, health care, employment counseling and other support services to enable disadvantaged youths to become responsible working adults.</li> </ul>	<p><b>\$ in millions</b></p> <p><b>2005A</b></p> <p><b>2006A</b></p> <p><b>2007A</b></p> <p><b>2008A</b></p> <p><b>2009A</b></p> <p><b>LTM</b></p>						
	<p>Sales</p> <p>Sales growth</p> <p>EBITDA</p> <p>EBITDA Margin</p> <p>Market Cap</p> <p>Enterprise Value*</p> <p>FYE: December 31, 2009</p> <p>LTM: December 31, 2009</p>	<p>\$1,046.6</p> <p></p> <p>\$80.8</p> <p>7.7%</p> <p>\$323.8</p> <p>\$548.1</p> <p></p> <p></p>	<p>\$1,302.1</p> <p>24.4%</p> <p>\$100.8</p> <p>7.7%</p> <p></p> <p></p>	<p>\$1,433.3</p> <p>10.1%</p> <p>\$107.3</p> <p>7.5%</p> <p></p> <p></p>	<p>\$1,543.6</p> <p>7.7%</p> <p>\$100.1</p> <p>6.5%</p> <p></p> <p></p>	<p>\$1,579.2</p> <p>2.3%</p> <p>\$99.8</p> <p>6.3%</p> <p></p> <p></p>	<p>\$1,579.2</p> <p></p> <p>\$99.8</p> <p>6.3%</p> <p></p> <p></p>

\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares  
Market Capitalization and Enterprise Value as of 5/5/2010

### 3. Profiles of Select Companies (cont'd)

Key Financial Data																																																																
 <p><b>Location: King of Prussia, PA</b></p> <ul style="list-style-type: none"> <li>• Universal Health Services, Inc., owns and operates acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers and radiation oncology centers.</li> <li>• Its hospitals provide general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services, pharmacy services and behavioral health services.</li> <li>• As of February 25, 2010, the company owned and/or operated 25 acute care hospitals and 102 behavioral health centers located in 32 states as well as in Washington, D.C. and Puerto Rico. It also manages and/or owns 7 surgical hospitals and surgery and radiation oncology centers located in 5 states and Puerto Rico.</li> </ul>	<table border="1"> <thead> <tr> <th>\$ in millions</th> <th>2005A</th> <th>2006A</th> <th>2007A</th> <th>2008A</th> <th>2009A</th> <th>LTM</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>\$3,935.5</td> <td>\$4,124.7</td> <td>\$4,683.2</td> <td>\$5,022.4</td> <td>\$5,202.4</td> <td>\$5,202.4</td> </tr> <tr> <td>Sales growth</td> <td></td> <td>4.8%</td> <td>13.5%</td> <td>7.2%</td> <td>3.6%</td> <td></td> </tr> <tr> <td>EBITDA</td> <td>\$477.8</td> <td>\$485.4</td> <td>\$553.5</td> <td>\$606.0</td> <td>\$725.2</td> <td>\$725.2</td> </tr> <tr> <td>EBITDA Margin</td> <td>12.1%</td> <td>11.8%</td> <td>11.8%</td> <td>12.1%</td> <td>13.9%</td> <td>13.9%</td> </tr> <tr> <td>Market Cap</td> <td>\$3,495.2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Enterprise Value*</td> <td>\$4,626.3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>FYE: December 31, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>LTM: December 31, 2009</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	\$ in millions	2005A	2006A	2007A	2008A	2009A	LTM	Sales	\$3,935.5	\$4,124.7	\$4,683.2	\$5,022.4	\$5,202.4	\$5,202.4	Sales growth		4.8%	13.5%	7.2%	3.6%		EBITDA	\$477.8	\$485.4	\$553.5	\$606.0	\$725.2	\$725.2	EBITDA Margin	12.1%	11.8%	11.8%	12.1%	13.9%	13.9%	Market Cap	\$3,495.2						Enterprise Value*	\$4,626.3						FYE: December 31, 2009							LTM: December 31, 2009						
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\*Enterprise Value (EV) = Market Capitalization + cash & equivalents + debt + minority interest + preferred shares  
Market Capitalization and Enterprise Value as of 5/5/2010

## 4. Comparable Company Analysis - Behavioral and Mental Health Services

Company	Price	12-Month		EV*	Net Debt	Mkt Cap.	EV*/Net Sales			EV*/EBITDA			Price/Earning			Price/Sales		
		High	Low				'08	'09	LTM	'08	'09	LTM	'08	'09	LTM	'08	'09	LTM
Caretech Holdings PLC	\$5.84	\$7.03	\$2.34	\$430.6	\$149.4	\$289.4	2.8	3.6	3.3	10.9	13.1	12.0	34.4	41.2	34.1	1.7	2.4	2.2
Cornell Companies, Inc.	\$27.86	\$28.48	\$15.50	\$692.3	\$275.5	\$414.4	1.5	1.6	1.3	7.3	7.3	6.3	12.3	13.7	11.2	0.7	0.8	0.7
PHC, Inc.	\$1.25	\$2.47	\$0.87	\$23.3	(\$0.4)	\$23.7	1.3	0.6	0.4	16.1	NM	8.7	NM	NM	NM	1.3	0.6	0.4
Providence Service Corp.	\$17.38	\$18.14	\$8.80	\$373.0	\$153.5	\$212.6	0.3	0.5	0.5	6.8	5.7	5.7	NM	9.8	10.7	0.0	0.3	0.3
Psychiatric Solutions, Inc.	\$32.10	\$33.05	\$17.24	\$3,024.3	\$1,180.3	\$1,839.7	1.7	1.4	1.6	10.0	7.9	9.5	14.7	10.0	14.6	0.9	0.9	1.0
Res-Care, Inc.	\$11.14	\$17.13	\$8.59	\$548.1	\$178.6	\$323.8	0.5	0.4	0.4	7.1	5.9	5.8	13.7	NM	NM	0.3	0.2	0.2
Universal Health Services, Inc.	\$36.24	\$38.68	\$23.35	\$4,626.3	\$886.3	\$3,495.2	0.9	0.7	0.9	7.4	4.9	6.3	17.9	10.5	12.9	0.6	0.5	0.6

	EV*/Net Sales			EV*/EBITDA			Price/Earning			Price/Sales		
	'08	'09	LTM	'08	'09	LTM	'08	'09	LTM	'08	'09	LTM
High	2.8	3.6	3.3	16.1	13.1	12.0	34.4	41.2	34.1	1.7	2.4	2.2
Mean	1.3	1.2	1.2	9.4	7.5	7.7	18.6	17.0	16.7	0.8	0.8	0.8
Median	1.3	0.6	0.7	7.3	5.9	6.3	14.2	10.2	12.0	0.7	0.5	0.5
Low	0.3	0.4	0.4	6.8	4.9	5.7	12.3	9.8	10.7	0.0	0.2	0.2

\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares

Outliers have been excluded from Mean and Median calculations.

All currency figures in USD. Price figures in actual dollars, EV, Net Debt, and Market Capitalization in millions.

Market Capitalization and Enterprise Value as 5/5/2010

## 5. Fixed Income Analysis - Behavioral and Mental Health Services

Company	Maturity	Security Type	Seniority	Coupon (%)	Offer Date	Outstanding (\$m)	Current Price	Current YTW* (%)	S&P Rating
Cornell Companies, Inc.	7/1/2012	Corporate debentures	Senior Unsecured	10.75	9/16/2004	111.36	101.5	1.943	B+
CRC Health Corporation	2/1/2016	Corporate debentures	Senior Subordinate	10.75	8/8/2006	177.30	95.75	11.778	CCC
National Mentor Holdings, Inc.	7/1/2014	Corporate debentures	Senior Subordinate	11.25	1/16/2007	180.00	100	11.232	CCC+
Providence Service Corp.	5/15/2014	Corporate convertible	Senior Subordinate	6.5	2/11/2008	70.00	87.125	10.49	B+
Psychiatric Solutions, Inc.	7/15/2015	Corporate debentures	Senior Subordinate	7.75	9/14/2005	220.00	102.5	6.864	B-
Psychiatric Solutions, Inc.	7/15/2015	Corporate debentures	Senior Subordinate	7.75	8/7/2007	250.00	102.5	6.864	B-
Psychiatric Solutions, Inc.	7/15/2015	Corporate debentures	Senior Subordinate	7.75	5/4/2009	120.00	102.5	6.864	B-
Res-Care, Inc.	10/15/2013	Corporate debentures	Senior Unsecured	7.75	2/22/2006	149.34	100.75	7.197	B
Universal Health Services, Inc.	6/30/2016	Corporate debentures	Senior Unsecured	7.125	6/27/2006	400.00	109.963	5.204	BBB-
Universal Health Services, Inc.	11/15/2011	Corporate debentures	Senior Unsecured	6.75	11/6/2001	200.00	106.724	2.284	BBB-

\*Yield to Worst - The lowest potential yield that can be received on a bond without the default of the issuer. YTW calculations assume that if a bond has call or put provisions, that the issuer will prepay the obligation if market rates would permit the refinance of the debt at a lower coupon. The YTW is the lower of the yield to maturity or the yield to call.

## 6. Comparable Transaction Analysis - Behavioral and Mental Health Services

Closing Date	Target	Buyer	Transaction Description	Total Trans. Value (\$m)	Enterprise Value (\$m)	EV*/ Revenues	EV*/ EBITDA
4/19/2010	Cornell Companies Inc.	Geo Care, Inc. (NYSE:GEO)	Geo Group Inc. (NYSE: GEO) signed a definitive agreement to acquire Cornell Companies Inc. (NYSE: CRN) for approximately \$370 million. The transaction consideration is in the form of a election where stockholders of Cornell can elect to receive either 1.3 shares of GEO common stock for each share of Cornell common stock or receive an amount of cash consideration equal to the greater of the fair market value of one share of GEO common stock plus \$6 or the fair market value of 1.3 shares of GEO common stock.	667.71	649.98	1.6	74x
4/1/2010	Positive Options Ltd.	Crisis Prevention Institute, Inc.	Crisis Prevention Institute, Inc. acquired Positive Options Ltd. The financial terms of the deal were not disclosed. Crisis Prevention Institute, Inc. operates as a training organization with focus on the safe management of disruptive and assaultive behavior.	-	-	-	-
3/12/2010	Compassionate Therapeutic Solutions, LLC	GT Legend Automotive Holdings, Inc. (OTCPK: GTLA)	GT Legend Automotive Holdings, Inc. acquired Compassionate Therapeutic Solutions, LLC, which operates as a behavioral health care practice offering mental health, substance abuse, and caregiver services.	-	-	-	-
1/15/2010	Affinity Healthcare Limited	Priory Group Limited	Priory Group Limited acquired Affinity Healthcare Limited from Duke Street. The financial terms of the deal were not disclosed. In 2008, Affinity Healthcare Limited reported revenue of £42 million.	-	-	-	-
8/11/2009	Health Masters, Inc.	Pinnacle Treatment Centers, Inc.	Pinnacle Treatment Centers, Inc. acquired Health Masters Inc. on August 11, 2009. Health Masters Inc. operates as a drug and alcohol rehabilitation center.	-	-	-	-
7/31/2009	Horizon Behavioral Services, LLC	Aetna, Inc. (NYSE: AET)	Aetna, Inc. (NYSE: AET) acquired Horizon Behavioral Services, LLC from Psychiatric Solutions, Inc. for \$70 million in cash. Horizon Behavioral Services, LLC, based in Lewisville, Texas, provides behavioral healthcare services for the employees of major corporations.	70.00	70.00	-	-
11/4/2008	Correctional Mental Health Services, LLC	Conmed Healthcare Management, Inc (OTCBB: CMHM)	Conmed Healthcare Management, Inc. acquired Correctional Mental Health Services, LLC for approximately \$2 million from Stephen Goldberg. Conmed Healthcare Management paid \$1.8 million in cash, issued 0.08 million common stock and assumed certain liabilities and expenses.	1.99	1.99	0.9x	-
10/14/2008	AmericanWork, Inc.	Providence Service Corp. (NasdaqGS: PRSC)	Providence Service Corp. acquired AmericanWork, Inc. for \$3.5 million in cash. AmericanWork provides adult mental health, adult developmental disabilities, and child and adolescent mental health services in Georgia.	3.50	3.50	-	-
7/9/2008	Castlewood Treatment Center, LLC	Trinity Hunt Partners	Trinity Hunt Partners along with Mark Schwartz and Lori Galperin, Directors of Castlewood Treatment Center acquired Castlewood Treatment Center in a recapitalization transaction. The terms of the deal were not disclosed. Trinity Hunt Partners will invest \$25 million in recapitalization of Castlewood Treatment Center. The company operates a treatment center for eating disorders.	-	-	-	-

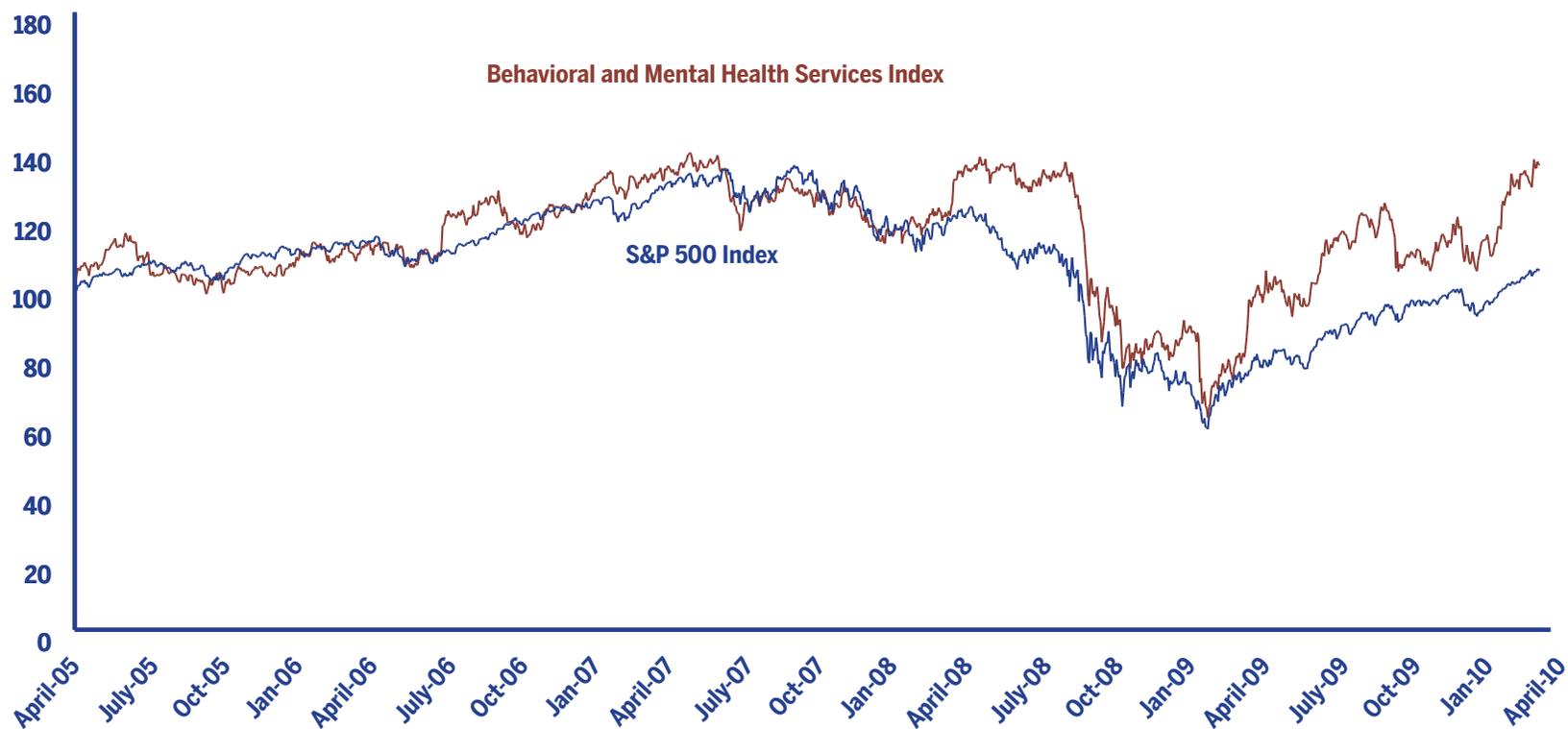
\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares

## 6. Comparable Transaction Analysis (cont'd)

Closing Date	Target	Buyer	Transaction Description	Total Trans. Value (\$m)	Enterprise Value (\$m)	EV* / Revenues	EV* / EBITDA
6/17/2008	Valeo Limited	Caretech Holdings PLC (AIM: CTH)	Caretech Holdings Plc acquired Valeo Limited from David Spink, Christina Spink and Wendy Wallace for approximately \$29.65 million in cash and stock. Of the deal value \$21.49 million was paid in cash, \$0.98 million assumption of debt and issue of 0.2 million shares of Caretech. Valeo provides residential, day, and domiciliary support services and offers training in conflict management, physical intervention, learning disability qualification, safeguarding, autism awareness and practice.	29.65	29.65	3.2x	-
4/28/2008	Beacon Care Holdings Plc	Caretech Holdings PLC (AIM: CTH)	Caretech Holdings Plc acquired Beacon Care Investments Limited for \$43.93 million in cash and stock. The consideration price included cash payment of \$30.26 million and issuance of 0.6 million shares of Caretech Holdings. Caretech also acquired Beacon's net cash \$1.59 million. Beacon Care Holdings Plc operates healthcare facilities offering services to people with learning disabilities.	43.93	42.34	-	-
3/1/2008	United Medical Corp., Five Inpatient Facilities in Florida and Kentucky	Psychiatric Solutions, Inc. (NasdaqNM: PSYS)	Psychiatric Solutions, Inc. acquired five inpatient psychiatric facilities in Florida and Kentucky from United Medical Corp. for \$120 million in cash.	120.00	120.00	-	-
12/31/2007	Rathbun Area Mental Health Center	Behavioral Health Centers of Southern Iowa	Behavioral Health Centers of Southern Iowa acquired Rathbun Area Mental Health Center. Rathbun Area Mental Health Center provides psychiatric counseling, psychological counseling, and social work services for children and adolescents, and families and individuals.	-	-	-	-
7/26/2007	One Step (Support) Ltd.	Caretech Holdings PLC (AIM: CTH)	Caretech Holdings PLC (AIM: CTH) acquired One Step (Support) Ltd. in a cash and stock transaction on July 26, 2007. The transaction consideration is \$22.25 million. Under the terms of the transaction, Caretech would pay \$17.82 million in cash and issue approximately 0.36 million shares valued on the July 26, 2007 closing stock price of \$11.90 per share as initial consideration.	22.39	22.39	-	-
7/19/2007	ValueOptions, Inc.	Crestview Advisors, LLC	Crestview Advisors, LLC signed a definitive agreement to acquire 47% stake in ValueOptions, Inc. from FHC Health Systems, Inc. for \$105 million in cash. ValueOptions engages in the management of behavioral health issues, and mental health and chemical dependency diagnoses.	105.00	223.40	-	-

\*Enterprise Value (EV) = Market Capitalization - cash & equivalents + debt + minority interest + preferred shares

## 7. Behavioral and Mental Health Services Index



Behavioral Services Index includes: CareTech Holdings PLC, Cornell Companies, Inc., PHC, Inc., The Providence Service Corporation, Psychiatric Solutions, Inc., Res-Care, Inc. and Universal Health Services, Inc. The index is weighted by market capitalization.

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## 9. Contact Information

Brocair Partners LLC, based in New York, was formed in 2004 to provide mergers & acquisitions advisory services, equity and debt placement services, and strategic advice to middle-market public and private healthcare companies. Brocair Partners has advised a range of public and private companies across healthcare segments that include pharmaceuticals, medical devices, patient care, consumer health, healthcare business services and information technology, and pharmaceutical ingredients and intermediates, both in the United States and worldwide. Brocair Partners is the exclusive healthcare sector member firm, with offices in the United States and Switzerland, within Mergers Alliance.

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