

Acadia Healthcare Company, Inc.

Form S-4

July 13, 2011

Table of Contents

As filed with the Securities and Exchange Commission on July 13, 2011

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

ACADIA HEALTHCARE COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

8093
*(Primary Standard Industrial
Classification Code Number)*

20-3879757
*(I.R.S. Employer
Identification No.)*

**830 Crescent Centre Drive, Suite 610
Franklin, Tennessee 37067
(615) 861-6000**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Christopher Howard, Executive Vice President, General Counsel and Secretary
Acadia Healthcare Company, Inc.
830 Crescent Centre Drive, Suite 610
Franklin, Tennessee 37067
(615) 861-6000**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Carol Anne Huff
Richard W. Porter, P.C.
Kirkland & Ellis LLP
300 N. LaSalle
Chicago, IL 60654
(312) 862-2000

Steven A. Cohen
Jeffrey E. Jordan
Arent Fox LLP
1050 Connecticut Avenue, NW
Washington, DC 20036
(202) 857-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934 (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer
 (Do not check if a smaller reporting company) Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

- Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer):
- Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer):

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value \$0.01 per share, of Acadia Healthcare Company, Inc.	5,297,022(1)	N/A	\$61,530,596.32(2)	\$7,143.70(2)

- (1) Represents the maximum number of shares of common stock of Acadia Healthcare Company, Inc. (Acadia), par value \$0.01 per share, estimated to be issuable upon the completion of the proposed merger of PHC, Inc. (PHC) with and into Acadia Merger Sub, LLC., a wholly-owned subsidiary of Acadia, based on the number of shares of common stock of PHC, par value \$0.01 per share, outstanding, or reserved for issuance upon exercise of outstanding stock options and warrants, immediately prior to the merger and the exchange of each share of PHC common stock for 0.25 of a share of Acadia common stock.
- (2) Estimated solely for purposes of calculation of the registration fee in accordance with Rules 457(c) and (f) of the Securities Act of 1933, as amended, based upon the product of: (A) 21,188,088, the maximum number of shares of PHC common stock that may be exchanged in the merger for the Acadia common stock being registered, multiplied by (B) \$3.14, the average of the high and low sale prices for shares of PHC common stock as reported on NYSE Amex Stock Market on July 6, 2011, less \$5,000,000 (which represents the amount of cash that will be paid to the holders of Class B Common Stock of PHC in the transaction). Acadia is a private company and no market exists for its equity securities.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. The securities being offered by the use of this proxy statement/prospectus may not be issued until the registration statement filed with the Securities and Exchange Commission of which this proxy statement/prospectus is a part is declared effective. This proxy statement/prospectus is not an offer to sell these securities nor a solicitation of any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**PRELIMINARY PROXY STATEMENT/PROSPECTUS
SUBJECT TO COMPLETION, DATED JULY 13, 2011**

LETTER TO PHC STOCKHOLDERS

PROXY STATEMENT

PROSPECTUS

To the Stockholders of PHC, Inc.:

The Boards of Directors of PHC, Inc. (PHC) and Acadia Healthcare Company, Inc. (Acadia) have approved a merger combining PHC and Acadia.

If the merger is completed, PHC will become a wholly-owned subsidiary of Acadia. The terms of the merger agreement provide for Acadia to issue shares of its common stock to PHC stockholders in exchange for all of the outstanding shares of PHC, with holders of PHC Class A Common Stock receiving one-quarter of a share of Acadia common stock for each share of PHC common stock that they hold and holders of PHC Class B Common Stock receiving one-quarter of a share of Acadia common stock for each share of PHC Class B Common Stock that they hold and an amount of cash equal to \$5,000,000 *divided by* the aggregate number of issued and outstanding shares of PHC Class B Common Stock immediately prior to the effective time of the merger (other than (i) any shares of PHC Class B Common Stock to be cancelled pursuant to the merger agreement and (ii) any share of PHC Class B Common Stock owned by a subsidiary of PHC). Based on the number of shares of PHC Class B Common Stock outstanding as of May 23, 2011, this calculation would have resulted in a cash payment of \$6.46 per share of PHC Class B Common Stock. Upon completion of the merger, Acadia stockholders will retain 77.5% and the former PHC stockholders will own 22.5% of Acadia's common stock on a fully diluted basis (as defined in the merger agreement). All of the outstanding options and warrants to purchase PHC Class A Common Stock will be assumed by Acadia in connection with the merger. The merger is intended to qualify for federal income tax purposes as a reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended.

PHC and Acadia anticipate that concurrent with the closing of the merger, Acadia's common stock will be listed for trading on The NASDAQ National Market (NASDAQ) under the symbol . Acadia will apply for listing on NASDAQ and, in order to be listed, will be required to meet the initial listing requirements established by NASDAQ. Following the merger, PHC will be delisted from the NYSE Amex Stock Market.

You are requested, at the special meeting of PHC stockholders, to approve the merger agreement. Your vote is important. We cannot complete the merger unless the merger agreement is approved by the affirmative vote of the holders of at least (i) two-thirds of our outstanding Class A Common Stock and Class B Common Stock, voting together as a single class (with the holders of our Class A Common Stock having one vote per share and the holders of our Class B Common Stock having five votes per share), (ii) two-thirds of our outstanding Class A Common Stock, voting as a separate class and (iii) two-thirds of our outstanding Class B Common Stock, voting as a separate class. **The PHC board of directors recommends that you vote FOR approval of the merger agreement.**

The proxy statement/prospectus provides you with detailed information about Acadia, PHC, the merger agreement and the proposed merger. We encourage you to read and carefully consider the proxy statement/prospectus in its entirety. For a discussion of significant matters that should be considered before voting at the special meeting, see Risk Factors beginning on page 18.

Your vote is important regardless of the number of shares you own. Even if you plan to attend the special meeting, you may vote your shares via the toll-free telephone number or via the Internet, or you may complete, sign and date the enclosed proxy card or voting instruction card and return it in the enclosed, postage-paid envelope. Instructions regarding all three methods of voting are contained on the proxy card and voting instruction card and in the attached proxy statement/prospectus. If you attend the annual meeting and prefer to vote in person, you may do so in accordance with the procedures described in the accompanying proxy statement/prospectus. If you hold shares in the name of a brokerage firm, bank, nominee or other institution, you must provide a proxy from that institution in order to vote your shares at the special meeting, except as otherwise discussed in the proxy statement/prospectus.

Sincerely,

Bruce A. Shear
President and Chief Executive Officer

Peabody, Massachusetts
, 2011

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting: The proxy statement/prospectus is available at www.proxyvote.com.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction or the Acadia common stock to be issued in the PHC merger or determined whether this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated _____, 2011, and is first being mailed to
PHC stockholders on or about _____, 2011

Table of Contents

NOTICE OF MEETING

**PHC, Inc.
200 Lake Street
Suite 102
Peabody, Massachusetts 01960**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2011**

Dear PHC Stockholder:

You are cordially invited to attend a special meeting of Stockholders of PHC, Inc. ("PHC"), which will be held on _____, 2011, at _____ a.m., at the corporate offices of PHC, Inc., 200 Lake Street, Suite 102, Peabody, Massachusetts 01960, for the purpose of acting upon the following proposals:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of May 23, 2011, among PHC, Inc., Acadia Healthcare Company, Inc. and Acadia Merger Sub, LLC, a wholly-owned subsidiary of Acadia (the "merger agreement"), pursuant to which PHC will merge with and into Acadia Merger Sub, LLC;
2. To consider and cast an advisory vote on the compensation to be received by PHC's named executive officers in connection with the merger;
3. To consider and vote on a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of such adjournment to approve the merger agreement; and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

The PHC board of directors recommends that you vote FOR the resolution to approve the merger agreement. The PHC board of directors has fixed the close of business on _____, 2011 as the record date for determination of stockholders entitled to notice of, and to vote at, the special meeting and at any adjournments or postponements thereof.

Stockholders are entitled to appraisal rights under the Massachusetts Business Corporation Act (the "MBCA") in connection with the merger. Any stockholder seeking to assert appraisal rights should carefully follow the procedures described in the accompanying proxy statement/prospectus. A copy of the applicable provisions of the MBCA is attached as Annex B to the accompanying proxy statement/prospectus.

By order of the Board of Directors of PHC

Paula C. Wurts, Clerk

Peabody, Massachusetts

, 2011

Table of Contents

TABLE OF CONTENTS

	Page
<u>SUMMARY</u>	1
<u>Parties to the Merger</u>	1
<u>Risks Associated with Acadia, PHC and the Merger</u>	2
<u>Special Meeting</u>	2
<u>Recommendation of the PHC Board of Directors</u>	2
<u>Opinion of Stout Risius Ross, Inc.</u>	2
<u>Acadia's Financing for the Merger</u>	3
<u>Record Date</u>	3
<u>Vote Required and Voting Power</u>	3
<u>Conversion of PHC Shares</u>	4
<u>Voting Agreement</u>	4
<u>Interests of PHC's Directors and Executive Officers</u>	4
<u>Structure and Effects of the Merger</u>	5
<u>Treatment of PHC Stock Options and Warrants to Purchase PHC Stock</u>	5
<u>Completion and Effectiveness of the Merger</u>	5
<u>Restrictions on Solicitation of Alternative Transactions by PHC</u>	5
<u>Conditions to the Completion of the Merger</u>	5
<u>Termination of the Merger Agreement and Payment of Certain Termination Fees</u>	6
<u>Fees and Expenses; Expense Reimbursement</u>	6
<u>Stockholders Agreement</u>	6
<u>Material United States Federal Tax Consequences of the Merger</u>	6
<u>Accounting Treatment of the Merger</u>	7
<u>Dissenters' Rights</u>	7
<u>Surrender of PHC Stock Certificates</u>	7
<u>Regulatory Approvals</u>	7
<u>Litigation Regarding the Merger</u>	7
<u>Comparison of Acadia and PHC Stockholder Rights</u>	7
<u>Who Can Answer Other Questions</u>	8
<u>Summary Historical Condensed Consolidated Financial Data and Pro Forma Condensed Combined Financial Data</u>	9
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	14
<u>RISK FACTORS</u>	18
<u>Risks Related to the Merger</u>	18
<u>Risks Affecting Acadia, PHC and the Combined Company</u>	20
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	30
<u>SELECTED HISTORICAL FINANCIAL INFORMATION</u>	32
<u>Acadia Historical Financial Data</u>	32
<u>YFCS Historical Financial Data</u>	33
<u>PHC Historical Financial Data</u>	34
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u>	35
<u>NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u>	40
<u>COMPARATIVE PER SHARE INFORMATION</u>	45

Table of Contents

	Page
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	46
<u>PHC</u>	46
<u>Acadia</u>	46
<u>THE SPECIAL MEETING OF PHC STOCKHOLDERS</u>	47
<u>Date, Time and Place</u>	47
<u>Matters to be Considered at the Special Meeting of PHC Stockholders</u>	47
<u>Record Date</u>	47
<u>Votes Required</u>	47
<u>Quorum and Abstentions</u>	48
<u>Recommendation of Board of Directors</u>	48
<u>Solicitation of Proxies</u>	48
<u>Voting of Proxies</u>	48
<u>THE MERGER</u>	50
<u>General Description of the Merger</u>	50
<u>Background of the Merger</u>	50
<u>Acadia's Reasons for the Merger</u>	54
<u>PHC's Reasons for the Merger</u>	55
<u>The Recommendation of the PHC Board of Directors</u>	57
<u>Opinion of Stout Risius Ross, Inc.</u>	57
<u>Certain Financial Forecasts</u>	67
<u>Acadia's Financing for the Merger</u>	72
<u>Accounting Treatment</u>	72
<u>Material United States Federal Income Tax Consequences of the Merger</u>	72
<u>Appraisal Rights</u>	75
<u>Federal Securities Laws Consequences</u>	77
<u>Interests of PHC's Directors and Executive Officers</u>	77
<u>Regulatory Approvals</u>	79
<u>Litigation Relating to the Merger</u>	79
<u>THE MERGER AGREEMENT</u>	79
<u>Structure of the Merger</u>	80
<u>Effective Time of the Merger</u>	80
<u>Managers and Officers</u>	80
<u>Conversion of PHC Shares</u>	80
<u>Assumption of Stock Options</u>	80
<u>Assumption of Warrants</u>	81
<u>Acadia Common Stock Split</u>	81
<u>Acadia Dividend</u>	81
<u>Termination of Acadia Professional Services Agreement</u>	81
<u>Fractional Shares</u>	81
<u>Surrender of PHC Certificates</u>	81
<u>United States Tax Consequences</u>	82
<u>Dissenters' Rights</u>	82
<u>Representations and Warranties</u>	82
<u>Conduct of Business Prior to the Completion of the Merger</u>	83

Table of Contents

	Page
<u>Additional Agreements</u>	84
<u>PHC Stockholder Meeting</u>	85
<u>Access to Information; Confidentiality</u>	85
<u>Solicitation by PHC</u>	85
<u>Directors and Officers Indemnification and Insurance</u>	87
<u>Employee Matters</u>	87
<u>Further Action</u>	88
<u>Update Disclosure; Breaches</u>	88
<u>Stock Exchange Listing</u>	88
<u>Section 16 Matters</u>	88
<u>Takeover Statutes</u>	89
<u>Deregistration</u>	89
<u>Tax Free Reorganization Treatment</u>	89
<u>Public Announcements</u>	89
<u>Transfer Taxes</u>	89
<u>Other Actions</u>	89
<u>Financing</u>	89
<u>PHC Stock Purchase Plans</u>	90
<u>Peabody Office</u>	90
<u>Company Name</u>	90
<u>Conditions to the Merger</u>	90
<u>Termination of the Merger Agreement</u>	92
<u>Expense Reimbursement</u>	94
<u>Termination Fee</u>	94
<u>Fees and Expenses</u>	94
<u>Amendment, Extension and Waiver</u>	95
<u>Material Adverse Effect</u>	95
<u>THE VOTING AGREEMENT</u>	96
<u>ACADIA MANAGEMENT AFTER THE MERGER</u>	98
<u>Management and Board of Directors</u>	98
<u>Controlled Company</u>	100
<u>Acadia Board of Directors Composition</u>	100
<u>Committees of the Acadia Board of Directors</u>	101
<u>Compensation Discussion and Analysis</u>	102
<u>Executive Compensation Tables</u>	110
<u>Director Compensation</u>	114
<u>ACADIA BUSINESS DESCRIPTION</u>	115
<u>ACADIA MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	127
<u>ACADIA PRINCIPAL STOCKHOLDERS</u>	139
<u>ACADIA INTERESTED TRANSACTIONS</u>	140
<u>PHC BUSINESS DESCRIPTION</u>	144
<u>PHC MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	158
<u>PHC PRINCIPAL STOCKHOLDERS</u>	170

Table of Contents

	Page
<u>PHC INTERESTED TRANSACTIONS</u>	171
<u>DESCRIPTION OF ACADIA CAPITAL STOCK</u>	172
<u>BENEFICIAL OWNERSHIP OF ACADIA COMMON STOCK AFTER THE MERGER</u>	177
<u>STOCKHOLDERS AGREEMENT</u>	179
<u>COMPARISON OF STOCKHOLDERS RIGHTS</u>	182
<u>LEGAL MATTERS</u>	195
<u>EXPERTS</u>	195
<u>NON-BINDING VOTE REGARDING CHANGE OF CONTROL PAYMENTS</u>	196
<u>THE ADJOURNMENT PROPOSAL</u>	197
<u>STOCKHOLDER PROPOSALS</u>	197
<u>INDEMNIFICATION FOR SECURITIES ACT LIABILITIES</u>	197
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	198
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1
<u>FINANCIAL STATEMENTS</u>	F-3
<u>ANNEX A AGREEMENT AND PLAN OF MERGER</u>	A-1
<u>ANNEX B MASSACHUSETTS APPRAISAL RIGHT STATUTE</u>	B-1
<u>ANNEX C OPINION OF STOUT RISIUS ROSS, INC.</u>	C-1
<u>ANNEX D AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ACADIA</u>	D-1
<u>ANNEX E AMENDED AND RESTATED BY-LAWS OF ACADIA</u>	E-1
<u>EX-3.1</u>	
<u>EX-3.2</u>	
<u>EX-4.2</u>	
<u>EX-5.1</u>	
<u>EX-8.1</u>	
<u>EX-8.2</u>	
<u>EX-10.1</u>	
<u>EX-10.2</u>	
<u>EX-10.3</u>	
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-10.6</u>	
<u>EX-10.7</u>	
<u>EX-10.8</u>	
<u>EX-10.9</u>	
<u>EX-10.10</u>	
<u>EX-10.11</u>	
<u>EX-10.12</u>	
<u>EX-10.13</u>	
<u>EX-10.14</u>	
<u>EX-10.15</u>	
<u>EX-10.24</u>	
<u>EX-10.25</u>	
<u>EX-21.1</u>	
<u>EX-23.3</u>	
<u>EX-23.4</u>	
<u>EX-23.5</u>	
<u>EX-23.6</u>	
<u>EX-99.1</u>	
<u>EX-99.2</u>	
<u>EX-99.3</u>	
<u>EX-99.4</u>	

Table of Contents

SUMMARY

This summary highlights selected information contained elsewhere in this proxy statement/prospectus relating to the merger. To understand the merger and related transactions fully and for a more complete description of the merger and other transactions contemplated by the merger agreement, you should carefully read this entire proxy statement/prospectus as well as the additional documents to which it refers, including the merger agreement attached to this proxy statement/prospectus as Annex A. For instructions on obtaining more information, see Who Can Answer Other Questions on page 8.

Parties to the Merger (See pages 115 and 143)

Acadia Healthcare Company, Inc. (Acadia). Founded in December 2005, Acadia is a leading provider of behavioral health care services in the United States. Acadia operates 19 inpatient behavioral health care facilities in 13 states. On April 1, 2011, Acadia acquired Youth & Family Centered Services, Inc. (YFCS), the largest private, for-profit provider of behavioral health, education and long term support services exclusively for abused and neglected children and adolescents. YFCS services include residential treatment care, community-based services, acute care, specialized education services, therapeutic group homes, therapeutic foster care and medical and behavioral services. The address of Acadia's principal executive offices is 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.

Acadia Merger Sub, LLC (Merger Sub). Acadia Merger Sub, LLC is a wholly-owned subsidiary of Acadia that was recently formed in Delaware solely for the purpose of completing the merger. It does not conduct any business and has no material assets. Its principal executive offices have the same address and telephone number as Acadia.

PHC, Inc. (PHC). PHC is a national healthcare company, which, through wholly-owned subsidiaries, provides psychiatric services to individuals who have behavioral health disorders, including alcohol and drug dependency, and to individuals in the gaming and transportation industries. PHC's subsidiaries operate various substance abuse treatment and psychiatric facilities in Delaware, Michigan, Nevada, Pennsylvania, Utah and Virginia. PHC provides management, administrative and help line services through contracts with major railroads and operates a call center through a contract with Wayne County, Michigan. PHC also operates a website, Wellplace.com, which provides education and training for behavioral health professionals and internet support services to all of PHC's subsidiaries. On July 1, 2011, PHC acquired substantially all of the assets of HHC Delaware, Inc. and its subsidiary (HHC Delaware), relating to MeadowWood Behavioral Health System (the assets acquired are referred to in this proxy statement/prospectus as MeadowWood), an acute care psychiatric hospital located in New Castle, Delaware, with 58 beds providing services to adults suffering with mental illness and substance abuse. PHC was incorporated in 1976 and is a Massachusetts corporation with corporate offices located at 200 Lake Street, Suite 102, Peabody, MA 01960.

The Combined Company. The combined company's corporate name will be Acadia Healthcare Company, Inc. Acadia will do business as Pioneer Behavioral Health following the effective time of the merger. Acadia's principal executive office located in Franklin, Tennessee will be the combined company's principal executive office. Upon the completion of the merger, Acadia stockholders will own 77.5% and PHC stockholders will own 22.5% of the combined company's issued and outstanding common stock on a fully diluted basis. Fully diluted (as defined in the merger agreement and as used in this proxy statement/prospectus with respect to a party's post-closing ownership percentage in the combined company) means the sum of (i) the aggregate number of shares of Acadia common stock issued and outstanding immediately prior to the effective time of the merger, plus (ii) the aggregate number of shares of Acadia common stock into which shares of PHC Class A Common Stock and Class B Common Stock issued and outstanding immediately prior to the effective time of the merger will be converted in accordance with the merger agreement, plus (iii) the aggregate number of shares of Acadia common stock issuable pursuant to PHC stock options and warrants

issued and outstanding immediately prior to the effective time of the merger that have an exercise price equal to or less than the average per share closing prices of PHC Class A Common Stock as reported on AMEX for the ten full trading days ending on May 20, 2011. Acadia intends to apply for listing of its common stock to be issued in the merger on NASDAQ. Joey A. Jacobs, the Chairman and Chief Executive Officer of Acadia, will become the Chairman and Chief Executive Officer of the combined company.

Table of Contents

Bruce A. Shear, President & Chief Executive Officer of PHC, will become the Executive Vice Chairman and a member of the board of directors of the combined company.

From and after the effective time of the merger, unless otherwise contemplated by Acadia's certificate of incorporation, the authorized number of directors on the Acadia board of directors will be established and maintained at 12, and the Acadia board of directors will be divided into three classes designated as Class I, Class II and Class III. The term of office of the initial Class I directors will expire at the first annual meeting of stockholders after the merger, the term of office of the initial Class II directors will expire at the second succeeding annual meeting of stockholders after the merger and the term of office of the initial Class III directors will expire at the third succeeding annual meeting of the stockholders after the merger. At each annual meeting of stockholders after the merger, directors elected to replace those of a class whose terms expire at such annual meeting will be elected to hold office until the third succeeding annual meeting after their election and until their respective successors will have been duly elected and qualified.

The following persons will be appointed to the Acadia board of directors as of immediately prior to the effective time of the merger and nominated for re-election and elected to the Acadia board of directors as follows: (i) Mr. Jacobs, as a Class III director and, after the expiration of his initial term as a director, for so long as he serves as the chief executive officer of Acadia or any of its subsidiaries; (ii) Mr. Shear, as a Class III director and, after the expiration of his initial term as a director, for one additional three-year term as a Class III director; (iii) three representatives who meet the applicable director independence requirements of NASDAQ or any other securities exchange on which the securities of Acadia may be listed from time to time, one of whom will be William F. Grieco, a Class II director designated by Mr. Shear and a current director of PHC, and two of whom will be Class III directors designated by the Acadia board of directors; and (iv) (A) so long as Waud Capital Partners, L.L.C. and certain of its affiliates (collectively, "Waud Capital Partners") retain voting control over at least 50% of the outstanding voting securities of Acadia, Waud Capital Partners will designate seven directors, four of which will be Class I directors and three of which will be Class II directors and (B) in the event Waud Capital Partners ceases to have voting control over at least 50% of the outstanding voting securities of Acadia, Waud Capital Partners will designate such number of directors of the total authorized number of directors in proportion to the total number of shares of Acadia over which Waud Capital Partners retains voting control relative to the total number of shares of Acadia then issued and outstanding (with the number of representatives rounded up to the next whole number in all cases); provided that all such rights will terminate when Waud Capital Partners ceases to hold at least 17.5% of Acadia's outstanding voting securities.

Risks Associated with Acadia, PHC and the Merger (See page 18)

The merger poses a number of risks to each company and its respective stockholders. In addition, both Acadia and PHC are subject to various risks associated with their businesses and their industry. These risks are discussed in detail under the caption "Risk Factors" beginning on page 18. You are encouraged to read and consider all of these risks carefully.

Special Meeting of the PHC Stockholders (See page 48)

The purpose of the special meeting is to hold a vote on the merger agreement and related matters. The special meeting will be held on _____, 2011, at _____ a.m., local time, at PHC's headquarters located at 200 Lake Street, Suite 102, Peabody, MA 01960.

Recommendation of the PHC Board of Directors (See page 48)

After careful consideration, the PHC board of directors has unanimously approved the merger agreement (with Mr. Shear abstaining) and has determined that the merger agreement is fair to, and in the best interests of, the stockholders of PHC. Therefore, the PHC board of directors recommends PHC stockholders vote FOR the approval of

the merger agreement.

Opinion of Stout Risius Ross, Inc. (See page 57)

In connection with the merger, Stout Risius Ross, Inc. (SRR) delivered a written opinion to the PHC board of directors as to the fairness, from a financial point of view, as of the date of their opinion, to the holders of PHC s

Table of Contents

Class A Common Stock and Class B Common Stock (collectively, the PHC common stock), of the merger consideration to be received by such holders (in the aggregate), and to the holders of PHC's Class A Common Stock, of the merger consideration to be received by such holders (in the aggregate). The full text of SRR's written opinion, dated May 19, 2011, is attached hereto as Annex C. You are encouraged to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. SRR's opinion is addressed to the PHC board of directors and does not constitute a recommendation to any stockholder as to any matters relating to the merger.

Acadia's Financing for the Merger (See page 72)

In connection with the merger, Acadia has entered into a second amendment, dated July 12, 2011 (the Second Amendment), to its senior secured credit facility (the Senior Secured Credit Facility). The Second Amendment will, among other things, permit the merger and other transactions contemplated by the merger agreement. The effectiveness of the Second Amendment is subject to certain closing conditions as described in Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources Following the Merger, including consummation of the merger and related transactions on or prior to December 15, 2011.

In connection with the merger agreement, Acadia received an amended and restated debt commitment letter, dated July 12, 2011 (the Debt Commitment Letter), from Jefferies Finance LLC (Jefferies Finance) to provide a senior unsecured bridge loan facility of up to \$150 million in the event that \$150 million of senior unsecured notes (the Senior Notes) are not issued by Acadia to finance the merger (the Bridge Facility). Net proceeds from the issuance of \$150 million of Senior Notes or, if the Senior Notes are not issued, drawings under the \$150 million Bridge Facility will be used, in addition to existing cash balances, to pay the aggregate \$5.0 million in cash payable to holders of PHC Class B Common Stock in connection with the merger, pay a dividend to Acadia's existing stockholders, refinance certain existing indebtedness of PHC and pay fees and expenses incurred in connection with the merger.

The Bridge Facility commitment is subject to certain closing conditions described under Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources Following the Merger. The Bridge Facility commitment will terminate on December 15, 2011 if the closing of the Bridge Facility has not been consummated on or before such date or if the merger agreement has been terminated or if the merger has been abandoned. In addition, the commitments to provide and arrange unsecured bridge loans will terminate upon the issuance of the Senior Notes.

Each of Acadia and PHC is obligated under the merger agreement to use its reasonable best efforts to arrange the debt financing on the terms contemplated. The receipt of the debt financing on the terms and conditions set forth in the Debt Commitment Letter is a condition to the obligation of both Acadia and PHC to consummate the merger.

Record Date (See page 47)

The PHC board of directors has fixed the close of business on _____, 2011, as the record date for determining the holders of PHC's Class A Common Stock and Class B Common Stock entitled to notice of and to vote at the special meeting. As of the record date, PHC had _____ shares of Class A Common Stock and _____ shares of Class B Common Stock outstanding.

Vote Required and Voting Power (See page 47)

PHC stockholders are being asked to vote on a proposal to approve the merger agreement. The merger agreement provides that it is a condition to completion of the merger that the proposal to approve the merger agreement be

approved by the stockholders of PHC. Approval of this proposal requires an affirmative vote of (i) at least two-thirds of the outstanding Class A Common Stock and Class B Common Stock entitled to vote, voting as a single class, (ii) at least two-thirds of the outstanding Class A Common Stock entitled to vote, voting as a single class and (iii) at least two-thirds of the outstanding Class B Common Stock entitled to vote, voting as a single class.

Each record holder of shares of PHC Class A Common Stock will be entitled at the special meeting to one vote for each share of PHC Class A Common Stock held on the record date. Each record holder of shares of PHC Class B

Table of Contents

Common Stock will be entitled at the special meeting to five votes for each share of PHC Class B Common Stock held on the record date on any matter on which they vote together with the holders of the Class A Common Stock.

Conversion of PHC Shares (See page 80)

Each share of PHC Class A Common Stock issued and outstanding immediately prior to the effective time (other than (i) any shares of PHC Class A Common Stock to be cancelled pursuant to the merger agreement, (ii) any shares of PHC Class A Common Stock owned by any PHC subsidiary and (iii) any shares held by stockholders that properly demand and perfect their appraisal rights under the Massachusetts Business Corporation Act (MBCA) and the merger agreement (Excluded Shares)) will be converted into and become exchangeable for one-quarter (1/4) of one fully paid and nonassessable share of Acadia common stock, par value \$0.01 per share. Each share of PHC Class B Common Stock issued and outstanding immediately prior to the effective time (other than the Excluded Shares) will be converted into and become exchangeable for (x) one-quarter (1/4) of one fully paid and nonassessable share of Acadia common stock, par value \$0.01 per share and (y) an amount of cash equal to \$5.0 million *divided by* the aggregate number of issued and outstanding shares of PHC Class B Common Stock immediately prior to the effective time of the merger (other than (i) any shares of PHC Class B Common Stock to be cancelled pursuant to the merger agreement and (ii) any share of PHC Class B Common Stock owned by a subsidiary of PHC). Based on the number of shares of PHC Class B Common Stock outstanding as of May 23, 2011, this calculation would have resulted in a cash payment of \$6.46 per share of PHC Class B Common Stock.

Voting Agreement (See page 96)

The directors and executive officers of PHC, who as of May 23, 2011 held in the aggregate approximately 11% of the outstanding PHC Class A Common Stock, 93.2% of PHC Class B Common Stock and 24.8% of the outstanding voting power of the PHC Class A Common Stock and the PHC Class B Common Stock voting together as a single class, have agreed to vote their shares in favor of approval of the merger agreement.

Interests of PHC's Directors and Executive Officers (See page 77)

Upon completion of the merger and the issuance of Acadia common stock in the merger, the directors and executive officers of PHC will collectively beneficially own approximately 3.2% of the outstanding stock of Acadia, calculated on the basis set forth under Beneficial Ownership of Acadia Common Stock After the Merger.

The directors and executive officers of PHC have interests in the merger that are different from, and in addition to, the interests of PHC stockholders generally.

Pursuant to the merger agreement, upon completion of the merger, holders of PHC's Class B Common Stock will collectively receive cash consideration in the merger of \$5.0 million. Mr. Shear, PHC's current Chief Executive Officer, beneficially owns approximately 93.2% of PHC's Class B Common Stock and will be entitled to receive cash merger consideration of approximately \$4.7 million.

Mr. Shear, Robert H. Boswell, PHC's current Senior Vice President, and Paula C. Wurts, PHC's current Chief Financial Officer, are participants in the PHC change-in-control supplemental benefit plan for certain executive employees. Pursuant to such plan, upon the closing of the merger, Mr. Shear, Mr. Boswell and Ms. Wurts are entitled to receive change in control payments of approximately \$1,530,000, \$465,000 and \$408,000, respectively, payable as soon as practicable, but in no event later than 30 days, following the date of the closing of the merger.

Mr. Shear, Mr. Boswell and Ms. Wurts hold stock options to purchase shares of PHC Class A Common Stock, subject to various vesting provisions. Pursuant to the merger agreement, upon completion of the merger, Acadia will assume

these options in accordance with their existing terms, with the number of shares and the exercise prices adjusted in accordance with the merger exchange rate. Mr. Shear currently holds 170,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share, Mr. Boswell currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share and Ms. Wurts currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share.

Upon the closing of the merger, notwithstanding the terms and conditions of the corresponding PHC stock option plan or as otherwise set forth in a stock option agreement, with respect to the assumed PHC options granted

Table of Contents

to current PHC directors, (i) all such assumed options (other than those held by Mr. Shear) will be fully vested at closing, and (ii) such assumed options will not terminate as a result of such holder ceasing or failing to be a director or employee and will be fully exercisable at any time prior to the expiration of the option term.

After the closing of the merger, Messrs. Shear and Boswell are expected to be employed by the combined company pursuant to employment agreements which are to become effective upon the closing of the merger.

Upon the closing of the merger, Mr. Shear will join the Acadia board of directors. In addition, upon the closing of the merger, Mr. Shear will become Acadia's Executive Vice Chairman. After the closing of the merger, Messrs. Shear and Boswell may receive stock options to purchase shares of Acadia common stock.

Structure and Effects of the Merger (See page 80)

At the completion of the merger, PHC will be merged with and into Merger Sub, and Merger Sub will continue as the surviving company of the merger and a wholly-owned subsidiary of Acadia.

Treatment of PHC Stock Options and Warrants to Purchase PHC Stock (See pages 80 and 81)

After the completion of the merger, each outstanding PHC option granted under PHC's stock option plans will be assumed by Acadia and will be converted into an option to purchase one-quarter of one share of Acadia common stock and each warrant to purchase one share of PHC stock will be assumed by Acadia and will be converted into a warrant to purchase one-quarter of one share of Acadia common stock. Except with respect to stock options previously granted to PHC directors (other than Mr. Shear), as further described in The Merger Agreement Assumption of Stock Options, each assumed option and warrant will be subject to the same terms and conditions (including expiration date and exercise provisions as contemplated by the applicable award agreement) as were applicable to the corresponding option or warrant, as applicable, immediately prior to the effective time of the merger.

Completion and Effectiveness of the Merger (See page 80)

Acadia and PHC expect to complete the merger when all of the conditions to completion of the merger contained in the merger agreement have been satisfied or waived. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware and the Secretary of the Commonwealth of Massachusetts.

Acadia and PHC are working toward satisfying the conditions to the merger, and hope to complete the merger in the third quarter of 2011.

Restrictions on Solicitation of Alternative Transactions by PHC (See page 85)

The merger agreement contains restrictions on the ability of PHC to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in the equity or assets of PHC. Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances, if PHC receives an unsolicited proposal from a third party to acquire a significant interest in PHC that PHC may engage in discussions or negotiations with a third party if the PHC board of directors determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable laws, and the PHC board of directors determines in good faith, based on the information then available and after consultation with its independent financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal.

Conditions to the Completion of the Merger (See page 90)

Acadia's and PHC's obligations to complete the merger are subject to certain conditions described under the heading "The Merger Agreement - Conditions to the Merger."

Table of Contents

Termination of the Merger Agreement and Payment of Certain Termination Fees (See page 92)

Acadia and PHC may terminate the merger agreement by mutual agreement and under certain other circumstances. Acadia and PHC have agreed that if the merger agreement is terminated under the circumstances described under The Merger Agreement Termination Fee, PHC will pay Acadia \$3,000,000 in fees.

Fees and Expenses; Expense Reimbursement (See pages 94 and 95)

The merger agreement provides that, except in circumstances described below, regardless of whether the merger is completed, Acadia and PHC will each pay their own expenses incurred in connection with the merger, except that Acadia and PHC will pay 75% and 25%, respectively, of all fees and expenses, other than attorneys' and accountants' fees, incurred in relation to the printing and filing with the Securities and Exchange Commission (the SEC) of the registration statement of which this proxy statement/prospectus is a part, the proxy statement/prospectus and any amendments or supplements to any of such filings, the filing fees under any applicable antitrust law or regulation or state blue sky laws or the listing fees incurred in obtaining (or attempting to obtain) listing and/or eligibility on NASDAQ or another national securities exchange.

In the event the merger agreement is terminated by PHC due to the fact that Acadia or Merger Sub has breached any of its covenants, agreements, representations or warranties set forth in the merger agreement such that a condition related to PHC's obligation to close would not be satisfied, then Acadia will pay all of PHC's reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by PHC and its affiliates on or prior to the termination of merger agreement in connection with the transactions contemplated by the merger agreement, which amount will in no event exceed \$1,000,000 in the aggregate and shall be paid in four annual installments, with the first annual installment due within two business days of such termination, and the remaining payments being made on the first, second and third anniversary of such termination date.

In the event the merger agreement is terminated by Acadia under circumstances in which the termination fee is not then payable, due to the fact that (i) PHC has breached any of its covenants, agreements, representations or warranties such that a condition related to Acadia's obligation to close would not be satisfied or (ii) the supplement to the disclosure schedules delivered to Acadia in connection with PHC's recent acquisition of MeadowWood would cause a breach of a PHC representation or warranty such that a condition related to Acadia's obligation to close would not be satisfied, then PHC will pay all of Acadia's reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by Acadia and its affiliates on or prior to the termination of the merger agreement in connection with the transactions contemplated by the merger agreement, which amount will in no event exceed \$1,000,000 in the aggregate and shall be paid in four annual installments, with the first annual installment due within two business days of such termination, and the remaining payments being made on the first, second and third anniversary of such termination date.

Stockholders Agreement (See page 178)

Acadia, certain members of Acadia's management and Waud Capital Partners and certain of its affiliates will enter into a stockholders agreement in connection with the consummation of the merger. The stockholders agreement will contain certain voting agreements and transfer restrictions with respect to equity of Acadia held by the stockholders party to the stockholders agreement and impose certain negative and affirmative covenants on Acadia and its subsidiaries. The stockholders agreement will also grant certain board nomination, information and consent rights to Waud Capital Partners. See Stockholders Agreement for a description of the agreement.

Material United States Federal Tax Consequences of the Merger (See page 72)

The closing of the merger is conditioned upon the receipt by Acadia and PHC of opinions that the merger will constitute a reorganization for United States federal income tax purposes and that Acadia and PHC will be parties to the reorganization for United States federal income tax purposes. Assuming the merger constitutes a reorganization, subject to the limitations and qualifications described in The Merger Material United States Federal Income Tax Consequences of the Merger, PHC stockholders whose shares of PHC common stock are exchanged in the merger solely for shares of Acadia common stock will not recognize capital gain or loss for United States federal income tax purposes on the exchange (except to the extent they receive cash in lieu of a fractional share of Acadia

Table of Contents

common stock), and PHC stockholders whose shares of PHC common stock are exchanged in the merger for shares of Acadia common stock and cash will recognize capital gain (but not loss) realized on the exchange in an amount not exceeding the amount of cash received (excluding cash received in lieu of a fractional share of Acadia common stock). This tax treatment may not apply to certain PHC stockholders, as described in The Merger Material United States Federal Income Tax Consequences of the Merger. Determining the actual tax consequences of the merger to you may be complex and will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences to you of the merger, including estate, gift, state, local or non-United States tax consequences of the merger.

Accounting Treatment of the Merger (See page 72)

In accordance with accounting principles generally accepted in the United States of America (GAAP), Acadia will account for the acquisition of shares of PHC Class A Common Stock and Class B Common Stock through the merger under the acquisition method of accounting for business combinations.

Dissenters Rights (See page 82)

Holders of shares of PHC Class A Common Stock and Class B Common Stock that are issued and outstanding immediately prior to the effective time who have not voted in favor of or consented in writing to the merger and who have properly demanded and perfected their rights to be paid the fair value of such shares in accordance with Section 13.02 of the MBCA, will not have such shares converted into or exchangeable for the right to receive merger consideration and will be entitled only to receive payment of the fair value of such shares, in accordance with Section 13.02 of the MBCA, unless and until such stockholder withdraws or effectively loses the right to dissent.

Surrender of PHC Stock Certificates (See page 81)

Following the effective time of the merger, Acadia will cause a letter of transmittal to be mailed to all holders of PHC Class A Common Stock and Class B Common Stock containing instructions for surrendering their certificates. Certificates should not be surrendered until the letter of transmittal is received, fully completed and returned as instructed in the letter of transmittal.

Regulatory Approvals (See page 79)

Notification will be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated thereunder by the Federal Trade Commission (the FTC), if the market price of the voting securities of PHC calculated pursuant to the HSR Act as the lowest closing quotation within 45 calendar days prior to the closing of the merger, exceeds \$66 million. If notification is required, the merger cannot be completed until each of Acadia and PHC file a notification and report form with the FTC and the Antitrust Division of the Department of Justice under the HSR Act and the applicable waiting period has expired or been terminated.

Acadia and/or PHC currently intend to obtain approvals from, file new license and/or permit applications with, or provide notice to applicable governmental authorities in connection with the merger. The approval of such governmental authorities, if any, is not a condition to Acadia or PHC s obligation to complete the merger except where the failure to obtain any such approval would reasonably be expected to have a Pioneer Material Adverse Effect or an Acadia Material Adverse Effect (each as defined in the merger agreement) or a material adverse effect on the parties ability to consummate such transactions.

Litigation Regarding the Merger (See page 79)

In connection with the merger, a putative stockholder class action lawsuit has been filed in Massachusetts state court. A second lawsuit has also been filed in federal district court in Massachusetts making essentially the same allegations against the same defendants. PHC, Acadia and Merger Sub believe that these lawsuits are without merit and intend to defend them vigorously.

Comparison of Acadia and PHC Stockholder Rights (See page 181)

Upon completion of the merger, PHC stockholders will become stockholders of Acadia. The internal affairs of Acadia will be governed by Acadia's amended and restated certificate of incorporation and amended and restated bylaws attached hereto as Annexes D and E. The internal affairs of PHC are governed by PHC's restated articles of

Table of Contents

organization and bylaws. Due to differences between the governing documents of Acadia and PHC, the merger will result in PHC stockholders having different rights once they become Acadia stockholders.

Who Can Answer Other Questions (See page 48)

If you have any questions about the mergers or the other transactions contemplated by the merger agreement or, if you are a PHC stockholder, how to submit your proxy or would like additional copies of this proxy statement/prospectus, you should contact PHC's proxy solicitor:

Georgeson Inc.

199 Water Street, 26th Floor

New York, New York 10038-3560

Banks and Brokers Call (212) 440-9800

All Others Call Toll-Free (888) 658-3624

Table of Contents**Summary Historical Condensed Consolidated Financial Data and Pro Forma Condensed Combined Financial Data*****Acadia Historical Financial Data***

The following table sets forth summary historical condensed consolidated financial data for Acadia Healthcare Company, LLC and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to the YFCS acquisition or the consummation of the merger. Acadia has derived the historical consolidated financial data as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from Acadia Healthcare Company, LLC's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of and for the three months ended March 31, 2010 and 2011 from Acadia Healthcare Company, LLC's unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from Acadia Healthcare Company, LLC's audited consolidated financial statements not included in this proxy statement/prospectus. The results for the three months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The summary consolidated financial data below should be read in conjunction with Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Combined Financial Statements and Acadia Healthcare Company, LLC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus. On May 13, 2011, Acadia Healthcare Company, LLC elected to convert to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

	Year Ended December 31,			Three Months Ended	
	2008	2009	2010	2010	2011
	(\$ in thousands)				
Income Statement Data:					
Net patient service revenue	\$ 33,353	\$ 51,821	\$ 64,342	\$ 15,964	\$ 17,584
Salaries, wages and benefits	22,342	30,752	36,333	9,119	10,107
Professional fees	952	1,977	3,612	617	3,261
Provision for doubtful accounts	1,804	2,424	2,239	636	734
Other operating expenses	8,328	12,116	13,286	3,269	3,539
Depreciation and amortization	740	967	976	235	243
Interest expense, net	729	774	738	177	223
Income (loss) from continuing operations, before income taxes	(1,542)	2,811	7,158	1,911	(523)
Income tax provision (benefit)	20	53	477	442	(271)
Income (loss) from continuing operations	(1,562)	2,758	6,681	1,469	(252)
(Loss) income from discontinued operations, net of income taxes	(156)	119	(471)	68	8
Net income (loss)	\$ (1,718)	\$ 2,877	\$ 6,210	\$ 1,537	\$ (244)

	2008	December 31, 2009	2010	March 31, 2010	2011
	(\$ in thousands)				
Balance Sheet Data (as of end of period):					
Cash and equivalents	\$ 45	\$ 4,489	\$ 8,614	\$ 3,842	\$ 8,028
Total assets	32,274	41,254	45,412	40,334	47,137
Total debt	11,062	10,259	9,984	10,181	9,963
Total members' equity	15,817	21,193	25,107	22,247	24,491

YFCS Historical Financial Data

The following table sets forth summary historical condensed consolidated financial data for YFCS and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to Acadia's

Table of Contents

acquisition of YFCS or the consummation of the merger. Acadia has derived the historical consolidated financial data as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from YFCS audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of and for the three months ended March 31, 2010 and 2011 from YFCS unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from YFCS audited consolidated financial statements not included in this proxy statement/prospectus. The results for the three months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may have been expected for the entire fiscal year. The summary financial data below should be read in conjunction with Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations YFCS Acquisition and Unaudited Pro Forma Condensed Combined Financial Statements and YFCS consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	(\$ in thousands)				
Income Statement Data:					
Revenue	\$ 180,646	\$ 186,586	\$ 184,386	\$ 45,489	\$ 45,686
Salaries and benefits	110,966	113,870	113,931	27,813	29,502
Other operating expenses	37,704	37,607	38,146	8,944	9,907
Provision for bad debts	1,902	(309)	525	56	208
Interest expense	12,488	9,572	7,514	1,954	1,726
Depreciation and amortization	9,419	7,052	3,456	914	819
Impairment of goodwill			23,528		
Income (loss) from continuing operations, before income taxes	8,167	18,794	(2,714)	5,808	3,524
Provision for income taxes	3,132	7,133	5,032	2,267	1,404
Income (loss) from continuing operations	5,035	11,661	(7,746)	3,541	2,120
Income (loss) from discontinued operations, net of income taxes	964	(1,443)	(4,060)	(151)	(64)
Net income (loss)	\$ 5,999	\$ 10,218	\$ (11,806)	\$ 3,390	\$ 2,056

	2008	December 31,		March 31,	
		2009	2010	2010	2011
	(\$ in thousands)				
Balance Sheet Data (as of end of period):					
Cash and equivalents	\$ 20,874	\$ 15,294	\$ 5,307	\$ 8,570	\$ 4,009
Total assets	271,446	254,620	217,530	249,748	216,609
Total debt	138,234	112,127	86,073	98,831	84,304

Total stockholders equity	102,696	113,921	102,126	117,311	104,182
---------------------------	---------	---------	---------	---------	---------

Table of Contents**PHC Historical Financial Data**

The following table sets forth summary historical condensed consolidated financial data for PHC and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to the recently completed MeadowWood acquisition completed on July 1, 2011 or the consummation of the merger. PHC has derived the historical consolidated financial data as of June 30, 2009 and 2010 and for each of the two years in the period ended June 30, 2010 from PHC's audited financial statements included elsewhere in this proxy statement/prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia's financial information. PHC has derived the historical consolidated financial data as of June 30, 2008 and for the year ended June 30, 2008 from PHC's audited financial statements not included in this proxy statement/prospectus. PHC has derived the summary consolidated financial data as of and for the nine months ended March 31, 2010 and 2011 from PHC's unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. The results for the nine months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The summary financial data below should be read in conjunction with the PHC Management's Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Condensed Combined Financial Statements and PHC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Fiscal Year Ended June 30,			Nine Months Ended	
	2008	2009	2010	2010	2011
	(\$ in thousands)			(Unaudited)	(Unaudited)
Income Statement Data:					
Revenues	\$ 45,397	\$ 46,411	\$ 53,077	\$ 39,044	\$ 45,159
Patient care expenses	22,133	23,835	26,307	19,454	22,099
Contract expenses	3,390	3,016	2,965	2,203	2,543
Provision for doubtful accounts	1,311	1,638	2,131	1,476	2,348
Administrative expenses	15,465	18,721	19,111	14,260	15,228
Legal settlement					446
Operating income (loss)	3,098	(799)	2,563	1,651	2,495
Other income including interest expense, net	(148)	(177)	(37)	1	(141)
Income (loss) before income taxes	2,950	(976)	2,526	1,652	2,354
Provision for (benefit from) income taxes	1,366	65	1,106	671	1,108
Net income (loss) from continuing operations	1,584	(1,041)	1,420	981	1,246
Net income (loss) from discontinued operations	(1,259)	(1,413)			
Net income (loss)	\$ 325	\$ (2,454)	\$ 1,420	\$ 981	\$ 1,246

June 30,**March 31,**

	2008	2009	2010	2010	2011
			(\$ in thousands)		
			(Unaudited)		(Unaudited)
Balance Sheet Data (as of end of period):					
Cash and equivalents	\$ 3,142	\$ 3,199	\$ 4,540	\$ 3,267	\$ 2,804
Total assets	26,507	22,692	25,207	24,892	26,174
Total debt	2,422	2,241	2,557	2,542	2,126
Total stockholders' equity	18,659	16,044	17,256	16,946	18,489

Table of Contents

Summary Unaudited Pro Forma Condensed Combined Financial Data

The following summary unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2011 and year ended December 31, 2010 reflect (i) Acadia's acquisition of YFCS on April 1, 2011, (ii) PHC's acquisition of MeadowWood on July 1, 2011 and (iii) consummation of the merger and related transactions, each as if they had occurred on January 1, 2010. The following unaudited pro forma condensed combined balance sheet data as of March 31, 2011 reflects the YFCS and MeadowWood acquisitions and the consummation of the merger and related transactions as if each had occurred on March 31, 2011.

The unaudited pro forma condensed combined financial data is based on the historical financial statements of Acadia, YFCS, PHC and HHC Delaware and certain assumptions and adjustments as discussed in the section entitled

Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 35 of this proxy statement/prospectus, including assumptions relating to the allocation of the consideration paid for the assets and liabilities of YFCS, MeadowWood and PHC based on preliminary estimates of their fair value. MeadowWood was acquired in an asset acquisition. The assets acquired consisted of substantially all of the assets of HHC Delaware. The pro forma adjustments reflect the elimination of any assets of HHC Delaware not acquired by PHC. The fiscal years of Acadia, YFCS and HHC Delaware end on December 31 while the fiscal year of PHC ends on June 30. The combined company will use Acadia's fiscal year ending on December 31. The unaudited pro forma condensed combined balance sheet data combines Acadia's unaudited consolidated balance sheet as of March 31, 2011 with the respective unaudited consolidated balance sheets of YFCS, PHC and HHC Delaware as of March 31, 2011. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines Acadia's audited consolidated statement of operations for the year ended December 31, 2010 with the audited consolidated statement of operations of YFCS for the year ended December 31, 2010, the audited consolidated statement of operations of HHC Delaware for the year ended December 31, 2010 and the unaudited condensed consolidated statement of operations of PHC for the twelve months ended December 31, 2010 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010). The unaudited pro forma condensed combined statement of operations of PHC for the three months ended March 31, 2011 combines Acadia's unaudited condensed consolidated statement of operations for the three months ended March 31, 2011 with the unaudited condensed consolidated statement of operations of YFCS for the three months ended March 31, 2011, the unaudited condensed consolidated statement of operations of HHC Delaware for the three months ended March 31, 2011 and the unaudited condensed consolidated statement of operations of PHC for the three months ended March 31, 2011. The adjustments necessary to fairly present the unaudited pro forma condensed combined financial data have been made based on available information and in the opinion of management are reasonable. Assumptions underlying the pro forma adjustments are described in the section of this proxy statement/prospectus entitled Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 35 of this proxy statement/prospectus. and other information included in this proxy statement/prospectus. The following should be read in conjunction with the Selected Historical Financial Information, Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, PHC Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus and other information included in this proxy statement/prospectus.

A final valuation of assets acquired and liabilities assumed in the YFCS, MeadowWood and PHC acquisitions cannot be made prior to the completion of the merger and the completion of the purchase price allocations will most likely result in changes in the values assigned to property and equipment and other assets acquired and liabilities assumed. The unaudited pro forma condensed combined financial data is for illustrative purposes only and does not purport to represent what Acadia's financial position or results of operations actually would have been had the

Table of Contents

events noted above in fact occurred on the assumed dates or to project our financial position or results of operations for any future date or future period.

	December 31, 2010	March 31, 2011
	(\$ in thousands)	
	(Unaudited)	(Unaudited)
Unaudited Pro Forma Condensed Combined Statement of Operations		
Data:		
Revenue	\$ 320,298	\$ 82,394
Salaries, wages and benefits	189,000	50,463
Professional fees	18,245	4,565
Supplies	15,305	3,946
Rent	10,046	2,569
Other operating expenses	32,723	8,897
Provision for doubtful accounts	6,141	1,760
Depreciation and amortization	5,869	1,440
Interest expense	22,467	5,526
Impairment of goodwill	23,528	
Legal settlement		446
Total expenses	323,324	79,612
Income (loss) from continuing operations before income taxes	(3,026)	2,782
Provision for income taxes	5,062	1,716
Income (loss) from continuing operations	\$ (8,088)	\$ 1,066

Unaudited Pro Forma Condensed Combined Balance Sheet Data (as of the March 31, 2011):

Cash and equivalents	\$ 5,978
Total assets	359,222
Total debt	295,000
Total stockholders' equity	16,425

The foregoing unaudited pro forma condensed combined financial data does not give effect to any anticipated cost savings or synergies. For a discussion of anticipated cost savings and synergies, see page 128 in Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations - Anticipated Synergies, Cost Savings and Revenue Improvements.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions that you, as a stockholder of PHC, may have regarding the merger and the other matters being considered at the special meeting and brief answers to those questions. Acadia and PHC urge you to read carefully the remainder of this proxy statement/prospectus, including the documents attached to this proxy statement/prospectus.

Q: Why are Acadia and PHC proposing the merger? (See pages 54 and 55)

A: Acadia and PHC are proposing the merger because they believe the resulting combined company will be a stronger, more competitive company capable of achieving greater financial strength, earning power, access to capital and growth potential than either company would have separately.

Acadia and PHC believe that the merger may result in a number of benefits, including the following positive factors that they believe will contribute to the success of the combined enterprise:

the opportunity to diversify service types and payor mix;

the ability to expand the number of facilities and beds and expand into additional new states;

Acadia's and PHC's facilities are complementary and their combination will increase geographic diversity;

the increased ability to access private and public equity markets, including for purposes of acting on attractive opportunities to further expand Acadia's business;

Acadia's management will provide additional resources and has a demonstrated record of achievement;

the opportunity to expand PHC's internet and telephonic-based support services, which include crisis intervention, critical incidents coordination, employee counselor support, client monitoring, case management and health promotion; and

the opportunity for PHC stockholders to own 22.5% of the combined company on a fully diluted basis (as defined in the merger agreement).

Q: What percentage of Acadia will the former PHC stockholders own collectively immediately following the merger? (See page 50)

A: Upon completion of the merger, Acadia stockholders will retain 77.5% and the former PHC stockholders will own 22.5% of the combined company's common stock issued and outstanding on a fully diluted basis (as defined in the merger agreement).

Q: What will PHC stockholders receive in exchange for PHC common stock in the merger? (See page 80)

A: Each share of PHC Class A Common Stock issued and outstanding immediately prior to the effective time will be converted into and become exchangeable for one-quarter (1/4) of one fully paid and nonassessable share of Acadia common stock, par value \$0.01 per share. Each share of PHC Class B Common Stock issued and outstanding immediately prior to the effective time will be converted into and become exchangeable for

(x) one-quarter (1/4) of one fully paid and nonassessable share of Acadia common stock, par value \$0.01 per share and (y) and an amount of cash equal to \$5.0 million *divided by* the aggregate number of issued and outstanding shares of PHC Class B Common Stock immediately prior to the effective time of the merger (other than (i) any shares of PHC Class B Common Stock to be cancelled pursuant to the merger agreement and (ii) any share of PHC Class B Common Stock owned by a subsidiary of PHC). Based on shares of PHC Class B Common Stock outstanding as of May 23, 2011, this calculation would have resulted in a cash payment of \$6.46 per share of PHC Class B Common Stock.

Table of Contents

Q: Will PHC stockholders be able to trade the Acadia common stock that they receive in the merger? (See page 88)

A: Yes. Each of Acadia and PHC have agreed to cooperate and use reasonable best efforts to take all actions necessary to authorize for listing on NASDAQ the shares of Acadia common stock to be issued in the merger or if such listing is not possible, to be listed on NYSE Amex Stock Market or another securities exchange. In addition, it is a condition to completion of the merger that the shares of Acadia common stock to be issued in the merger are authorized for listing on a national securities exchange or eligible for trading on the over the counter bulletin board. Acadia will apply to be listed on NASDAQ under the symbol . Please see the risk factors beginning on page 18 for a discussion of risks associated with these listings.

Q: Who will be the directors of Acadia following the merger? (See page 98)

A: The following persons will be appointed to the Acadia board of directors as of immediately prior to the effective time of the merger and nominated for re-election and elected to the Acadia board of directors as follows: (i) Mr. Jacobs, as a Class III director and, after the expiration of his initial term as a director, for so long as he serves as the chief executive officer of Acadia or any of its subsidiaries; (ii) Mr. Shear, as a Class III director and, after the expiration of his initial term as a director, for one additional three-year term as a Class III director; (iii) three representatives who meet the applicable director independence requirements of NASDAQ or any other securities exchange on which the securities of Acadia may be listed from time to time, one of whom will be Mr. Grieco, a Class II director designated by Mr. Shear and a current director of PHC, and two of whom will be Class III directors designated by the Acadia board of directors; and (iv) (A) so long as Waud Capital Partners retains voting control over at least 50% of the outstanding voting securities of Acadia, Waud Capital Partners will designate seven directors, four of which will be Class I directors and three of which will be Class II directors and (B) in the event Waud Capital Partners ceases to have voting control over at least 50% of the outstanding voting securities of Acadia, Waud Capital Partners will designate such number of directors of the total authorized number of directors in proportion to the total number of shares of Acadia over which Waud Capital Partners retains voting control relative to the total number of shares of Acadia then issued and outstanding (with the number of representatives rounded up to the next whole number in all cases); provided that all such rights will terminate when Waud Capital Partners ceases to hold at least 17.5% of Acadia's outstanding voting securities.

Q: What constitutes a quorum for the special meeting? (See page 48)

A: A majority of the votes entitled to be cast by holders of issued and outstanding shares of PHC common stock must be present or represented by proxy to constitute a quorum for action on each of the matters to be voted upon at the special meeting. All shares of PHC common stock represented at the special meeting, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting of the PHC stockholders.

Q: What stockholder approval is needed to complete the merger? (See page 47)

A: Approval of the merger agreement requires an affirmative vote of (i) at least two-thirds of the outstanding Class A Common Stock and Class B Common Stock entitled to vote, voting as a single class, (ii) at least two-thirds of the outstanding Class A Common Stock entitled to vote, voting as a single class and (iii) at least two-thirds of the outstanding Class B Common Stock entitled to vote, voting as a single class.

Each record holder of shares of PHC Class A Common Stock will be entitled at the special meeting to one vote for each share of PHC Class A Common Stock held on the record date. Each record holder of shares of PHC

Class B Common Stock will be entitled at the special meeting to five votes for each share of PHC Class B Common Stock held on the record date on any matter on which they vote together with the holders of the Class A Common Stock.

Q: What vote of PHC's stockholders is required to approve the non-binding, advisory proposal regarding certain merger-related executive compensation arrangements? (See page 47)

A: Approval of the non-binding, advisory proposal regarding certain merger-related executive compensation arrangements requires the affirmative vote of holders of majority of the outstanding shares of PHC Class A

Table of Contents

Common Stock and the outstanding shares of PHC Class B Common Stock present and voting (voting together, with the shares of Class B Common Stock casting five votes for each share held). Stockholders should note that the proposal regarding certain merger-related executive compensation arrangements is merely an advisory vote which will not be binding on PHC, Acadia or the Acadia board of directors.

Q: What do I need to do now? (See page 48)

A: After reading and considering the information contained in and incorporated into this proxy statement/prospectus, please submit your proxy card according to the instructions on the enclosed proxy card as soon as possible. If you do not submit a proxy card or attend the special meeting and vote in person, your shares will not be represented or voted at the meeting. This will have the same effect as voting against the proposal to approve the merger agreement.

Q: If my shares of PHC common stock are held in street name by my bank or broker, will my bank or broker vote my shares for me? (See page 48)

A: Your bank or broker will vote your shares only if you provide instructions on how to vote by following the information provided to you by your bank or broker.

Without instructions from you on how to vote your shares, your bank or broker will not have discretionary authority to vote your shares on the matters currently proposed to be presented at the special meeting. As a result, your bank or broker may deliver a proxy card expressly indicating that it is NOT voting your shares. This indication that a broker is not voting your shares is referred to as a broker non-vote. Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum at the special meeting. However, a broker non-vote will not be entitled to vote on the proposal to approve the merger agreement, and thus a broker non-vote will have the effect of a vote against this proposal.

Q: What will happen if I abstain from voting or fail to vote? (See page 48)

A: With respect to the proposal to approve the merger agreement, if you abstain from voting on the proposal, fail to cast your vote in person or by proxy or if your shares are held by your broker or other nominee (i.e., in street name) and you fail to give voting instructions to your broker or other nominee on how to vote your shares, it will have the same effect as a vote AGAINST the proposal to approve the merger agreement.

With respect to the non-binding, advisory proposal regarding certain merger-related executive compensation and the proposal to approve any adjournment of the special meeting for the purpose of soliciting additional proxies, if you abstain from voting on either proposal, fail to cast your vote in person or by proxy or if you hold your shares in street name and fail to give voting instructions to your broker or other nominee on how to vote your shares, it will not have any effect on the outcome of the vote on such proposal.

Q: If I am a PHC stockholder, what do I do if I want to change my vote after I have submitted my proxy? (See page 48)

A: You may change your vote at any time before your proxy is voted at the special meeting. There are three ways for you to do this:

by delivering to the clerk of PHC a signed notice that you wish to revoke your proxy;

by delivering to the clerk of PHC a signed and later-dated proxy; or

by attending the special meeting and voting in person.

If your shares are held in street name by a bank or broker and you have instructed your bank or broker to vote your shares, you must follow your bank's or broker's instructions to change your vote.

Q: When do you expect the merger to be completed? (See page 78)

A: PHC and Acadia are working to complete the merger as quickly as possible. Acadia and PHC hope to complete the merger in the third quarter of 2011.

Table of Contents

Q: Will the merger trigger the recognition of gain or loss for United States federal income tax purposes for PHC stockholders? (See page 72)

A: The closing of the merger is conditioned upon the receipt by PHC and Acadia of legal opinions that the merger will constitute a reorganization for United States federal income tax purposes. Assuming the merger constitutes a reorganization, subject to the limitations and qualifications described in *The Merger Material United States Federal Income Tax Consequences of the Merger*, PHC stockholders whose shares of PHC common stock are exchanged in the merger solely for shares of Acadia common stock will not recognize capital gain or loss for United States federal income tax purposes on the exchange (except to the extent they receive cash in lieu of a fractional share of Acadia common stock), and PHC stockholders whose shares of PHC common stock are exchanged in the merger for shares of Acadia common stock and cash will recognize capital gain (but not loss) realized on the exchange in an amount not exceeding the amount of cash received (excluding cash received in lieu of a fractional share of Acadia common stock). The tax consequences to PHC stockholders will depend on each stockholder's own circumstances. This tax treatment may not apply to certain PHC stockholders, as described in *The Merger Material United States Federal Income Tax Consequences of the Merger*. Determining the actual tax consequences of the merger to you may be complex and will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences to you of the merger, including estate, gift, state, local or non-United States tax consequences of the merger.

Q: Should PHC stockholders send in their stock certificates now? (See page 81)

A: No. After the merger is completed, Acadia will send you written instructions for exchanging your PHC stock certificates for Acadia stock certificates.

Q: Whom should I call with questions? (See page 48)

A: Georeson Inc.
199 Water Street, 26th Floor
New York, New York 10038-3560
Banks and Brokers Call (212) 440-9800
All Others Call Toll-Free (888) 658-3624

Table of Contents

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement/prospectus, before you decide whether to vote or direct your vote to be cast to approve the merger or the merger agreement. References to we, us and our in this Risk Factor section refer to the operations of the combined company following completion of the merger.

Risks Related to the Merger

The directors and executive officers of PHC have interests that differ from those of PHC stockholders.

The directors and executive officers of PHC have interests in the merger as individuals that are different from, and in addition to, the interests of PHC stockholders generally, including the following:

Holder of Class B Common Stock of PHC will receive \$5.0 million in aggregate cash consideration for shares of Class B Common Stock exchanged for shares of Acadia common stock in the merger. Mr. Shear, PHC's current Chief Executive Officer, beneficially owns approximately 93.2% of PHC's Class B Common Stock and will be entitled to receive cash merger consideration of approximately \$4.7 million;

Mr. Shear, Mr. Boswell, PHC's current Senior Vice President, and Ms. Wurts, PHC's current Chief Financial Officer, are participants in the PHC change-in-control supplemental benefit plan. Pursuant to such plan, upon the closing of the merger, Mr. Shear, Mr. Boswell and Ms. Wurts are entitled to receive certain change in control payments in the amount of approximately \$1,530,000, \$465,000 and \$408,000, respectively;

Mr. Shear, Mr. Boswell and Ms. Wurts hold stock options to purchase shares of PHC Class A Common Stock, subject to various vesting provisions. Pursuant to the merger agreement, upon completion of the merger, Acadia will assume these options in accordance with their existing terms, with the number of shares and the exercise prices adjusted in accordance with the merger exchange rate. Mr. Shear currently holds 170,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share, Mr. Boswell currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share and Ms. Wurts currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share;

Upon the closing of the merger, notwithstanding the terms and conditions of the corresponding PHC stock option plan or as otherwise set forth in a stock option agreement, with respect to the assumed PHC options granted to current PHC directors other than Mr. Shear, (i) all such assumed options will be fully vested at closing, and (ii) such assumed options will not terminate as a result of such holder ceasing or failing to be a director or employee and will be fully exercisable at any time prior to the expiration of the option term;

Upon the closing of the merger, Mr. Shear will become a director of Acadia and the Executive Vice Chairman of the Acadia board of directors and Mr. Boswell will become Acadia's Senior Vice President and their new employment agreements will become effective upon the closing of the merger; and

Acadia will maintain all rights to indemnification existing in favor of the directors and officers of PHC and its subsidiaries for their acts and omissions occurring prior to the completion of the merger and will maintain the directors' and officers' liability insurance to cover any such liabilities for six years following the completion of the merger.

In addition, you should be aware that Mr. Shear has a significant relationship with PHC due to his position as a current director of PHC and will have a significant relationship with Acadia following the merger as a future director of Acadia and that this relationship may have influenced his decision to vote his PHC Class B Common Stock in favor of the merger agreement. Mr. Shear abstained from the vote of the PHC directors on the merger.

PHC stockholders should consider whether these interests may have influenced these directors and executive officers to vote in favor of the merger agreement and to recommend that PHC stockholders vote in favor of the merger agreement.

Table of Contents

Following the merger the combined company will have a substantial amount of indebtedness, which could adversely affect our financial health.

Following the merger the combined company will have a substantial amount of indebtedness. As of March 31, 2011, on a pro forma basis giving effect to the merger, the combined company would have had approximately \$295 million of total indebtedness and approximately \$20 million of available borrowing capacity under its revolving credit facility. For a description of the expected financing for the merger, see *The Merger Acadia's Financing for the Merger* and *Unaudited Pro Forma Condensed Consolidated Financial Statements*.

Our substantial level of indebtedness could have important consequences to you. For example, it could:

increase our vulnerability to adverse economic and industry conditions;

limit our ability to obtain additional financing for future working capital, capital expenditures, raw materials, strategic acquisitions and other general corporate requirements;

expose us to interest rate fluctuations because the interest on the debt under our the Senior Secured Credit Facility is imposed at variable rates;

require us to dedicate a substantial portion of our cash flow from operations to payments on our debt (including scheduled repayments on our outstanding term loan borrowings under the Senior Secured Credit Facility), thereby reducing the availability of our cash flow for operations and other purposes;

make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;

limit our ability to refinance indebtedness or increase the associated costs;

require us to sell assets to reduce debt or influence our decision about whether to do so;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate or prevent us from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins or our business; and

place us at a competitive disadvantage compared to any competitors that have less debt or comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns.

We will incur substantial expenses related to the merger.

Acadia and PHC estimate that they will incur aggregate costs of approximately \$40.6 million associated with the merger, as well as severance costs relating to employees of PHC of approximately \$3.7 million. In addition, the combined company expects to incur certain costs in connection with the integration of the two companies. Such costs cannot now be reasonably estimated, because they depend on future decisions to be made by management of the combined company, but they could be material.

PHC stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined company following the merger.

After the merger, PHC stockholders will own a significantly smaller percentage of Acadia than they currently own of PHC. Following completion of the merger, PHC stockholders will own 22.5% of the combined company on a fully diluted basis (as defined in the merger agreement). Consequently, PHC stockholders will be able to exercise less influence over the management and policies of Acadia than they currently exercise over the management and policies of PHC.

If we do not successfully integrate the operations of Acadia and PHC and realize the expected benefits of the merger, our results of operations could be adversely affected.

Achieving the expected benefits of the merger will depend in part upon the retention of key personnel from both Acadia and PHC and the successful integration of the operations, medical and management personnel, suppliers and technology of Acadia and PHC in a timely and efficient manner. Retention and integration efforts may

Table of Contents

be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions, strategic plans and other decisions. We do not know whether we will be successful in these retention and integration efforts and cannot give assurances that we will realize the expected benefits of the merger.

In addition, successful integration of the operations of Acadia and PHC may place a significant burden on our management and internal resources. The diversion of management's attention and any difficulties encountered in the transition and integration process could have an adverse effect on the future business, financial condition and operating results of the combined company.

Risks Affecting Acadia, PHC and the Combined Company

Our revenues and results of operations are significantly affected by payments received from the government and third-party payers.

A significant portion of our revenues is from the government, principally Medicare and Medicaid. For the year ended December 31, 2010, Acadia derived approximately 68% of its revenues (on a pro forma basis giving effect to the YFCS acquisition) from the Medicare and Medicaid programs. PHC derived approximately 37% of its revenues from such programs for the fiscal year ended June 30, 2010 (on a pro forma basis giving effect to the MeadowWood acquisition). Changes in government health care programs may reduce the reimbursement we receive and could adversely affect our business and results of operations.

Changes in these government programs in recent years have resulted in limitations on reimbursement and, in some cases, reduced levels of reimbursement for healthcare services. Payments from federal and state government programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to facilities. We are unable to predict the effect of recent and future policy changes on our operations. In addition, since most states operate with balanced budgets and since the Medicaid program is often a state's largest program, some states can be expected to enact or consider enacting legislation formulated to reduce their Medicaid expenditures. Furthermore, the current economic downturn has increased the budgetary pressures on the federal government and many states, which may negatively affect the availability of taxpayer funds for Medicare and Medicaid programs. If the rates paid or the scope of services covered by government payers are reduced, there could be a material adverse effect on our business, financial position and results of operations.

In addition to changes in government reimbursement programs, our ability to negotiate favorable contracts with private payers, including managed care providers, significantly affects the revenues and operating results of our facilities.

We expect continued third-party efforts to aggressively manage reimbursement levels and cost controls. Reductions in reimbursement amounts received from third-party payers could have a material adverse effect on our financial position and our results of operations.

A worsening of the economic and employment conditions in the United States could materially affect our business and future results of operations.

During periods of high unemployment, governmental entities often experience budget deficits as a result of increased costs and lower than expected tax collections. These budget deficits at the federal, state and local levels have decreased, and may continue to decrease, spending for health and human service programs, including Medicare and Medicaid, which are significant payer sources for our facilities. In periods of high unemployment, we also face the

risk of potential declines in the population covered under managed care agreements, patient decisions to postpone or decide against receiving behavioral health services, potential increases in the uninsured and underinsured populations we serve and further difficulties in collecting patient co-payment and deductible receivables.

Furthermore, the availability of liquidity and credit to fund the continuation and expansion of many business operations worldwide has been limited in recent years. Our ability to access the capital markets on acceptable terms may be severely restricted at a time when we would like, or need, access to those markets, which could have a

Table of Contents

negative impact on our growth plans, our flexibility to react to changing economic and business conditions and our ability to refinance existing debt (including indebtedness under the Senior Secured Credit Facility). The current economic downturn or other economic conditions could also adversely affect the counterparties to our agreements, including the lenders under the Acadia Senior Secured Facility, causing them to fail to meet their obligations to us.

If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations.

Our industry is required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things: billing practices and prices for services; relationships with psychiatrists, physicians and other referral sources; necessity and quality of medical care; condition and adequacy of facilities; qualifications of medical and support personnel; confidentiality, maintenance and security issues associated with health-related information and patient personal information and medical records; the screening, stabilization and/or transfer of patients who have emergency medical conditions; certification, licensure and accreditation of our facilities; operating policies and procedures, activities regarding competitors; and addition or expansion of facilities and services.

Among these laws are the Anti-Kickback Statute, the Stark Law, the federal False Claims Act and similar state laws. These laws, and particularly the Anti-Kickback Statute and the Stark Law, impact the relationships that we may have with psychiatrists and other referral sources. We have a variety of financial relationships with physicians who refer patients to our facilities, including employment contracts, leases and professional service agreements. These laws govern those relationships. The Office of the Inspector General of the Department of Health and Human Services (the OIG) has enacted safe harbor regulations that outline practices that are deemed protected from prosecution under the Anti-Kickback Statute. While we endeavor to comply with applicable safe harbors, certain of our current arrangements with physicians and other referral sources may not qualify for safe harbor protection. Failure to meet a safe harbor does not mean that the arrangement necessarily violates the Anti-Kickback Statute, but may subject it to greater scrutiny. We cannot offer assurances that practices that are outside of a safe harbor will not be found to violate the Anti-Kickback Statute. Allegations of violations of the Anti-Kickback Statute may be brought under the federal Civil Monetary Penalty Law, which requires a lower burden of proof than other fraud and abuse laws, including the Anti-Kickback Statute.

These laws and regulations are extremely complex, and, in many cases, we do not have the benefit of regulatory or judicial interpretation. In the future, it is possible that different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws could subject us to liabilities, including civil penalties (including the loss of our licenses to operate one or more facilities), exclusion of one or more facilities from participation in the Medicare, Medicaid and other federal and state health care programs and, for violations of certain laws and regulations, criminal penalties. Even the public announcement that we are being investigated for possible violations of these laws could have a material adverse effect on our business, financial condition or results of operations, and our business reputation could suffer. In addition, we cannot predict whether other legislation or regulations at the federal or state level will be adopted, what form such legislation or regulations may take or what their impact on us may be.

We may be required to spend substantial amounts to comply with legislative and regulatory initiatives relating to privacy and security of patient health information and standards for electronic transactions.

There are currently numerous legislative and regulatory initiatives at the federal and state levels addressing patient privacy and security concerns. In particular, federal regulations issued under the Health Insurance Portability and

Accountability Act of 1996, or HIPAA, require our facilities to comply with standards to protect the privacy, security and integrity of health care information. These regulations have imposed extensive administrative requirements, technical and physical information security requirements, restrictions on the use and disclosure of individually identifiable patient health and related financial information and have provided patients with additional rights with respect to their health information. Compliance with these regulations requires

Table of Contents

substantial expenditures, which could negatively impact our financial results. In addition, our management has spent, and may spend in the future, substantial time and effort on compliance measures.

Violations of the privacy and security regulations could subject our inpatient facilities to civil penalties of up to \$25,000 per calendar year for each provision contained in the privacy and security regulations that are violated and criminal penalties of up to \$250,000 per violation for certain other violations, in each case with the size of such penalty based on certain factors. Because there is no significant history of enforcement efforts by the federal government at this time, it is not possible to ascertain the likelihood of enforcement efforts in connection with these regulations or the potential for fines and penalties that may result from the violation of the regulations.

We may be subject to liabilities from claims brought against our facilities.

We are subject to medical malpractice lawsuits and other legal actions in the ordinary course of business. Some of these actions may involve large claims, as well as significant defense costs. We cannot predict the outcome of these lawsuits or the effect that findings in such lawsuits may have on us. All professional and general liability insurance we purchase is subject to policy limitations. We believe that, based on our past experience and actuarial estimates, our insurance coverage is adequate considering the claims arising from the operations of our facilities. While we continuously monitor our coverage, our ultimate liability for professional and general liability claims could change materially from our current estimates. If such policy limitations should be partially or fully exhausted in the future, or payments of claims exceed our estimates or are not covered by our insurance, it could have a material adverse effect on our operations.

We have been and could become the subject of governmental investigations, regulatory actions and whistleblower lawsuits.

Healthcare companies are subject to numerous investigations by various governmental agencies. Further, under the federal False Claims Act, private parties are permitted to bring qui tam or whistleblower lawsuits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Because qui tam lawsuits are filed under seal, we could be named in one or more such lawsuits of which we are not aware.

Certain of our facilities have received, and other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material adverse effect on our financial position, results of operations and liquidity.

If any of our existing health care facilities lose their accreditation or any of our new facilities fail to receive accreditation, such facilities could become ineligible to receive reimbursement under Medicare or Medicaid.

The construction and operation of healthcare facilities are subject to extensive federal, state and local regulation relating to, among other things, the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting and compliance with building codes and environmental protection. Additionally, such facilities are subject to periodic inspection by government authorities to assure their continued compliance with these various standards.

We are subject to uncertainties regarding recent health care reform, which represents a significant change to the health care industry.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the "PPACA"). The Healthcare and Education Reconciliation Act of 2010 (the "Reconciliation Act"), which contains a number of

amendments to the PPACA, was signed into law on March 30, 2010. Two primary goals of the PPACA, combined with the Reconciliation Act (collectively referred to as the Health Reform Legislation), are to provide for increased access to coverage for healthcare and to reduce healthcare-related expenses.

The expansion of health insurance coverage under the Health Reform Legislation may increase the number of patients using our facilities who have either private or public program coverage. In addition, a disproportionately large percentage of new Medicaid coverage is likely to be in states that currently have relatively low income

Table of Contents

eligibility requirements and may include states where we have facilities. Furthermore, as a result of the Health Reform Legislation, there may be a reduction in uninsured patients, which should reduce our expense from uncollectible accounts receivable.

Notwithstanding the foregoing, the Health Reform Legislation makes a number of other changes to Medicare and Medicaid which we believe may have an adverse impact on us. The Health Reform Legislation revises reimbursement under the Medicare and Medicaid programs to emphasize the efficient delivery of high quality care and contains a number of incentives and penalties under these programs to achieve these goals. The Health Reform Legislation provides for decreases in the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011 for Medicare Part B reimbursable items and services and beginning October 1, 2012 for Medicare inpatient hospital services. The Health Reform Legislation will reduce Medicare and Medicaid disproportionate share payments beginning in 2014, which would adversely impact the reimbursement we receive under these programs.

The various provisions in the Health Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years. Health Reform Legislation provisions are likely to be affected by the incomplete nature of implementing regulations or expected forthcoming interpretive guidance, gradual implementation, future legislation, and possible judicial nullification of all or certain provisions of the Health Reform Legislation. Further Health Reform Legislation provisions, such as those creating the Medicare Shared Savings Program and the Independent Payment Advisory Board, create certain flexibilities in how healthcare may be reimbursed by federal programs in the future. Thus, we cannot predict the impact of the Health Reform Legislation on our future reimbursement at this time.

The Health Reform Legislation also contains provisions aimed at reducing fraud and abuse in healthcare. The Health Reform Legislation amends several existing laws, including the federal Anti-Kickback Statute (the Anti-Kickback Statute) and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. Congress revised the intent requirement of the Anti-Kickback Statute to provide that a person is not required to have actual knowledge or specific intent to commit a violation of the Anti-Kickback Statute in order to be found guilty of violating such law. The Health Reform Legislation also provides that any claims for items or services that violate the Anti-Kickback Statute are also considered false claims for purposes of the federal civil False Claims Act. The Health Reform Legislation provides that a healthcare provider that knowingly retains an overpayment in excess of 60 days is subject to the federal civil False Claims Act. The Health Reform Legislation also expands the Recovery Audit Contractor program to Medicaid. These amendments also make it easier for severe fines and penalties to be imposed on healthcare providers that violate applicable laws and regulations.

The impact of the Health Reform Legislation on each of our facilities may vary. Because Health Reform Legislation provisions are effective at various times over the next several years and in light of federal lawsuits challenging the constitutionality of the Health Reform Legislation, we anticipate that many of the provisions in the Health Reform Legislation may be subject to further revision or judicial nullification. We cannot predict the impact the Health Reform Legislation may have on our business, results of operations, cash flow, capital resources and liquidity, or whether we will be able to successfully adapt to the changes required by the Health Reform Legislation.

We operate in a highly competitive industry, and competition may lead to declines in patient volumes.

The healthcare industry is highly competitive, and competition among healthcare providers (including hospitals) for patients, psychiatrists and other healthcare professionals has intensified in recent years. There are other healthcare facilities that provide behavioral and other mental health services comparable to at least some of those offered by our facilities in each of the geographical areas in which we operate. Some of our competitors are owned by tax-supported

governmental agencies or by nonprofit corporations and may have certain financial advantages not available to us, including endowments, charitable contributions, tax-exempt financing and exemptions from sales, property and income taxes.

If our competitors are better able to attract patients, recruit and retain psychiatrists, physicians and other healthcare professionals, expand services or obtain favorable managed care contracts at their facilities, we may experience a decline in patient volume and our business may be harmed.

Table of Contents

The trend by insurance companies and managed care organizations to enter into sole source contracts may limit our ability to obtain patients.

Insurance companies and managed care organizations are entering into sole source contracts with healthcare providers, which could limit our ability to obtain patients. Private insurers, managed care organizations and, to a lesser extent, Medicaid and Medicare, are beginning to carve-out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. Continued growth in the use of carve-out arrangements could materially adversely affect our business to the extent we are not selected to participate in such smaller specialized networks or if the reimbursement rate is not adequate to cover the cost of providing the service.

Our performance depends on our ability to recruit and retain quality psychiatrists and other physicians.

The success and competitive advantage of our facilities depends, in part, on the number and quality of the psychiatrists and other physicians on the medical staffs of our facilities and our maintenance of good relations with those medical professionals. Although we employ psychiatrists and other physicians at many of our facilities, psychiatrists and other physicians generally are not employees of our facilities, and, in a number of our markets, they have admitting privileges at hospitals providing acute or inpatient behavioral health services. Such physicians (including psychiatrists) may terminate their affiliation with us at any time or admit their patients to competing healthcare facilities or hospitals. If we are unable to attract and retain sufficient numbers of quality psychiatrists and other physicians by providing adequate support personnel and facilities that meet the needs of those psychiatrists and other physicians, they may be discouraged from referring patients to our facilities and our results of operations may decline.

It may become difficult for us to attract and retain an adequate number of psychiatrists and other physicians to practice in certain of the communities in which our facilities are located. Our failure to recruit psychiatrists and other physicians to these communities or the loss of such medical professionals in these communities could make it more difficult to attract patients to our facilities and thereby may have a material adverse effect on our business, financial condition and results of operations.

Additionally, our ability to recruit psychiatrists and other physicians is closely regulated. The form, amount and duration of assistance we can provide to recruited psychiatrists and other physicians is limited by the federal physician self-referral law (the Stark Law), the Anti-Kickback Statute, state anti-kickback statutes, and related regulations. For example, the Stark Law requires, among other things, that recruitment assistance can only be provided to psychiatrists and other physicians who meet certain geographic and practice requirements, that the amount of assistance cannot be changed during the term of the recruitment agreement, and that the recruitment payments cannot generally benefit psychiatrists and other physicians currently in practice in the community beyond recruitment costs actually incurred by them.

Our facilities face competition for staffing that may increase our labor costs and reduce our profitability.

Our operations depend on the efforts, abilities, and experience of our management and medical support personnel, including our therapists, nurses, pharmacists and mental health technicians, as well as our psychiatrists and other physicians. We compete with other healthcare providers in recruiting and retaining qualified management, physicians (including psychiatrists) and support personnel responsible for the daily operations of our facilities.

The nationwide shortage of nurses and other medical support personnel has been a significant operating issue facing us and other healthcare providers. This shortage may require us to enhance wages and benefits to recruit and retain nurses and other medical support personnel or require us to hire more expensive temporary or contract personnel. In

addition, certain of our facilities are required to maintain specified nurse-staffing levels. To the extent we cannot meet those levels, we may be required to limit the services provided by these facilities, which would have a corresponding adverse effect on our net operating revenues.

Increased labor union activity is another factor that could adversely affect our labor costs. To date, labor unions represent employees at only three of our facilities. Although we are not aware of any union organizing activity at

Table of Contents

any of our other facilities, we are unable to predict whether any such activity will take place in the future. To the extent that a greater portion of our employee base unionizes, it is possible that our labor costs could increase materially.

We cannot predict the degree to which we will be affected by the future availability or cost of attracting and retaining talented medical support staff. If our general labor and related expenses increase, we may not be able to raise our rates correspondingly. Our failure to either recruit and retain qualified management, nurses and other medical support personnel or control our labor costs could harm our results of operations.

We depend heavily on key management personnel and the departure of one or more of our key executives or a significant portion of our local facility management personnel could harm our business.

The expertise and efforts of our senior executives and key members of our facility management personnel are critical to the success of our business. The loss of the services of one or more of our senior executives or of a significant portion of our facility management personnel could significantly undermine our management expertise and our ability to provide efficient, quality healthcare services at our facilities, which could harm our business.

We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.

We are subject to various federal, state and local laws and regulations that (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes, (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (iii) regulate workplace safety. Compliance with these laws and regulations could increase our costs of operation. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial position or cash flows. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse affect on our business.

Acadia may not be able to successfully integrate its acquisition of YFCS or realize the potential benefits of the acquisition, which could cause an adverse effect on the combined company.

Acadia may not be able to combine successfully the operations of YFCS with its operations, and, even if such integration is accomplished, Acadia may never realize the potential benefits of the acquisition. The integration of YFCS with the Acadia operations requires significant attention from management, may impose substantial demands on Acadia's operations or other projects and may impose challenges on the combined business including, but not limited to, inconsistencies in business standards, procedures, policies and business cultures. The integration of YFCS also involves a significant capital commitment, and the return that Acadia achieves on any capital invested may be less than the return that Acadia would achieve on our other projects or investments. Furthermore, we cannot assure you that the combined company will achieve anticipated cost savings and synergies in a timely manner or at all. Any of these factors could cause delays or increased costs of combining YFCS with Acadia and could adversely affect our

operations, financial results and liquidity.

Table of Contents

Our growth strategy depends, in part, on acquisitions, and we may not be able to continue to acquire facilities that meet our target criteria.

Acquisitions of other behavioral healthcare facilities are a key element of our growth strategy. We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors have greater resources than we do. Our principal competitors for acquisitions have included Universal Health Services, Inc. (UHS), Aurora Behavioral Health Care (Aurora) and Ascend Health Corporation (Ascend). Also, suitable acquisitions may not be accomplished due to unfavorable terms.

Further, the cost of an acquisition could result in a dilutive effect on our results of operations, depending on various factors, including the amount paid for an acquired facility, the acquired facility's results of operations, the allocation of the related purchase price, effects of subsequent legislation and limits on rate increases.

We may not achieve all of the expected benefits from synergies, cost savings and recent improvements to our revenue base.

Although we have identified certain synergies and cost savings in connection with the merger, as well as recent improvements to our revenue base, we may not realize any benefits from expected operating improvements. The improvements to our revenue base result from a rate increase on one of our contracts effective in March 2011 and the expansion of one of our existing contracts in December 2010. In an effort to illustrate the impact of these items on our operating income, we have made an estimate of the impact of these improvements for 2010, even though they were not effective for the entire 2010 fiscal year. In addition, we have made an estimate of start up losses at the Seven Hills Behavioral Center, which was opened in the fourth quarter of 2008 and became CMS certified in July 2010, because we incurred certain of these start up losses in 2010 but do not expect to incur them in the future. See Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations Anticipated Synergies, Cost Savings and Revenue Improvements. Although these estimates are presented in Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations Anticipated Synergies, Cost Savings and Revenue Improvements with numerical specificity, they are inherently uncertain and are not intended to represent what our financial position or results of operations might be for any future period. Our ability to realize the expected benefits from these improvements are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, such as changes to government regulation governing or otherwise impacting the behavioral health care industry, reductions in reimbursement rates from third party payors, reductions in service levels under our contracts, operating difficulties, client preferences, changes in competition and general economic or industry conditions. If we are unsuccessful in implementing these improvements or if we do not achieve our expected results, it may adversely impact our results of operations.

If we are unable to improve the operations of the facilities we acquire, our growth strategy may be adversely affected.

We may be unable to timely and effectively integrate the facilities that we acquire (including from YFCS and PHC) with our ongoing operations. We may experience delays in implementing operating procedures and systems in newly acquired facilities. Integrating a new facility could be expensive and time consuming and could disrupt our ongoing business, negatively affect cash flow and distract management and other key personnel. In addition, some of the facilities we acquired may have had significantly lower operating margins than the facilities we operated prior to the time of our acquisition thereof or had operating losses prior to such acquisition. If we fail to improve the operating margins of the facilities we acquire, operate such facilities profitably or effectively integrate the operations of acquired facilities, our results of operations could be negatively impacted.

If we acquire facilities with unknown or contingent liabilities, we could become liable for material obligations.

Facilities that we acquire may have unknown or contingent liabilities, including, but not limited to, liabilities for failure to comply with healthcare laws and regulations. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities for at least a

Table of Contents

portion of these matters, we may experience difficulty enforcing those obligations or we may incur material liabilities for the past activities of acquired facilities. Such liabilities and related legal or other costs and/or resulting damage to a facility's reputation could negatively impact our business.

State efforts to regulate the construction or expansion of health care facilities could impair our ability to operate and expand our operations.

A majority of the states in which we operate facilities have enacted Certificates of Need (CON) laws as a condition to the construction or expansion of healthcare facilities, to make certain capital expenditures or to make changes in services or bed capacity. In giving approval, these states consider the need for additional or expanded healthcare facilities or services. Our failure to obtain necessary state approval could result in our inability to acquire a targeted facility, complete a desired expansion or make a desired replacement, make a facility ineligible to receive reimbursement under the Medicare or Medicaid programs, result in the revocation of a facility's license or impose civil or criminal penalties on us, any of which could harm our business.

In addition, significant CON reforms have been proposed in a number of states that would increase the capital spending thresholds and provide exemptions of various services from review requirements. In the past, we have not experienced any material adverse effects from those requirements, but we cannot predict the impact of these changes upon our operations.

Controls designed to reduce inpatient services may reduce our revenues.

Controls imposed by Medicare, Medicaid and commercial third-party payers designed to reduce admissions and lengths of stay, commonly referred to as utilization review, have affected and are expected to continue to affect our facilities. Utilization review entails the review of the admission and course of treatment of a patient by health plans. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payer-required preadmission authorization and utilization review and by payer pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Efforts to impose more stringent cost controls are expected to continue. For example, the Health Reform Legislation potentially expands the use of prepayment review by Medicare contractors by eliminating statutory restrictions on its use. Utilization review is also a requirement of most non-governmental managed-care organizations and other third-party payers. Although we are unable to predict the effect these controls and changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on our business and results of operations.

We expect that our stock price will experience significant volatility due to external factors in our quarterly operating results.

We intend that our common stock will trade on NASDAQ. Acadia is currently a private company and its common stock does not currently trade on an exchange. Historically, PHC's common stock has generally experienced relatively low daily trading volumes in relation to the aggregate number of shares outstanding. Many economic and seasonal factors outside of our control could cause fluctuations in our quarterly earnings and adversely affect the price of our common stock. These factors include certain of the risks discussed herein, demographic changes, operating results of other behavioral healthcare companies (including hospitals providing such services), changes in our financial estimates or recommendations of securities analysts, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, managed care contract negotiations and terminations, changes in general conditions in the economy or the financial markets, or other developments affecting the health care industry. If we are unable to operate our facilities as profitably as our stockholders expect us to in the future, the market price of our common stock will likely decline as stockholders could sell shares of our common stock when it becomes apparent that the market expectations may not be met.

The stock markets have experienced volatility that has often been unrelated to operating performance. These broad market fluctuations may adversely affect the trading price of our common stock and cause significant volatility in the market price of our common stock.

Table of Contents

If the ownership of Acadia common stock following the completion of the merger continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause Acadia's stock price to decline.

Waud Capital Partners and Acadia's executive officers, directors and their affiliates will beneficially own 77.5% of the outstanding shares of Acadia common stock on a fully diluted basis (as defined in the merger agreement) following the completion of the merger. Accordingly, Waud Capital Partners and these executive officers, directors and their affiliates, acting as a group, will have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership may cause the trading price of our common stock to decline due to investor perception that conflicts of interest may exist or arise.

Additionally, the stockholders agreement to be entered into by Acadia, Waud Capital Partners and certain of its affiliates and certain members of Acadia and PHC management in connection with the merger will grant Waud Capital Partners certain board nomination, information and consent rights. It will also impose certain restrictions on Acadia's business and operations for so long as Waud Capital Partners and its affiliates hold at least 17.5% of Acadia's outstanding voting securities. See "Stockholders Agreement" for a description of this agreement and the related restrictions.

If securities or industry analysts do not publish research or reports about our business, if they were to change their recommendations regarding Acadia stock adversely or if the operating results of the combined company do not meet their expectations, Acadia's stock price and trading volume could decline.

Following the merger, the trading market for Acadia's common stock will be influenced by the research and reports that industry or securities analysts publish about the combined company. If one or more of these analysts cease coverage of Acadia or fail to regularly publish reports on Acadia, we could lose visibility in the financial markets, which in turn could cause Acadia's stock price or trading volume to decline. Moreover, if one or more of the analysts who cover Acadia downgrade its stock or if the operating results of the combined company do not meet their expectations, Acadia's stock price could decline.

Future sales of common stock by Acadia's existing stockholders may cause the Acadia stock price to fall.

The market price of Acadia's common stock could decline as a result of sales by Acadia's then existing stockholders in the market after the completion of the merger, or the perception that these sales could occur. These sales might also make it more difficult for Acadia to sell equity securities at a time and price that it deems appropriate.

Waud Capital Partners and certain of its affiliates, along with certain members of our management, have certain demand and piggyback registration rights with respect to shares of Acadia common stock beneficially owned by them. The presence of additional shares of Acadia common stock trading in the public market, as a result of the exercise of such registration rights, may have an adverse effect on the market price of Acadia's securities.

Different interpretations of accounting principles could have a material adverse effect on our results of operations or financial condition.

Generally accepted accounting principles are complex, continually evolving and may be subject to varied interpretation by us, our independent registered public accounting firm and the SEC. Such varied interpretations could result from differing views related to specific facts and circumstances. Differences in interpretation of generally

accepted accounting principles could have a material adverse effect on our financial position or results of operations.

Table of Contents

Although we have facilities in 18 states, we have substantial operations in each of Arkansas, Indiana, Michigan, Mississippi and Nevada, which makes us sensitive to regulatory, economic, environmental and competitive conditions and changes in those states.

We operated 29 treatment facilities as of March 31, 2011 (on a pro forma basis giving effect to the YFCS acquisition and the merger, including PHC's acquisition of MeadowWood), 14 of which are located in Arkansas, Indiana, Michigan, Mississippi or Nevada. Our revenues in those states represented approximately 53% of our consolidated revenue for the year ended December 31, 2010 (on a pro forma basis giving effect to the YFCS acquisition and the merger, including PHC's acquisition of MeadowWood). This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results.

In addition, our facilities in Florida, Louisiana and Mississippi and other areas across the Gulf Coast (including Texas) are located in hurricane-prone areas. In the past, hurricanes have had a disruptive effect on the operations of our facilities in the Gulf Coast and the patient populations in those states. Our business activities could be marked by a particularly active hurricane season or even a single storm, and our property insurance may not be adequate to cover losses from such storms or other natural disasters.

An increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients could harm our results of operations.

Collection of receivables from third-party payers and patients is critical to our operating performance. Our primary collection risks relate to uninsured patients and the portion of the bill that is the patient's responsibility, which primarily includes co-payments and deductibles. We estimate our provisions for doubtful accounts based on general factors such as payer source, the agings of the receivables and historical collection experience. At December 31, 2010, the combined company's allowance for doubtful accounts represented approximately 19% of its accounts receivable balance as of such date (calculated on a pro forma basis to give effect to the YFCS acquisition, the MeadowWood acquisition and the merger). We routinely review accounts receivable balances in conjunction with these factors and other economic conditions that might ultimately affect the collectability of the patient accounts and make adjustments to our allowances as warranted. Significant changes in business office operations, payer mix, economic conditions or trends in federal and state governmental health coverage (including implementation of the Health Reform Legislation) could affect our collection of accounts receivable, cash flow and results of operations. If we experience unexpected increases in the growth of uninsured and underinsured patients or in bad debt expenses, our results of operations will be harmed.

Provisions of our charter documents following the completion of the merger or Delaware law could delay or prevent an acquisition of us, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for you to change management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws following the completion of the merger may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. This is because these provisions may prevent or frustrate attempts by stockholders to replace or remove our management following the completion of the merger. These provisions include:

a classified board of directors;

a prohibition on stockholder action through written consent (once Waud Capital Partners no longer beneficially own at least a majority of our outstanding common stock);

a requirement that special meetings of stockholders be called upon a resolution approved by a majority of our directors then in office;

advance notice requirements for stockholder proposals and nominations; and

Table of Contents

the authority of the board of directors to issue preferred stock with such terms as the board of directors may determine.

Section 203 of the Delaware General Corporation Law (the "DGCL") prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person that together with its affiliates owns or within the last three years has owned 15% of voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Although we have elected not to be subject to Section 203 of the DGCL, Acadia's amended and restated certificate of incorporation will contain provisions that have the same effect as Section 203, except that they will provide that both Waud Capital Partners, its affiliates and any investment fund managed by Waud Capital Partners and any persons to whom Waud Capital Partners sells at least five percent (5%) of outstanding voting stock of Acadia will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in Acadia's amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL. Accordingly, the provision in Acadia's amended and restated certificate of incorporation that adopts a modified version of Section 203 of the DGCL may discourage, delay or prevent a change in control of us.

As a result of these provisions in our charter documents following the completion of the merger and Delaware law, the price investors may be willing to pay in the future for shares of our common stock may be limited.

Acadia does not anticipate paying any cash dividends in the foreseeable future.

Following the completion of the merger and the payment of the dividend to holders of Acadia's common stock prior to the merger, Acadia intends to retain its future earnings, if any, for use in the business of the combined company or for other corporate purposes and does not anticipate that cash dividends in respect to common stock will be paid in the foreseeable future. Any decision as to the future payment of dividends will depend on the results of operations, the financial position of the combined company and such other factors, as the Acadia board of directors, in its discretion, deems relevant. In addition, the terms of Acadia's existing debt substantially limit its ability to pay these dividends. We anticipate that the indebtedness incurred in connection with the merger will also substantially limit Acadia's ability to pay dividends. As a result, capital appreciation, if any, of Acadia common stock will be your sole source of gain for the foreseeable future.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This proxy statement/prospectus contains forward-looking statements. All statements included in this proxy statement/prospectus or made by management of Acadia or PHC, other than statements of historical fact regarding Acadia or PHC, are forward-looking statements.

Factors that could cause actual results to differ materially from those forward-looking statements included in this prospectus include, among others:

the impact of payments received from the government and third-party payers on our revenues and results of operations;

the impact of the economic and employment conditions in the United States on our business and future results of operations;

the impact of recent health care reform;

the impact of our highly competitive industry on patient volumes;

the impact of recruitment and retention of quality psychiatrists and other physicians on our performance;

the impact of competition for staffing on our labor costs and profitability;

our dependence on key management personnel, key executives and our local facility management personnel;

compliance with laws and government regulations;

Table of Contents

the impact of claims brought against our facilities;

the impact of governmental investigations, regulatory actions and whistleblower lawsuits;

difficulties in successfully integrating Acadia's acquisition of YFCS and PHC (including Meadow Wood) or realizing the potential benefits of these acquisitions;

the impact on our growth strategy from difficulties in acquiring facilities in general and from not-for-profit entities due to regulatory scrutiny;

difficulties in improving the operations of the facilities we acquire;

the impact of unknown or contingent liabilities on facilities we acquire;

the impact of state efforts to regulate the construction or expansion of health care facilities on our ability to operate and expand our operations;

the impact of controls designed to reduce inpatient services on our revenues;

the impact of fluctuations in our operating results, quarter to quarter earnings and other factors on the price of our common stock;

the impact of different interpretations of accounting principles on our results of operations or financial condition;

the impact of an increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients on our results of operations; and

the merger and the transactions contemplated by the merger agreement or the announcement thereof.

This proxy statement/prospectus contains forward-looking statements based on current projections about operations, industry, financial condition and liquidity. Words such as will, should, anticipate, predict, potential, estimate, continue, may, project, intend, plan, believe and words and terms of similar substance used in connection with discussion of future operating or financial performance, the merger or the business of the combined company identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

All forward-looking statements reflect present expectations of future events by Acadia's and PHC's management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to the businesses of Acadia, PHC and the combined company, the uncertainty concerning the completion of the merger and the matters discussed above under Risk Factors, among others, could cause actual results to differ materially from those described in the forward-looking statements. These factors include the relative valuations of Acadia and PHC, the market's difficulty in valuing the combined business, the possible failure to realize the anticipated benefits of the merger and the conflicts of interest of directors recommending the merger. Investors are cautioned not to place undue reliance on the forward-looking

statements. Neither Acadia nor PHC is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**SELECTED HISTORICAL FINANCIAL INFORMATION****Acadia Historical Financial Data**

The selected financial data presented below as of and for the fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the three months ended March 31, 2010 and 2011 do not give effect to the YFCS acquisition or the consummation of the merger. Acadia has derived the selected consolidated financial data presented below as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from Acadia Healthcare Company, LLC's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below as of December 31, 2006, 2007 and 2008 and for each of the two years in the period ended December 31, 2007 from Acadia Healthcare Company, LLC's audited consolidated financial statements not included in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below as of and for the three months ended March 31, 2010 and 2011 from Acadia Healthcare Company, LLC's unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. The results for the three months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The selected consolidated financial data below should be read in conjunction with the Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Condensed Combined Financial Statements and Acadia Healthcare Company, LLC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus. In addition to the acquisitions described in the notes to the consolidated financial statements included elsewhere in this proxy statement/prospectus, Acadia completed the acquisitions of the Vermillion and Montana facilities in 2006 and the Abilene facility in 2007. On May 13, 2011, Acadia Healthcare Company, LLC elected to convert to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

	Year Ended December 31,					Three Months Ended	
	2006	2007	2008	2009	2010	2010	2011
	(\$ in thousands, except per unit data)						
Income Statement Data:							
Net patient service revenue	\$ 8,542	\$ 25,512	\$ 33,353	\$ 51,821	\$ 64,342	\$ 15,964	\$ 17,584
Salaries, wages and benefits	7,269	19,212	22,342	30,752	36,333	9,119	10,107
Professional fees	1,103	1,349	952	1,977	3,612	617	3,261
Provision for doubtful accounts	304	991	1,804	2,424	2,239	636	734
Other operating expenses	4,865	8,112	8,328	12,116	13,286	3,269	3,539
Depreciation and amortization	202	522	740	967	976	235	243
Interest expense, net	171	992	729	774	738	177	223
Income (loss) from continuing operations, before income taxes	(5,372)	(5,666)	(1,542)	2,811	7,158	1,911	(523)
			20	53	477	442	(271)

Income tax provision
(benefit)

Income (loss) from continuing operations	(5,372)	(5,666)	(1,562)	2,758	6,681	1,469	(252)
(Loss) gain from discontinued operations, net of income taxes	(838)	(3,208)	(156)	119	(471)	68	8
(Loss) income on disposal of discontinued operations, net of income taxes		(2,019)					
Net income (loss)	\$ (6,210)	\$ (10,893)	\$ (1,718)	\$ 2,877	\$ 6,210	\$ 1,537	\$ (244)
Income (loss) from continuing operations per unit	\$ (0.54)	\$ (0.57)	\$ (0.16)	\$ 0.28	\$ 0.67	\$ 0.15	\$ (0.03)
Cash dividends per unit					\$ 0.23	\$ 0.08	\$ 0.04

	2006	2007	December 31, 2008	2009	2010	March 31, 2010	2011
--	------	------	----------------------	------	------	-------------------	------

(\$ in thousands)

Balance Sheet Data (as of end of period):

Cash and equivalents	\$ 28	1,681	\$ 45	\$ 4,489	\$ 8,614	\$ 3,842	\$ 8,028
Total assets	17,878	23,414	32,274	41,254	45,412	40,334	47,137
Total debt	3,889	11,608	11,062	10,259	9,984	10,181	9,963
Total members equity	7,568	7,135	15,817	21,193	25,107	22,247	24,491

Table of Contents**YFCS Historical Financial Data**

The selected financial data presented below as of and for the fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the three months ended March 31, 2010 and 2011 do not give effect to Acadia's acquisition of YFCS or the consummation of the merger. Acadia has derived the selected financial data presented below for the fiscal years ended December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from YFCS' audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below for the fiscal years ended December 31, 2006, 2007 and 2008 and for each of the two years in the period ended December 31, 2007 from YFCS' audited financial statements not included in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below as of and for the three months ended March 31, 2010 and 2011 from YFCS' unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. The results for the three months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may have been expected for the entire fiscal year. The selected consolidated financial data below should be read in conjunction with the Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, YFCS Acquisition and Unaudited Pro Forma Condensed Combined Financial Statements and YFCS' consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Year Ended December 31,					Three Months Ended	
	2006	2007	2008	2009	2010	2010	2011
	(\$ in thousands)						
Income Statement Data:							
Revenue	\$ 149,837	\$ 171,425	\$ 180,646	\$ 186,586	\$ 184,386	\$ 45,489	\$ 45,686
Salaries and benefits	88,870	105,754	110,966	113,870	113,931	27,813	29,502
Other operating expenses	32,216	36,799	37,704	37,607	38,146	8,944	9,907
Provision for bad debts	365	1,411	1,902	(309)	525	56	208
Interest expense	14,280	14,768	12,488	9,572	7,514	1,954	1,726
Depreciation and amortization	8,846	9,890	9,419	7,052	3,456	914	819
Impairment of goodwill					23,528		
Income (loss) from continuing operations, before income taxes	5,260	2,803	8,167	18,794	(2,714)	5,808	3,524
Provision for income taxes	1,491	1,252	3,132	7,133	5,032	2,267	1,404
Income (loss) from continuing operations	3,769	1,551	5,035	11,661	(7,746)	3,541	2,120

Income (loss) from discontinued operations, net of income taxes	(2,160)	844	964	(1,443)	(4,060)	(151)	(64)
Net income (loss)	\$ 1,609	\$ 2,395	\$ 5,999	\$ 10,218	\$ (11,806)	\$ 3,390	\$ 2,056

	2006	2007	December 31, 2008	2009	2010	March 31, 2010	2011
--	------	------	----------------------	------	------	-------------------	------

(\$ in thousands)

**Balance Sheet
Data (as of end of
period):**

Cash and equivalents	\$ 8,492	\$ 6,875	\$ 20,874	\$ 15,294	\$ 5,307	\$ 8,570	\$ 4,009
Total assets	279,091	268,622	271,446	254,620	217,530	249,748	216,609
Total debt	151,102	139,687	138,234	112,127	86,073	98,831	84,304
Total stockholders equity	94,244	96,647	102,696	113,921	102,126	117,311	104,182

Table of Contents**PHC Historical Financial Data**

The selected financial data presented below for the fiscal years ended June 30, 2006, 2007, 2008, 2009 and 2010 and for the nine months ended March 31, 2010 and 2011 do not give effect to the recently completed MeadowWood acquisition or consummation of the merger. PHC has derived the selected financial data presented below as of June 30, 2009 and 2010 and for each of the two years in the period ended June 30, 2010 from PHC's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. PHC has derived the selected financial data presented below as of June 30, 2006, 2007 and 2008 and for each of the three years in the period ended June 30, 2008 from PHC's audited consolidated financial statements not included in this proxy statement/prospectus. PHC has derived the selected financial data presented below as of and for the nine months ended March 31, 2010 and 2011 from PHC's unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia's financial information. The results for the nine months ended March 31, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The selected financial data below should be read in conjunction with PHC Management's Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Condensed Combined Financial Statements and PHC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Year Ended June 30,					Nine Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
	(\$ in thousands, except per share data)						
						(Unaudited)	(Unaudited)
Income Statement Data:							
Revenues	\$ 32,213	\$ 40,563	\$ 45,397	\$ 46,411	\$ 53,077	\$ 39,044	\$ 45,159
Patient care expenses	14,270	19,738	22,133	23,835	26,307	19,454	22,099
Contract expenses	2,676	3,103	3,390	3,016	2,965	2,203	2,543
Provision for doubtful accounts	1,913	1,933	1,311	1,638	2,131	1,476	2,348
Administrative expenses	11,210	12,722	15,465	18,721	19,111	14,260	15,228
Legal settlement							446
Operating income (loss)	2,144	3,067	3,098	(799)	2,563	1,651	2,495
Other income including interest expense, net	(381)	(8)	(148)	(177)	(37)	1	(141)
Income (loss) before income taxes	1,763	3,059	2,950	(976)	2,526	1,652	2,354
Provision for (benefit from) income taxes	(1,314)	1,144	1,366	65	1,106	671	1,108
Net income (loss) from continuing operations	3,077	1,915	1,584	(1,041)	1,420	981	1,246
Net income (loss) from discontinued operations	968	(233)	(1,259)	(1,413)			

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

Net income (loss)	\$ 4,045	\$ 1,682	\$ 325	\$ (2,454)	\$ 1,420	\$ 981	\$ 1,246
Net income (loss) from continuing operations per share of common stock							
Basic	\$ 0.22	\$ 0.09	\$ 0.02	\$ (0.05)	\$ 0.07	\$ 0.05	\$ 0.06
Diluted	\$ 0.21	\$ 0.09	\$ 0.02	\$ (0.05)	\$ 0.07	\$ 0.05	\$ 0.06
Cash dividends per share of common stock	\$	\$	\$	\$	\$	\$	\$

	2006	2007	June 30, 2008	2009	2010	March 31, 2010	March 31, 2011
	(\$ in thousands)						(Unaudited) (Unaudited)

Balance Sheet Data (as of end of period):

Cash and equivalents	\$ 1,760	\$ 3,308	\$ 3,142	\$ 3,199	\$ 4,540	\$ 3,267	\$ 2,804
Total assets	21,949	26,856	26,507	22,692	25,207	24,892	26,174
Total debt	1,153	1,047	2,422	2,241	2,557	2,542	2,126
Total stockholders equity	13,455	18,250	18,659	16,044	17,256	16,946	18,489

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following tables set forth the unaudited pro forma condensed combined financial data for Acadia, YFCS, PHC and MeadowWood as a combined company, giving effect to (1) Acadia's acquisition of YFCS and the related debt and equity financing transactions on April 1, 2011, (2) PHC's acquisition of MeadowWood and related debt financing transaction on July 1, 2011 and (3) Acadia's merger with PHC and the related transactions described elsewhere in this proxy statement/prospectus, as if the transactions had occurred on March 31, 2011 for the unaudited pro forma condensed combined balance sheet and January 1, 2010 for the unaudited pro forma condensed combined statements of operations.

MeadowWood was acquired in an asset acquisition. The assets acquired consisted of substantially all of the assets of HHC Delaware. The pro forma adjustments reflect the elimination of any assets of HHC Delaware not acquired by PHC. The fiscal years of Acadia, YFCS and HHC Delaware end on December 31 while the fiscal year of PHC ends on June 30. The combined company will use Acadia's fiscal year ending on December 31. The unaudited pro forma condensed combined balance sheet combines Acadia's unaudited consolidated balance sheet as of March 31, 2011 with the respective unaudited consolidated balance sheets of YFCS, PHC and HHC Delaware as of March 31, 2011. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines Acadia's audited consolidated statement of operations for the year ended December 31, 2010 with the audited consolidated statement of operations of YFCS for the year ended December 31, 2010, the audited consolidated statement of operations of HHC Delaware for the year ended December 31, 2010 and the unaudited condensed consolidated statement of operations of PHC for the twelve months ended December 31, 2010 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010). The unaudited pro forma condensed combined statement of operations of PHC for the three months ended March 31, 2011 combines Acadia's unaudited condensed consolidated statement of operations for the three months ended March 31, 2011 with the unaudited condensed consolidated statement of operations of YFCS for the three months ended March 31, 2011, the unaudited condensed consolidated statement of operations of HHC Delaware for the three months ended March 31, 2011 and the unaudited condensed consolidated statement of operations of PHC for the three months ended March 31, 2011.

The unaudited pro forma condensed combined financial data has been prepared using the acquisition method of accounting for business combinations under GAAP. The adjustments necessary to fairly present the unaudited pro forma condensed combined financial data have been made based on available information and in the opinion of management are reasonable. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed combined financial data. The pro forma adjustments are preliminary and revisions to the preliminary purchase price allocations and financing of the transactions may have a significant impact on the pro forma adjustments. A final valuation of assets acquired and liabilities assumed in the YFCS, MeadowWood and PHC acquisitions cannot be made prior to the completion of the merger and the completion of the purchase price allocations will most likely result in changes in the values assigned to property and equipment and other assets (including intangibles) acquired and liabilities assumed.

The unaudited pro forma condensed combined financial data is for illustrative purposes only and does not purport to represent what Acadia's financial position or results of operations actually would have been had the events noted above in fact occurred on the assumed dates or to project our financial position or results of operations for any future date or future period.

The unaudited pro forma condensed combined financial data does not reflect (1) the effects of any future restructuring activities or operating efficiencies pertaining to the combined operations (for a discussion of anticipated cost savings and synergies, see page 128 of Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations - Anticipated Synergies, Cost Savings and Revenue Improvements), (2) certain purchase accounting adjustments and adjustments to historical depreciation and amortization expense as the preliminary valuations of property and equipment and intangible assets have not been completed and there is no basis for adjusting the historical amounts or (3) adjustments to reflect the compensation expense

Table of Contents

associated with the accelerated vesting and fair value adjustments of management equity awards, which will be recognized in the period in which the merger is completed.

The unaudited pro forma condensed combined financial data should be read in conjunction with Selected Historical Financial Information, Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, PHC Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto of Acadia, YFCS, PHC and MeadowWood included elsewhere in this proxy statement/prospectus.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of March 31, 2011

		Acadia				PHC				Pro	
		Pro Forma				Pro Forma				Pro	
Acadia		YFCS		Pro		HHC	Meadow		Pro	Merger	
Healthcare(1)	YFCS(2)	Adjustments	Notes	Forma	PHC(3)	Delaware(4)	Wood	Notes	Forma	Adjustment	
				Acadia					PHC		
(\$ in thousands)											
8,028	\$ 4,009	\$ (3,976)	(5)	\$ 3,347	\$ 2,804	\$ 28	(28)	(5)	\$ 2,804	\$ (173)	
		(4,714)	(6)								
6,652	17,736			24,388	9,498	1,687			11,185		
3,463	3,413	2,800	(11)	9,676	4,213	1,161			5,374		
18,143	25,158	(5,890)		37,411	16,515	2,876	(28)		19,363	(173)	
19,295	26,379			45,674	4,749	8,086			12,835		
9,157	133,974	20,484	(10)	163,615	969	18,629	(6,412)	(14)	13,186	52,033	
542	28,752	(28,752)	(9)	542							
	2,346	5,880	(12)	6,896	3,941	178	1,159	(15)	5,199	3,800	
		(1,330)	(17)				(79)	(17)		(1,159)	
47,137	\$ 216,609	\$ (9,608)		\$ 254,138	\$ 26,174	\$ 29,769	\$ (5,360)		\$ 50,583	\$ 54,501	
9,963	\$ 1,248	\$ (4,461)	(7)	\$ 6,750	\$ 2,008	\$ 159	(1,902)	(16)	\$ 265	(265)	
3,600	3,028			6,628	1,529	161			1,690		
2,480	5,248	3,626	(11)	11,354	1,970	476			2,446		
4,318	5,405	(2,454)	(11)	7,269	1,297	261			1,558		
20,361	14,929	(3,289)		32,001	6,804	1,057	(1,902)		5,959	(265)	
	83,056	55,194	(7)	138,250	70	6,596	19,569	(16)	26,235	123,765	
2,285	14,442	(1,617)	(11)	15,110	811	22,011	(21,080)	(11)	1,742		
22,646	112,427	50,288		185,361	7,685	29,664	(3,413)		33,936	123,500	

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

24,491		51,682	(8)	68,777		105	(105)	(13)		(68,777)
		(653)	(12)							
		(6,743)	(12)							
	8	(8)	(13)							
				208					208	177
										(208)
	100,183	(100,183)	(13)	28,129					28,129	94,273
										(28,129)
										62,521
										(74,441)
				(1,809)					(1,809)	1,809
	3,991	(3,991)	(13)	(8,039)			(1,763)	(15)	(9,881)	(25,673)
							(79)	(17)		9,881
										(40,432)
24,491	104,182	(59,896)		68,777	18,489	105	(1,947)		16,647	(68,999)
47,137	\$ 216,609	\$ (9,608)		\$ 254,138	\$ 26,174	\$ 29,769	\$ (5,360)		\$ 50,583	\$ 54,501

See accompanying notes to unaudited pro forma financial information.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2011

Acadia Healthcare(1)	Acadia Pro Forma			Pro Forma Acadia	PHC Pro Forma Meadow Wood			Pro Forma PHC	Pro Forma Merger Adjustments
	YFCS(2)	YFCS Adjustments	Notes		HHC Delaware(4)	Adjustments	Notes		
17,584	\$ 45,686			\$ 63,270	\$ 15,456	\$ 3,668		\$ 19,124	
10,107	29,502	339	(24)	39,948	8,199	2,316		10,515	
3,261		1,901	(22)	2,511	1,893	161		2,054	
		(2,651)	(23)						
936		2,204	(22)	3,140	571	235		806	
351		1,320	(22)	1,671	885	13		898	
2,252	9,907	(5,425)	(22)	6,395	2,139	363		2,502	
		(339)	(24)						
734	208			942	685	133		818	
243	819			1,062	287	91		378	
223	1,726	(169)	(25a)	1,780	(13)	133	328	448	3,298
					446			446	
18,107	42,162	(2,820)		57,449	15,092	3,445	328	18,865	3,298
(523)	3,524	2,820		5,821	364	223	(328)	259	(3,298)
(271)	1,404	513	(26)	2,774	299	93	(131)	261	(1,319)
		1,128	(27)						
(252)	\$ 2,120	\$ 1,179		\$ 3,047	\$ 65	\$ 130	\$ (197)	\$ (2)	\$ (1,979)

(0.03)

(0.03)

10,000,000	12,551,319	(
10,000,000	12,644,118	(

See accompanying notes to unaudited pro forma financial information.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Twelve Months Ended December 31, 2010

Acadia Healthcare(1)	Acadia Pro Forma		Notes	Pro Forma Acadia	HHC Delaware(4)		PHC Pro Forma Meadow Wood		Pro Forma PHC	Pro Forma Merger Adjustments
	YFCS(2)	YFCS Adjustments			PHC(3)	Adjustments	Notes	Notes		
64,342	\$ 184,386			\$ 248,728	\$ 57,269	\$ 14,301			\$ 71,570	
36,333	113,931	1,239	(24)	151,503	28,647	8,850			37,497	
3,612		6,724	(22)	8,953	8,401	891			9,292	
		(1,383)	(23)							
3,709		8,380	(22)	12,089	2,319	897			3,216	
1,288		5,244	(22)	6,532	3,494	20			3,514	
8,289	38,146	(20,348)	(22)	24,848	6,644	1,231			7,875	
		(1,239)	(24)							
2,239	525			2,764	2,866	511			3,377	
976	3,456			4,432	1,129	308			1,437	
738	7,514	(953)	(25a)	7,299	148	524	1,295	(25b)	1,967	13,201
	23,528			23,528						
57,184	187,100	(2,336)		241,948	53,648	13,232	1,295		68,175	13,201
7,158	(2,714)	2,336		6,780	3,621	1,069	(1,295)		3,395	(13,201)
477	5,032	2,448	(26)	8,891	1,532	437	(518)	(27)	1,451	(5,280)
		934	(27)							
6,681	\$ (7,746)	\$ (1,046)		\$ (2,111)	\$ 2,089	\$ 632	\$ (777)		\$ 1,944	\$ (7,921)

0.67

0.67

000,000

12,579,198

000,000

12,602,672

See accompanying notes to unaudited pro forma financial information.

Table of Contents**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**(*\$ in thousands*)

- (1) The amounts in this column represent, for Acadia, actual balances as of March 31, 2011 or actual results for the periods presented.
- (2) The amounts in this column represent, for YFCS, actual balances as of March 31, 2011 or actual results for the periods presented.
- (3) The amounts in this column represent, for PHC, actual balances as of March 31, 2011 or actual results for the periods presented. The condensed consolidated statements of operations of PHC have been reclassified to conform to Acadia's expense classification policies.
- (4) The amounts in this column represent, for HHC Delaware, actual balances as of March 31, 2011 or actual results for the periods presented.
- (5) Represents the elimination of \$3,976 of cash not acquired in the YFCS acquisition and \$28 of cash not acquired by PHC in the MeadowWood acquisition.
- (6) Represents \$4,714 of reduction in cash as a result of the acquisition of YFCS. The sources and uses of cash for the YFCS acquisition were as follows:

Sources:

Borrowing under the Senior Secured Credit Facility	\$ 145,000
Equity issuance	51,682
Uses:	
Cash consideration	(178,157)
Repayment of existing Acadia debt	(9,963)
Transaction-related expenses	(13,276)
Cash adjustment	\$ (4,714)

- (7) Represents the effect of the YFCS acquisition on the current portion and long-term portion of total debt, as follows:

	Current Portion	Long-term Portion	Total Debt
Repayment of Acadia debt	\$ (9,963)	\$	\$ (9,963)
Repayment of YFCS debt	(1,248)	(83,056)	(84,304)
Borrowing under the Senior Secured Term Loan	6,750	128,250	135,000
Borrowing under the Senior Secured Credit Facility		10,000	10,000

Adjustments	\$ (4,461)	\$ 55,194	\$ 50,733
-------------	------------	-----------	-----------

(8) Represents \$51,682 of proceeds from the issuance of equity to partially fund the acquisition of YFCS.

(9) Represents the elimination of the existing intangible assets of YFCS.

(10) Represents an adjustment to goodwill derived from the difference in the estimated total consideration transferred and the estimated fair value of net assets acquired in the YFCS acquisition, calculated as follows:

Consideration transferred	\$ 178,157
Less: Estimated fair value of net assets acquired	(23,699)
Estimated goodwill	154,458
Less: Historical goodwill	(133,974)
Goodwill adjustment	\$ 20,484

The preliminary value of the total consideration transferred is \$178,157, which represents the cash consideration paid at closing. The consideration will be allocated to assets and liabilities based on their relative fair values as of the closing date of the YFCS acquisition. Estimated goodwill is based upon a purchase price allocation that is preliminary and subject to revision as a working capital settlement is finalized and additional

Table of Contents

information related to the fair value of property and equipment and other assets acquired and liabilities assumed becomes available. The actual allocation of the purchase price will differ from the allocation assumed in these unaudited pro forma condensed consolidated financial statements and such differences may be material.

- (11) Represents the elimination of certain assets not acquired or liabilities not assumed in connection with Acadia's acquisition of YFCS or PHC's acquisition of MeadowWood and adjustments to certain assets acquired or liabilities assumed to equal current estimates of fair value as of the acquisition date.
- (12) Represents other costs of \$13,276 incurred in connection with the YFCS acquisition and related financing, including \$6,743 of acquisition-related expenses, \$5,880 of capitalized debt financing costs, and \$653 of equity issuance costs.
- (13) Reflects the elimination of the equity accounts and accumulated earnings of YFCS, HHC Delaware and PHC.
- (14) Represents the adjustment to goodwill derived from the difference in the estimated total consideration transferred and the estimated fair value of net assets acquired by PHC in the MeadowWood acquisition, calculated as follows:

Consideration transferred	\$ 21,500
Less: Estimated fair value of net assets acquired	(9,283)
Estimated goodwill	12,217
Less: Historical goodwill	(18,629)
Goodwill adjustment	\$ (6,412)

The consideration will be allocated to assets and liabilities based on their relative fair values as of the closing date of the MeadowWood acquisition. Estimated goodwill is based upon a purchase price allocation that is preliminary and subject to revision as the value of total consideration is finalized and additional information related to the fair value of property and equipment and other assets acquired and liabilities assumed becomes available. The actual allocation of the purchase price will differ from the allocation assumed in these unaudited pro forma condensed consolidated financial statements and such differences may be material.

- (15) The sources and uses of cash for the MeadowWood acquisition were as follows:

Sources:	
Incurrence of indebtedness under PHC's senior credit facility	\$ 26,500
Uses:	
Cash consideration paid for MeadowWood	(21,500)
Repayment of existing debt	(2,078)
Transaction-related expenses(a)	(2,922)
Net cash adjustment	\$

(a) Costs incurred in connection with PHC's acquisition of MeadowWood and debt repayment are estimated to be \$1,164 of acquisition-related expenses, \$1,159 of debt financing costs and \$599 of debt prepayment fees.

(16) Represents the effect of the MeadowWood acquisition on the current portion and long-term portion of total debt, as follows:

	Current Portion		Long-term Portion		Total Debt
Repayment of PHC historical debt	\$ (2,008)	\$	(70)	\$	(2,078)
Elimination of MeadowWood historical debt not assumed	(159)		(6,596)		(6,755)
Incurrence of indebtedness under PHC's senior credit facility	265		26,235		26,500
Adjustments	\$ (1,902)	\$	19,569	\$	17,667

(17) Represents the elimination of YFCS and PHC deferred financing costs.

Table of Contents

- (18) Represents the incorporation and conversion of Acadia Healthcare Company, LLC to Acadia Healthcare Company, Inc. on May 13, 2011. Acadia plans to effect a stock split or issuance on or prior to the closing of the merger with PHC such that approximately 17,676,101 shares of common stock will be issued and outstanding. On a pro forma basis, the member's equity of \$68,777 has been allocated to common stock of \$177 (\$0.01 par value), additional paid-in capital of \$94,273 and accumulated deficit of (\$25,673).
- (19) Represents an adjustment to goodwill derived from the difference in the estimated total consideration transferred by Acadia and the estimated fair value of net assets acquired in the PHC acquisition. The estimated total consideration and preliminary purchase price allocation are calculated as follows:

Estimated equity consideration(a)	\$ 62,521
Estimated repayment of indebtedness under PHC's senior credit facility	26,500
Estimated cash consideration to Class B common stockholders	5,000
Estimated total consideration	94,021
Less: Estimated fair value of net assets acquired	(28,802)
Estimated goodwill	65,219
Less: PHC pro forma goodwill	(13,186)
Goodwill adjustment	\$ 52,033

- (a) The estimated value of Acadia common shares issued to PHC stockholders is based on total outstanding PHC Class A and Class B shares of 19,537,835 as of May 23, 2011, the date of the merger agreement, multiplied by a current stock price of \$3.20.

The consideration will be allocated to assets and liabilities based on their relative fair values as of the closing date of the merger. Estimated goodwill is based upon a purchase price allocation that is preliminary and subject to revision as the value of total consideration is finalized and additional information related to the fair value of property and equipment and other assets acquired and liabilities assumed becomes available. The actual allocation of the purchase price will differ from the allocation assumed in these unaudited pro forma condensed consolidated financial statements and such differences may be material.

- (20) Represents a \$173 decrease in cash as a result of the merger. The sources and uses of cash in connection with the merger are expected to be as follows:

Sources:	
Issuance of \$150,000 of Senior Notes	\$ 150,000
Uses:	
Dividend to be paid to Acadia stockholders	(74,441)
Repayment of indebtedness under PHC's senior credit facility	(26,500)
Cash portion of PHC merger consideration	(5,000)
Transaction expenses(a)	(44,232)

Cash adjustment \$ (173)

- (a) Costs incurred in connection with the PHC merger and related transactions are estimated to be \$19,873 of acquisition-related expenses, \$20,559 to terminate our professional services agreement with Waud and \$3,800 of debt financing costs associated with the Senior Notes and the amendment to the Senior Secured Credit Facility.

Table of Contents

(21) Represents the effect of the merger on the current portion and long-term portion of total debt, as follows:

	Current Portion	Long-term Portion	Total Debt
Repayment of indebtedness under PHC's senior credit facility	(265)	(26,235)	(26,500)
Issuance of Senior Notes		150,000	150,000
Adjustments	\$ (265)	\$ 123,765	\$ 123,500

(22) Reflects the reclassification from YFCS other operating expenses of: (a) professional fees of \$1,901 and \$6,724 for the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively, (b) supplies expense of \$2,204 and \$8,380 for the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively, and (c) rent expense of \$1,320 and \$5,244 for the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively, to conform to Acadia's classification of expenses.

(23) Reflects the removal of acquisition-related expenses included in the historical statements of operations of Acadia and YFCS relating to Acadia's acquisition of YFCS and the merger between Acadia and PHC. Acadia recorded \$2,651 and \$849 of acquisition-related expenses in the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively. YFCS recorded \$534 of acquisition-related expenses in the twelve months ended December 31, 2010.

(24) Reflects the reclassification of workers' compensation insurance expense to salaries, wages and benefits.

(25) Represents adjustments to interest expense to give effect to the Senior Secured Credit Facility entered into by Acadia on April 1, 2011, the debt incurred by PHC to fund the MeadowWood acquisition, and the amendment of the Senior Secured Credit Facility and the Senior Notes to be issued on the closing date of the merger.

(a) The YFCS pro forma interest expense adjustment assumes that the interest rate of 4.2% at April 1, 2011, the closing date of the YFCS acquisition and the Senior Secured Credit Facility, was in effect for the entire period, as follows:

	Three Months Ended March 31, 2011	Twelve Months Ended December 31, 2010
Interest related to Senior Credit Facility	\$ 1,489	\$ 6,134
Amortization of debt discount and deferred loan costs	291	1,165
	1,780	7,299
Less: historical interest expense of Acadia and YFCS	(1,949)	(8,252)
Interest expense adjustment	\$ (169)	\$ (953)

An increase or decrease of 0.125% in the assumed interest rate would result in a change in interest expense of \$43 and \$178 for the three months ended March 31, 2011 and twelve months ended December 31, 2010, respectively.

- (b) The PHC pro forma interest expense adjustment assumes that the interest rate of 7.25% at July 1, 2011, the closing date of the loans under PHC's senior credit facility funding the MeadowWood acquisition, was in effect for the entire period, as follows:

	Three Months Ended March 31, 2011	Twelve Months Ended December 31, 2010
Interest related to PHC's senior credit facility	\$ 476	\$ 1,914
Amortization of debt discount and deferred loan costs	58	232
	534	2,146
Less: historical interest expense of PHC and MeadowWood	(206)	(851)
Interest expense adjustment	\$ 328	\$ 1,295

Table of Contents

An increase or decrease of 0.125% in the assumed interest rate would result in a change in interest expense of \$8 and \$33 for the three months ended March 31, 2011 and twelve months ended December 31, 2010, respectively.

- (c) The pro forma interest expense adjustment for the merger assumes that the Senior Notes will have an interest rate of 9.25%, which represents an estimate of the fixed interest rate of the Senior Notes based on current market interest rates, and reflects a 0.50% increase in the interest rate applicable to the Senior Secured Credit Facility related to the amendment, as follows:

	Three Months Ended March 31, 2011	Twelve Months Ended December 31, 2010
Interest related to Senior Notes	\$ 3,469	\$ 13,875
Interest related to Senior Credit Facility amendment	173	712
Amortization of debt discount and deferred loan costs	190	760
	3,832	15,347
Less: Interest related to PHC's senior credit facility to be repaid in connection with the merger	(534)	(2,146)
Interest expense adjustment	\$ 3,298	\$ 13,201

An increase or decrease of 0.125% in the assumed interest rate would result in a change in interest expense of \$90 and \$366 for the three months ended March 31, 2011 and twelve months ended December 31, 2010, respectively.

- (26) Reflects an increase in income taxes of \$513 for the three months ended March 31, 2011 and an increase in income taxes of \$2,448 for the twelve months ended December 31, 2010 to give effect to the election by Acadia Healthcare Company, LLC to be treated as a taxable corporation on April 1, 2011.
- (27) Reflects adjustments to income taxes to reflect the impact of the above pro forma adjustments applying combined federal and state statutory tax rates for the respective periods.
- (28) Adjustments to weighted average shares used to compute basic and diluted earnings per unit/share are as follows:

Basic earnings per unit/share

Prior to the closing of the merger, Acadia will effect a stock split or issuance such that Acadia stockholders immediately prior to the closing of the merger will own 77.5% of the combined company's issued and outstanding common stock on a fully diluted basis (as defined in the merger agreement).

The conversion and exchange of each Class A and Class B common share of PHC, Inc. for one-quarter (1/4) of a share of common stock of Acadia Healthcare Company, Inc. The estimated issuance of Acadia common stock based on the one-to-four conversion rate and the weighted average shares outstanding for the respective periods is 4,875,218 and 4,903,097 for the three months ended March 31, 2011 and the twelve months ended

December 31, 2010, respectively. Weighted average shares outstanding are derived from PHC, Inc. consolidated financial statements for the respective periods.

Diluted earnings per unit/share

The adjustments described above related to basic earnings per unit/share.

The conversion of outstanding PHC employee stock options and warrants into substantially equivalent Acadia stock options and warrants. The estimated incremental dilutive effect of the stock options and warrants, derived from the consolidated financial statements of PHC, Inc. based on the one-to-four conversion rate applicable to such awards, is 92,799 and 23,474 for the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively.

Table of Contents**COMPARATIVE PER SHARE INFORMATION**

The following table sets forth selected historical share, net income (loss) per share and book value per share information of Acadia and PHC. The table also sets forth the Acadia unaudited pro forma share, net income (loss) per share and book value per share information after giving effect to (i) the YFCS acquisition and (ii) both the YFCS acquisition and the merger (including PHC's acquisition of MeadowWood). The pro forma equivalent information of PHC was derived by multiplying the pro forma share, net income (loss) per share and book value per share information by the exchange ratio of 0.25. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus. The unaudited pro forma share, net income (loss) per share and book value per share information is derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Financial Statements and related notes included in this proxy statement/prospectus. The historical share, net income (loss) per share and book value per share information of Acadia is derived from the audited consolidated financial statements of Acadia as of and for the fiscal year ended December 31, 2010 and the unaudited condensed consolidated financial statements of Acadia as of and for the three months ended March 31, 2011. PHC's fiscal year ends on June 30. Accordingly, PHC's net income (loss), basic and diluted net income (loss) per common share, and the number of shares used in the computation of basic and diluted earnings per common share for the year ended December 31, 2010, were not obtained from PHC's annual audited financial statements. PHC's financial data presented in this table has been prepared assuming a December 31 fiscal year end. See the unaudited pro forma condensed combined financial statements contained elsewhere in this proxy statement/prospectus. The amounts set forth below are in thousands, except per share amounts.

	December 31, 2010				
	Acadia		PHC		
	Historical(1)	Pro Forma for YFCS	Pro Forma for YFCS and Merger	Historical	Pro Forma Equivalent of One Acadia Share(2)
Net income (loss) per share attributable to common stockholders					
Basic	\$ 0.62	\$ (0.66)	\$ (0.56)	\$ 0.11	\$ (0.14)
Diluted	0.62	(0.66)	(0.56)	0.11	(0.14)
Shares used in calculating income (loss) per share attributable to common stockholders:					
Basic	10,000,000	10,000,000	22,579,198	19,612,388	
Diluted	10,000,000	10,000,000	22,602,672	19,706,284	

March 31, 2011**Acadia****PHC****Pro Forma**

	Historical(1)	Pro Forma for YFCS	Pro Forma for YFCS and Merger	Historical	Equivalent of One Acadia Share(2)
Net income (loss) per share attributable to common stockholders					
Basic	\$ (0.02)	\$ 0.30	\$ 0.04	\$	\$ 0.01
Diluted	(0.02)	0.30	0.04		0.01
Book value per share					
Basic	\$ 2.45	\$ 6.88	\$ 0.73	\$ 0.95	\$ 0.18
Diluted	2.45	6.88	0.73	0.93	0.18
Shares used in calculating net income (loss) per share and book value per share attributable to common stockholders:					
Basic	10,000,000	10,000,000	22,551,319	19,500,872	
Diluted	10,000,000	10,000,000	22,644,118	19,872,067	

Table of Contents

- (1) All Acadia share numbers have been restated for the stock split effected by means of a stock dividend on May 20, 2011 such that 10,000,000 shares of common stock were issued and outstanding on such date. An additional stock split or issuance will be effected immediately prior to the merger to the extent required in order for the Acadia common stock outstanding immediately prior to the merger to represent 77.5% of the common stock on fully diluted basis (as defined in the merger agreement) post-merger.
- (2) These amounts were calculated by applying the exchange ratio of 0.25 to the Acadia per share amounts giving effect to the YFCS acquisition and the merger.

MARKET PRICE AND DIVIDEND INFORMATION**PHC**

PHC's common stock currently trades on the NYSE Amex Stock Market under the symbol PHC. The following table shows the high and low sales price for the Class A Common Stock by quarter, as reported by the NYSE Amex for the periods indicated:

Period	Price Range	
	High	Low
Fiscal Year Ended June 30, 2011		
First Quarter (July 1, 2010 – September 30, 2010)	\$ 1.34	\$ 1.04
Second Quarter (October 1, 2010 – December 31, 2010)	1.80	1.31
Third Quarter (January 1, 2011 – March 31, 2011)	2.74	1.61
Fourth Quarter (April 1, 2011 – June 30, 2011)	3.61	2.19
Fiscal Year Ended June 30, 2010		
First Quarter (July 1, 2009 – September 30, 2009)	\$ 1.70	\$ 1.22
Second Quarter (October 1, 2009 – December 31, 2009)	\$ 1.34	\$ 0.99
Third Quarter (January 1, 2010 – March 31, 2010)	\$ 1.55	\$ 1.06
Fourth Quarter (April 1, 2010 – June 30, 2010)	\$ 1.35	\$ 0.98

On May 23, 2011, the last full trading day immediately preceding the public announcement date of the merger, and on July 11, 2011, the most recent practicable date prior to the mailing of this proxy statement/prospectus, the last reported sales prices of PHC's Class A Common Stock, as reported by the NYSE Amex Stock Market, were \$3.00 and \$3.09 per share, respectively. You are encouraged to obtain current trading prices for PHC's Class A Common Stock in considering whether to vote to approve the merger. As of _____, 2011, there were approximately _____ holders of record of PHC's Class A Common Stock and _____ holders of record of PHC's Class B Common Stock. PHC has not paid cash dividends on its common stock and has no intention to do so in the foreseeable future.

Acadia

Acadia's common stock is not listed for trading on any securities exchange, and Acadia has not previously filed reports with the SEC. Upon completion of the merger, it is anticipated that Acadia's common stock will be listed on NASDAQ, and Acadia will be an SEC reporting company.

Acadia has never declared or paid cash dividends on its capital stock other than the dividend to be paid to Acadia stockholders immediately prior to the merger. Acadia does not anticipate paying any cash dividends on its capital

stock in the foreseeable future and will be substantially restricted from doing so under the terms of the agreements governing its indebtedness following the merger. See Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Table of Contents

THE SPECIAL MEETING OF PHC STOCKHOLDERS

Date, Time and Place

The special meeting of PHC stockholders will be held on _____, 2011, at :00 a.m., local time, at the corporate offices of PHC, 200 Lake Street, Suite 102, Peabody, Massachusetts 01960.

Matters to be Considered at the Special Meeting of PHC Stockholders

At the special meeting of PHC stockholders, and any adjournments thereof, PHC stockholders will be asked:

to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of May 23, 2011, by and among PHC, Acadia Healthcare, Inc. and Acadia Merger Sub, LLC, a wholly-owned subsidiary of Acadia, pursuant to which PHC will be merged with and into Merger Sub;

to consider and cast an advisory vote on the compensation to be received by PHC's named executive officers in connection with the merger;

to consider and vote on a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the adjournment to approve the merger agreement; and

To transact such other business as may properly come before the meeting or any adjournments thereof.

Record Date

The PHC board of directors has fixed _____ 2011, as the record date for determination of PHC stockholders entitled to notice of, and to vote at, the special meeting of PHC stockholders and any adjournments thereof. As of the close of business on the record date for the special meeting of PHC stockholders, there were _____ shares of PHC Class A Common Stock outstanding and entitled to vote, held by approximately _____ holders of record, and _____ shares of PHC Class B Common Stock outstanding and entitled to vote, held by approximately _____ holders of record.

Votes Required

Approval of the merger agreement will require the affirmative vote of the holders of at least (i) two-thirds of the outstanding Class A Common Stock and Class B Common Stock, voting together as a single class (with the holders of the Class A Common Stock having one vote per share and the holders of the Class B Common Stock having five votes per share), (ii) two-thirds of the outstanding Class A Common Stock, voting as a separate class and (iii) two-thirds of the outstanding Class B Common Stock, voting as a separate class.

Advisory approval of the change in control payments to be made to PHC's named executive officers and approval of any necessary adjournment will each require the affirmative vote of the holders of a majority of the Class A Common Stock and the Class B Common Stock casting votes at the special meeting, voting together as a single class (with the holders of the Class A Common Stock having one vote per share and the holders of the Class B Common Stock having five votes per share).

As of the record date for the special meeting of PHC stockholders, the directors and executive officers of PHC and their affiliates owned approximately % of the outstanding shares of PHC Class A Common Stock, approximately % of the outstanding shares of PHC Class B Common Stock and approximately % of the outstanding voting power of the PHC Class A Common Stock and the PHC Class B Common Stock voting together as a single class. Each of PHC's directors and executive officers has entered into a voting agreement with Acadia

Table of Contents

dated as of May 23, 2011, pursuant to which they have agreed to vote all shares of PHC capital stock owned by them as of the record date in favor of the proposal to approve the merger agreement. See The Voting Agreement.

Quorum and Abstentions

The presence of a quorum is separately determined with respect to each matter to be acted on at the special meeting. The presence, in person or by proxy, of the holders of shares having the right to cast a majority of the votes which may be cast with respect to such matter constitutes the required quorum for such matter. Abstentions will be included in determining the number of shares present at the special meeting of PHC stockholders for the purpose of determining the presence of a quorum.

Abstaining from the vote on the proposal to approve the merger agreement will have the effect of a vote against this proposal. The failure of a PHC stockholder to return a proxy or to vote in person, or if a stockholder's shares are held by a broker or other nominee (i.e., in street name), the failure to give voting instructions to the broker or other nominee on how to vote the shares, also will have the effect of a vote against this proposal. Shares abstaining from the advisory vote on the compensation of the named executive officers or the vote on the proposal to approve the adjournment of the special meeting to solicit additional proxies will have no effect on the vote with respect to these proposals because approval of each of these proposals requires a majority of votes cast with respect to the proposal at the special meeting.

PHC stockholders are encouraged to return the enclosed proxy card marked to indicate their vote as described in the instructions accompanying the proxy card.

Recommendation of Board of Directors

After careful consideration, the PHC board of directors (with Mr. Shear abstaining) approved the merger agreement and determined that the merger agreement is fair to, and in the best interests of, the stockholders of PHC. Therefore, the PHC board of directors recommends PHC stockholders vote FOR the approval of the merger agreement.

In considering this recommendation, PHC stockholders should be aware that the PHC directors and executive officers have interests in the merger that are different from, or in addition to, those of other PHC stockholders generally. See The Merger Interests of PHC's Directors and Executive Officers.

Solicitation of Proxies

PHC and Acadia shall bear 25% and 75%, respectively, of the aggregate fees and expenses incurred in connection with the filing with the SEC, printing and mailing of this proxy statement/prospectus. Solicitation of proxies by mail may be supplemented by telephone, facsimile and other electronic means, advertisements and personal solicitation by the directors, officers or employees of PHC. No additional compensation will be paid to directors, officers or employees for those solicitation efforts. PHC has engaged Georgeson Inc. (Georgeson) to assist in the solicitation of proxies for the special meeting, and PHC has agreed to pay Georgeson a fee of \$8,500 and will reimburse them for reasonable out of pocket expenses incurred in connection with the solicitation.

Voting of Proxies

PHC requests that its stockholders complete, date and sign the enclosed proxy card and promptly return it by mail in the accompanying envelope in accordance with the instructions accompanying the proxy card. All properly signed and dated proxies that PHC receives prior to the vote at the special meeting of PHC stockholders, and not subsequently revoked, will be voted in accordance with the instructions indicated on the proxies. All properly signed and dated

proxies received by PHC prior to the vote at the special meeting that do not contain any direction as to how to vote in regards to any or all of the proposals will be voted for approval of any proposal in regards to which no directions are provided.

Table of Contents

Stockholders may revoke their proxies at any time prior to their use:

by delivering to the clerk of PHC a signed notice of revocation;

by delivering to the clerk of PHC a later-dated, signed proxy; or

by attending the special meeting of PHC stockholders and voting in person.

Attendance at the special meeting of PHC stockholders does not in itself constitute the revocation of a proxy.

Even if a PHC stockholder plans to attend the special meeting in person, PHC requests that the stockholder sign and return the enclosed proxy card as described in the proxy statement/prospectus and in accordance with the instructions accompanying the proxy card, thus ensuring that the shares held by the stockholder will be represented at the special meeting. If a PHC stockholder does attend the special meeting and wishes to vote in person, he or she may withdraw the proxy and vote in person.

Table of Contents

THE MERGER

General Description of the Merger

At the effective time of the merger, PHC will merge with and into Merger Sub. PHC stockholders will receive one-quarter of a share of Acadia common stock in exchange for each share of PHC common stock they own. In addition, holders of PHC Class B Common Stock will receive their pro rata share of \$5.0 million of cash consideration for each share of PHC Class B Common Stock exchanged in the merger. PHC warrant holders holding warrants will receive warrants to purchase one-quarter of a share of Acadia common stock for each share of PHC common stock subject to such warrants. PHC option holders holding options, whether vested or unvested, will receive options to purchase one-quarter of a share of Acadia common stock for each share of PHC common stock subject to such options.

Upon completion of the merger, Acadia stockholders will retain 77.5% of the combined company on a fully diluted basis (as defined in the merger agreement) and the former PHC stockholders will receive 22.5% of the combined company on a fully diluted basis (as defined in the merger agreement).

Background of the Merger

Mr. Jacobs, Acadia's Chairman and Chief Executive Officer, and other members of Acadia's current management team were previously executive officers of Psychiatric Solutions, Inc. (PSI), a publicly traded behavioral health care company that owned and operated 95 inpatient facilities with approximately 11,000 beds in 32 states, Puerto Rico and the U.S. Virgin Islands. Mr. Jacobs was a founder of PSI and served as its Chairman, Chief Executive Officer and President from 1997 to the time of its sale to Universal Health Services, Inc. (UHS) in November 2010. Mr. Jacobs and the senior management team grew PSI from a market capitalization of approximately \$50 million when it went public in July 2002, to over \$1.8 billion in November 2010.

Mr. Jacobs and Mr. Shear, PHC's Chief Executive Officer, have served together as directors of the National Association of Psychiatric Hospital Systems (NAPHS) for several years. Mr. Jacobs also was familiar with PHC and its business from his experience as Chairman, Chief Executive Officer and President of PSI and conversations with Mr. Shear from time to time over the course of the preceding several years.

In December 2010, Mr. Jacobs and Mr. Shear met to discuss PHC's strategic plans, including the possibility of Mr. Jacobs and other former PSI senior executive officers joining PHC. Concurrently, Mr. Jacobs discussed with representatives of Acadia and Waud Capital Partners the possibility of Mr. Jacobs and other former PSI senior executive officers joining Acadia. On January 31, 2011, Mr. Jacobs and other former PSI senior executive officers entered into employment agreements with Acadia.

On January 31, 2011, Mr. Shear updated the PHC board of directors on his discussions with Mr. Jacobs and discussed the possibility of Mr. Jacobs bringing potential deals to PHC.

On February 2, 2011, Mr. Jacobs and Brent Turner, Co-President of Acadia, met with Mr. Shear and representatives of Jefferies & Co., Inc. (Jefferies) in Fort Lauderdale, Florida to discuss a possible strategic combination of Acadia and PHC, including initial discussions regarding relative valuations and deal terms. Jefferies had previously been retained by PHC to act as a financing source in connection with PHC's proposed acquisition of MeadowWood, which PHC was exploring at that time.

Following the February 2, 2011 meeting, the parties continued discussions regarding the possible combination on periodic conference calls. On February 8, 2011, Mr. Shear and representatives from Acadia, Waud Capital Partners and Jefferies met in Chicago, Illinois to further discuss the possible combination of Acadia and PHC.

After the February 8, 2011 meeting, the parties continued to share models regarding the possible combination and further discussed potential terms.

Table of Contents

During these discussions, Mr. Shear expressed several principles which guided the discussions on behalf of PHC:

PHC desired a combination in which PHC stockholders would participate in the growth of the combined company;

In view of PHC's recent growth and prospects, PHC's contribution to the combination should take into account PHC's 12 month projections as well as its recent historical performance; and

Any acquisition must fairly compensate the holders of PHC's Class B Common Stock for their control rights, including their right to elect a majority of PHC's directors and their right to five votes per share.

On February 18, 2011, Mr. Shear updated the PHC board of directors on discussions with Acadia and the PHC board of directors approved PHC's retention of Jefferies to act as exclusive advisor in connection with a possible combination of Acadia and PHC.

On February 24, 2011, representatives of Acadia, Waud Capital Partners, Jefferies and a potential acquisition target met in Chicago, Illinois to have preliminary discussions regarding a possible combination with Acadia and PHC. The parties elected not to pursue this opportunity at that time.

On March 7, 2011, the NAPHS held its annual meeting in Washington, D.C. While attending this meeting, Mr. Turner and Mr. Shear continued their discussions regarding the terms of a possible transaction between Acadia and PHC. In subsequent discussions the parties agreed to discuss a letter of intent reflecting proposed terms.

On March 16, 2011, Mr. Shear further updated the PHC board of directors on discussions with Acadia.

On March 22, 2011, Acadia delivered a letter of intent to the PHC board of directors. The parties and their respective counsel negotiated the letter of intent between March 23, 2011 and March 28, 2011.

On March 28, 2011, the PHC board of directors met, reviewed the draft letter of intent and a presentation from Jefferies and authorized PHC's execution of the letter of intent. The PHC board of directors also appointed Mr. William Grieco as the lead independent director with respect to the following: (i) discussions regarding the combination; (ii) working with PHC's Chief Executive Officer and management team; (iii) facilitating discussions amongst the members of the PHC board of directors; (iv) interacting with external advisors; and (v) assisting with PHC stockholder communications. Mr. Grieco was further directed to interview, select and engage a financial advisory firm without an interest in the completion of the transaction to evaluate the fairness of the proposed combination from a financial point of view, in light of Jefferies' interest in completing the transaction and potential role in providing financing to the combined company.

The letter of intent that was signed on March 28, 2011 was non-binding, except that PHC granted exclusivity to Acadia and the parties agreed to maintain confidentiality regarding the proposed transaction. The letter of intent reflected that:

PHC stockholders would receive common stock constituting 22.5% of the combined company, on a fully diluted basis (as defined in the merger agreement), and Acadia stockholders would receive common stock constituting 77.5% of the combined company, on a fully diluted basis (as defined in the merger agreement);

Based upon the relative values of PHC and Acadia and in order to achieve the proposed 22.5% / 77.5% proportion, Acadia stockholders would receive a distribution of approximately \$90 million in cash;

In order to induce holders of PHC's Class B Common Stock to give up their control rights and exchange their Class B Common Stock for ordinary common stock, PHC stockholders would receive common stock constituting 22.5% of the combined company, on a fully diluted basis (as defined in the merger agreement), and holders of PHC's Class B Common Stock would recapitalize into common stock of the combined company and receive an aggregate of \$5 million in cash;

Mr. Shear would serve as Vice Chairman of the combined company and, along with another representative designated by Mr. Shear, would serve as a director of the combined company;

Table of Contents

the senior executive officers of PHC would enter into employment agreements on terms and conditions satisfactory to the parties and the employees; and

PHC, Waud Capital Partners and specified other stockholders would enter into an investment agreement that would provide certain rights in favor of Waud Capital Partners, including registration rights and such other rights as agreed to by the parties.

On March 30, 2011, Mr. Grieco engaged Pepper Hamilton LLP (Pepper Hamilton) on behalf of PHC to provide advice regarding Massachusetts corporate law in connection with the proposed combination with Acadia. Pepper Hamilton was also engaged to represent Messrs. Shear and Boswell in connection with related employment agreement negotiations.

On March 31, 2011, the parties entered into a confidentiality agreement and began due diligence and Kirkland & Ellis LLP (Kirkland & Ellis), outside counsel to Acadia, delivered an initial draft of a merger agreement to Arent Fox LLP (Arent Fox), outside counsel to PHC. On April 6, 2011, representatives of Kirkland & Ellis and Arent Fox discussed the draft merger agreement and the proposed structure.

A meeting was held in Franklin, Tennessee on April 8, 2011 to discuss the structure and proposed terms of the transaction and proposed financing for the transaction. Mr. Shear and other representatives from PHC, representatives from Jefferies, members of Acadia's management team, representatives from Waud Capital Partners, representatives from Kirkland & Ellis, representatives from Arent Fox, representatives from Ernst & Young LLP, Acadia's accountants, and BDO USA, LLP, PHC's accountants, were either in attendance or participated by telephone. Discussions were also held between Mr. Jacobs, other members of Acadia management, Mr. Shear and a representative from Jefferies with respect to the proposed terms of the employment agreements of Messrs. Shear and Boswell with the combined company.

On April 18, 2011, Arent Fox provided Kirkland & Ellis with a revised draft of the merger agreement.

During the weeks of April 18th and April 25th, the parties and their respective counsel continued to discuss the merger agreement and the proposed structure of the transaction and the parties continued to conduct their respective due diligence. In particular, the parties decided to revise the merger agreement to reflect that PHC would merge with and into a subsidiary of Acadia and that Acadia would issue common stock to the former PHC stockholders representing 22.5% of the combined company on a fully diluted basis (as defined in the merger agreement).

On April 25, 2011, Mr. Shear updated the PHC board of directors on discussions with Acadia, including the engagement of accountants to conduct financial due diligence. Following the meeting, Mr. Grieco retained SRR on behalf of the PHC board of directors to provide an opinion to the PHC board of directors with respect to the fairness, from a financial point of view of (i) the proposed merger consideration to be received by holders of PHC's common stock (in the aggregate) and (ii) the proposed merger consideration to be received by holders of PHC's Class A Common Stock (in the aggregate). On May 5, 2011, representatives of SRR met with Acadia management in Franklin, Tennessee in connection with SRR's review of Acadia.

On May 3, 2011, Kirkland & Ellis distributed a revised draft of the merger agreement to Arent Fox that reflected a structure in which PHC would merge with and into an Acadia entity. After discussing the revised draft, Kirkland & Ellis distributed a further revised draft of the merger agreement to Arent Fox on May 9, 2011 that reflected the status of negotiations to date.

On May 9, 2011, a meeting of the PHC board of directors was held in Peabody, Massachusetts at which Jefferies presented a summary of the combination, including a discussion of certain deal terms, financing and pro forma financial statements for the combined company. Mr. Shear and Jefferies, based upon their familiarity with the participants in the behavioral health market, also discussed with the PHC board of directors the absence of other viable candidates for a combination with PHC.

On May 11, 2011, Arent Fox delivered to Kirkland & Ellis a revised draft of the merger agreement reflecting the status of current negotiations.

On May 12, 2011, Jefferies Finance delivered to Acadia a draft commitment letter and a draft engagement letter with respect to Jefferies Finance's proposed financing of the combination.

Table of Contents

During the negotiations regarding the merger agreement, the parties negotiated closing conditions, covenants and termination provisions of the merger agreement, including the termination fee and expense reimbursement provisions set forth in the merger agreement. Acadia had initially requested a termination fee of \$5 million. PHC rejected this proposal, at which point Acadia proposed a termination fee of up to \$3 million. Subsequently, PHC proposed a fee of \$2 million payable by PHC upon its acceptance of a superior offer and a break-up fee of \$6 million payable by Acadia. Acadia proposed that PHC's fee would be payable upon the happening of specified events, including termination due to a failure to consummate the merger by the end date, failure to receive stockholder approval or breach by PHC of its representations and warranties.

Following extensive negotiation, the parties agreed that PHC may adversely change its recommendation under certain circumstances if it receives a superior proposal, as described in the merger agreement. PHC would pay Acadia a termination fee of \$3 million in the event the merger agreement is terminated because the PHC board of directors has adversely changed its recommendation to approve the merger or if PHC enters into or consummates an alternative transaction within 12 months of the merger agreement being terminated because the merger has not been consummated by the December 15, 2011, PHC has not obtained the required stockholder approval or PHC would be unable to satisfy its closing conditions regarding its covenants and agreements or representations and warranties. Additionally, if either party terminates the merger agreement as a result of the other party breaching any of its covenants, agreements, representations or warranties such that a condition related to close would not be satisfied (and the termination fee is not otherwise payable in connection with such termination), the breaching party will pay (in four annual payments) up to \$1 million of the non-breaching parties reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred in connection with the transactions contemplated by the merger agreement, with the first annual installment due within two business days of such termination, and the remaining payments being made on the first, second and third anniversary of such termination date.

During the weeks of May 9th and May 16th, Kirkland & Ellis and Acadia continued to negotiate with Jefferies Finance and its counsel the terms of the proposed debt financing.

On May 13, 2011, the Acadia board of directors held a telephonic meeting. Kirkland & Ellis and members of Acadia's management also attended the meeting telephonically. Acadia's CFO reviewed the financial terms of the proposed merger. Kirkland & Ellis reviewed the terms of the merger agreement.

On May 15, 2011, Kirkland & Ellis distributed a revised draft of the merger agreement to Arent Fox, reflecting the status of continued negotiations.

The Acadia board of directors held a subsequent telephonic meeting on May 16, 2011. At this meeting, Kirkland & Ellis reviewed the terms of the merger agreement with the Acadia board of directors. Acadia's General Counsel and representatives of Kirkland & Ellis reviewed with the Acadia board of directors additional due diligence findings and representatives of Kirkland & Ellis reviewed the terms of the merger agreement. After further discussion, the Acadia board of directors then approved Acadia's entering into the merger agreement and authorized Acadia management to finalize the merger agreement.

On May 16, 2011, Mr. Shear updated the PHC board of directors on the proposed terms of the merger agreement.

On May 17th, 19th, 20th and 22nd, Kirkland & Ellis distributed revised drafts of the merger agreement to Arent Fox, reflecting, in each case, the status of negotiations at that time.

On May 19, 2011, the PHC board of directors met to consider the proposed merger. Arent Fox, Jefferies and Mr. Grieco reviewed the principal terms of the merger agreement and related agreements, and SRR reviewed the

financial analysis that it had performed related to the consideration to be paid in the proposed merger. After further discussion of the proposed transaction, SRR provided the PHC board of directors with its opinion that, as of that date, based upon certain assumptions and qualifications, (i) the merger consideration to be received by the holders of outstanding PHC common stock (in the aggregate) is fair, from a financial point of view, to such holders and (ii) the consideration to be paid to holders of the PHC Class A Common Stock (in the aggregate) is fair, from a financial point of view, to such holders. After further discussion, the PHC board of directors voted (with Mr. Shear abstaining from the vote) to approve the merger agreement and authorized management to enter into the merger

Table of Contents

agreement on behalf of PHC and submit the merger agreement to PHC's stockholders for approval, subject to finalization of the merger agreement.

On May 23, 2011, Acadia and PHC signed the merger agreement and on May 24, 2011 issued a joint press release announcing the signing. On May 23, 2011, certain members of PHC's management, including Mr. Shear, entered into voting agreements pursuant to which they agreed to vote in favor of the merger.

Acadia's Reasons for the Merger

In approving and authorizing the merger and the merger agreement, the Acadia board of directors considered a number of factors, including, among others, the facts discussed in the following paragraphs. Although the foregoing discussion sets forth the material factors considered by the Acadia board in reaching its determination, it may not include all of the factors considered by the Acadia board. In light of the number and wide variety of factors considered in connection with its evaluation of the merger, the Acadia board did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The Acadia board viewed its position and determinations as being based on all of the information available and the factors presented to and considered by it. In addition, individual directors may have given different weight to different factors.

In reaching its decision, the Acadia board consulted with Acadia's management with respect to strategic and operational matters and with Acadia's legal counsel with respect to the merger agreement and the transactions contemplated thereby. The decision of the Acadia board to enter into the merger agreement was the result of careful consideration by the Acadia board of numerous factors, including the following positive factors that it believes will contribute to the success of the combined enterprise:

the opportunity to diversify service types and payor mix;

the ability to expand the number of facilities and beds and expand into additional new states;

Acadia's and PHC's facilities are complementary and their combination will increase geographic diversity;

the increased ability to access private and public equity markets, including for purposes of acting on attractive opportunities to further expand Acadia's business;

Acadia's management will provide additional resources and has a demonstrated record of achievement;

the opportunity to expand PHC's internet and telephonic-based support services, which include crisis intervention, critical incidents coordination, employee counselor support, client monitoring, case management and health promotion;

the opportunity to retain 77.5% of the combined company while achieving partial liquidity through a pre-merger dividend;

the fact that the merger will provide Acadia stockholders, who currently hold shares in a private company, with shares of common stock in a publicly traded company, which would provide liquidity to Acadia stockholders;

the increased ability to access private and public equity markets, including for purposes of acting on attractive opportunities to further expand Acadia's business; and

its understanding of Acadia's business, operations, financial condition and prospects, and of PHC's business, operations, financial condition and prospects.

The Acadia board also identified and considered a number of uncertainties and risks including the following:

the risk that the potential benefits of the merger might not be realized;

the risk that the merger may not be completed;

Table of Contents

the challenges, costs, resource constraints and risks of entering into the merger agreement and integrating the businesses of Acadia and PHC and the potential management, customer and employee disruption that may be associated with the merger;

the amount of indebtedness required to finance the merger and the related restrictions to which the combined company would be subject; and

various other applicable risks associated with the combined company and the merger, including those described under the section entitled **Risk Factors** beginning on page 18 of this proxy statement/prospectus.

The Acadia board weighed the benefits, advantages and opportunities against the negative factors described above, including the possible diversion of management attention for an extended period of time. The Acadia board realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Acadia board concluded that the potential benefits significantly outweighed the potential risks of completing the merger.

After taking into account these and other factors, the Acadia board unanimously approved and authorized the merger agreement and the transactions contemplated thereby, including the merger.

PHC's Reasons for the Merger

In approving and authorizing the merger agreement, the PHC board of directors considered a number of factors. Although the following discussion sets forth the material factors considered by the PHC board of directors in reaching its determination, it may not include all of the factors considered by the PHC board of directors. In light of the number and wide variety of factors considered in connection with its evaluation of the merger agreement, the PHC board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The PHC board of directors viewed its position and determinations as being based on all of the information available and the factors presented to and considered by it. In addition, individual directors may have given different weight to different factors.

In reaching its decision, the PHC board of directors consulted with PHC's management with respect to strategic and operational matters and with PHC's legal counsel with respect to the merger agreement and the transactions contemplated thereby. The PHC board of directors also consulted with Jefferies, PHC's financial advisor, with respect to the financial aspects of the merger.

Among the factors considered by the PHC board of directors in its decision to approve the merger agreement were the following:

its knowledge of PHC's business, operations, financial condition, earnings and prospects, as well as the risks in achieving those prospects;

its belief that the merger is more favorable to PHC's stockholders than any other alternative reasonably available, including the alternative of remaining a stand-alone, independent company and seeking to grow by pursuing acquisitions and the alternative of seeking another merger partner, as well as the potential rewards, risks and uncertainties associated with those alternatives;

the judgment, advice and analysis of PHC's senior management with respect to the potential benefits of the merger, based on the business, financial, accounting and legal due diligence investigations performed with

respect to Acadia;

the opinion of SRR to the PHC board of directors that the merger consideration specified in the merger agreement was fair, from a financial point of view, to the holders of PHC Class A Common Stock (in the aggregate) and to the holders of all of the PHC common stock (in the aggregate), as of the date thereof;

historical information concerning Acadia's business, financial performance and condition, funding ability, operations, management and competitive position and the related prospects for the combined company;

Table of Contents

the fact that financial and other terms and conditions of the merger agreement were the product of extensive arm's-length negotiations among the parties and were designed to provide as much certainty as was possible that the merger would ultimately be consummated on a timely basis;

the fact that Acadia obtained a firm commitment for the financing necessary to complete the merger and the associated transactions, including the fact that Jefferies Finance, an affiliate of Jefferies, with PHC's prior consent, provided the commitment;

the fact that negotiations were conducted under the oversight of a lead independent director who is not an employee of PHC;

the fact that the lead independent director selected SRR to provide its opinion to the PHC board of directors as to the fairness of the merger consideration from a financial point of view;

the fact that the merger agreement must be approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of PHC Class A Common Stock, voting separately, as well as the vote of the holders of the PHC Class A Common Stock and the PHC Class B Common Stock voting together;

the current conditions in the behavioral health market and the positioning of the combined company within that market after the merger;

the current conditions of the equity and debt market, as it relates to PHC's ability to raise additional capital from new investors for the continued growth of PHC's business, and as it relates to the potential prospects for the combined company; and

the impact of the merger on PHC's employees.

In reaching its determination to approve the merger agreement, the members of the PHC board of directors identified and considered a number of the potential benefits of the merger, including the following:

Acadia's assembled set of seasoned behavioral health facilities;

PHC's and Acadia's facilities are complementary and their combination will increase geographic diversity;

the combination of the businesses will diversify the revenue and the payor base;

the combination of the businesses will improve the scale of operations and operating leverage;

Acadia's management will provide additional resources and has a demonstrated record of achievement;

the combined company will provide a platform for additional acquisitions;

the opportunity to own 22.5% of the combined company on a fully diluted basis (as defined in the merger agreement);

the combined company's greater outstanding equity should result in increased stock liquidity and research coverage; and

the combined company should have a greater range of options to access private and public equity and debt markets to fund future capital needs, which are likely be greater than the options available to PHC alone.

The members of the PHC board of directors also identified and considered a number of uncertainties and risks, including the following:

the risk that the potential benefits of the merger might not be realized;

the risk that Acadia's stockholders will control the combined company and the fact that Acadia's stock ownership is concentrated in the hands of relatively few stockholders;

the amount of indebtedness required to finance the merger and the related restrictions to which the combined company would be subject;

Table of Contents

the interests that PHC's directors and executive officers have with respect to the merger, in addition to their interests as holders of PHC Class A Common Stock, as described in "The Merger - Interests of PHC's Directors and Executive Officers";

the possible diversion of management attention for an extended period of time;

the substantial expenses expected to be incurred in connection with the merger;

the risk that the merger may not be completed; and

various other applicable risks associated with the combined company and the merger, including those described under the section entitled "Risk Factors" beginning on page 18 of this proxy statement/prospectus.

The PHC board of directors weighed the benefits, advantages and opportunities of a potential transaction against the risk factors described above. The PHC board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the PHC board of directors concluded that the potential benefits significantly outweighed the potential risks of completing the merger.

After taking into account these and other factors, the PHC board of directors approved the merger agreement and the transactions contemplated therewith, including the merger.

The Recommendation of the PHC Board of Directors

After careful consideration, the PHC board of directors (with Mr. Shear abstaining) approved the merger agreement and determined that the merger agreement is fair to, and in the best interests of, the stockholders of PHC. Therefore, the PHC board of directors recommends PHC stockholders vote FOR the approval of the merger agreement.

In considering the recommendation of the PHC board of directors with respect to the merger agreement, you should be aware that the directors and executive officers of PHC have interests in the merger that are different from, or are in addition to, the interests of other PHC stockholders. Please see "The Merger - Interests of PHC's Directors and Executive Officers."

Acadia has obtained from PHC's directors and executive officers their agreement to vote their shares of capital stock to approve the merger agreement.

Opinion of Stout Risius Ross, Inc.

On May 19, 2011, SRR delivered to the PHC board of directors its oral opinion, which opinion was subsequently confirmed by delivery of a written opinion dated May 19, 2011, to the effect that, as of that date, and subject to assumptions made, matters considered and limitations as set forth therein, (i) the merger consideration to be received by the holders of outstanding shares of PHC's Class A Common Stock and Class B Common Stock (in the aggregate) was fair, from a financial point of view, to such holders, and (ii) the merger consideration to be received by the holders of the outstanding shares of PHC's Class A Common Stock (in the aggregate) was fair, from a financial point of view, to such holders.

The full text of the written opinion of SRR, dated May 19, 2011, is attached as Annex C to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. The opinion sets forth, among other things, the assumptions made, work performed, procedures followed, matters

considered and qualifications and limitations on the scope of the review undertaken by SRR. You should read the opinion carefully and in its entirety. SRR's opinion was directed to the PHC board of directors and addresses only the fairness, from a financial point of view, of (i) the merger consideration to be received by the holders of outstanding shares of PHC's Class A Common Stock and Class B Common Stock (in the aggregate) and (ii) the merger consideration to be received by the holders of the outstanding shares of PHC's Class A Common Stock (in the aggregate), in each case to the respective holders thereof. The opinion does not address any other aspect of the merger and does not constitute a recommendation to the PHC board of directors or to any other person in respect to the merger, including as to how any holder of shares of PHC

Table of Contents

common stock should vote or act in respect to the merger. The summary of the opinion of SRR set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion.

The sources of information used in performing SRR's analysis included, but were not limited to:

PHC's 10-K filings for the fiscal years ended June 30, 2006 through 2010;

PHC's 10-Q filing for the quarter ended March 31, 2011;

Acadia Holdings' audited financial statements for the years ending December 31, 2006 through 2010;

YFCS' audited financial statements for the years ending December 31, 2006 through 2010;

Acadia Holdings' internally prepared unaudited financial statements for the three-month periods ended March 31, 2010 and 2011;

YFCS' internally prepared unaudited financial statements for the three-month periods ended March 31, 2010 and 2011;

draft of the merger agreement, dated May 19, 2011;

PHC's five-year financial forecast (including MeadowWood) for the fiscal years ending December 31, 2011 through 2015 and subsequent long-term growth rates prepared by PHC management;

Acadia's five-year financial forecast (including YFCS) for the fiscal years ending December 31, 2011 through 2015 and subsequent growth rates prepared by Acadia management;

combined (both PHC and Acadia) five-year financial forecast for the fiscal years ending December 31, 2011 through 2015 and subsequent long-term growth rates prepared by PHC and Acadia management;

a review of publicly available financial data of certain publicly traded companies that SRR deemed relevant;

a review of publicly available information regarding certain publicly available merger and acquisition transactions that SRR deemed relevant;

a review of other financial and other information for PHC and Acadia that was publicly available or provided to SRR by management of PHC or Holdings;

discussions with PHC and Acadia management concerning their business, industry, history, and prospects;

discussions with PHC's financial advisors, Jefferies; and

an analysis of other facts and data resulting in our conclusions.

SRR was not requested to opine as to, and its opinion does not in any manner address: (i) PHC's underlying business decision to proceed with or effect the merger, (ii) the amount of the merger consideration to be paid to holders of PHC's Class B Common Stock, any distribution paid to Acadia stockholders, the allocation of the merger consideration among the PHC stockholders or the amount per share of the merger consideration, the amount of the merger consideration paid to the holders of PHC's Class A Common Stock relative to the merger consideration paid to

the holders of PHC's Class B Common Stock or relative to the merger consideration paid to all holders of PHC common stock, or any other term or condition of any agreement or document related to, or the form or any other portion or aspect of, the merger, except as expressly stated in its opinion letter, or (iii) the solvency, creditworthiness or fair value of PHC, Acadia or any other participant in the merger under any applicable laws relating to bankruptcy, insolvency or similar matters. Further, SRR was not requested to consider, and its opinion does not address, the merits of the merger relative to any alternative business strategies that may have existed for PHC or the effect of any other transactions in which PHC might have engaged, nor did SRR offer any opinion as to the terms of the merger. Moreover, SRR was not engaged to recommend, and did not recommend, a transaction price or exchange ratio, or participate in the merger negotiations. Furthermore, no opinion, counsel or interpretation was intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. SRR's opinion does not constitute, and they have not made, a recommendation to the PHC board of directors or any security holder of PHC or any other person as to how to act or vote with respect to the merger or otherwise. SRR also assumed, with PHC's consent, that the final executed form of the merger agreement would not differ from

Table of Contents

the draft of the merger agreement that they examined, that the conditions to the merger as set forth in the draft merger agreement would be satisfied, and that the merger would be consummated on a timely basis in the manner contemplated by the draft merger agreement, without any limitations, restrictions, or conditions, regulatory or otherwise. SRR expressed no opinion as to the price at which the shares of any of PHC, Acadia and the combined company might trade at any time.

The SRR opinion was intended to be utilized by the PHC board of directors as only one input to consider in its process of analyzing the merger.

SRR assumed that the assets, liabilities, financial condition and prospects of PHC and Acadia as of the date of its opinion had not changed materially since the date of the most recent financial information made available to them. SRR also assumed and relied upon the accuracy and completeness of all financial and other information that was publicly available, furnished by PHC or Acadia, or otherwise reviewed by or discussed with them, and of the representations and warranties of PHC and Acadia contained in the draft merger agreement, in each case without independent verification of such information. SRR assumed, without independent verification, that the financial forecasts and projections, as well as the synergy estimates, provided to them were reasonably prepared and reflected the best currently available estimates of the future financial results of PHC, Acadia and the combined company and represent reasonable estimates, and SRR relied upon such forecasts, projections and estimates in arriving at its opinion. SRR was not engaged to assess the reasonableness or achievability of such forecasts, projections and estimates or the assumptions upon which they were based, and expressed no view as to the forecasts, projections, estimates or assumptions. SRR assumed that the merger would be consummated on the terms described in the merger agreement, without any waiver of any material terms or conditions by PHC or Acadia.

SRR did not conduct any physical inspection, evaluation or appraisal of PHC's or Acadia's facilities, assets or liabilities. SRR's opinion was based on business, economic, market and other conditions as they existed and could be evaluated as of the date of its opinion letter. It should be noted that although subsequent developments may affect its opinion, SRR does not have any obligation to update, revise or reaffirm its opinion.

SRR did not form a conclusion as to whether any individual analysis, when considered independently of the other analyses conducted by SRR, supported or failed to support its opinion. SRR did not specifically rely or place any specific weight on any individual analysis. Accordingly, SRR believes that the analyses must be considered in their entirety, and that selecting portions of the analyses or the factors it considered, without considering all analyses and factors together, could create an imperfect view of the processes underlying the analyses performed by SRR in connection with the preparation of its opinion.

The following is a brief summary of the material analyses performed by SRR in connection with its oral opinion and the preparation of its written opinion dated May 19, 2011. This summary of financial analyses includes information presented in tabular format. In order to fully understand the financial analyses used by SRR, the tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.

Financial Analyses with respect to PHC

Historical Trading Performance PHC

To provide context, SRR reviewed the historical stock price and volume of PHC Class A Common Stock for the five-year period ending May 17, 2011. SRR noted that the low and high closing prices of PHC Class A Common Stock during this period were \$0.50 and \$3.75 per share. SRR also noted that the low and high closing prices during the three-year period ending May 17, 2011 were \$0.50 and \$2.90 per share and during the one-year period ending

May 17, 2011 were \$0.98 and \$2.89 per share.

Discounted Cash Flow Method PHC

SRR performed a discounted cash flow analysis of PHC in order to derive an implied enterprise value of PHC based on the present value of PHC's future cash flows. In performing its discounted cash flow analysis of PHC, SRR relied on the financial forecast prepared by PHC management. This financial forecast includes PHC management's estimate of the impact of the MeadowWood acquisition. The residual year growth rate was provided by PHC management.

Table of Contents

SRR estimated the debt free cash flows that PHC could generate through the period ending December 31, 2015 based upon the PHC management forecast. These cash flows were discounted to a present value-equivalent using a range of discount rates of 13.5% to 14.5%, which was based upon PHC's estimated weighted average cost of capital (WACC) and residual year growth rates ranging from 2.5% to 3.5%. The estimated WACC was based upon estimates of PHC's cost of equity capital, cost of debt capital and an assumed capital structure, all of which were based upon information from various independent sources (including market risk-free interest rates, market equity risk premiums, small stock risk premiums, equity betas and corporate bond rates).

Based on the assumptions described above, the discounted cash flow analysis indicated an implied enterprise value from operations (EV) range for PHC of approximately \$67.3 million to \$78.4 million.

Guideline Company Method PHC

SRR reviewed and compared specific financial and operating data relating to PHC to that of several publicly-traded companies that SRR deemed to have certain characteristics that are similar to those of PHC. These selected companies were:

Universal Health Services, Inc.,

Tenet Healthcare Corp.,

The GEO Group, Inc.,

Health Management Associates, Inc.,

Lifepoint Hospitals Inc., and

Community Health Systems, Inc.

SRR noted, however, that none of the selected publicly traded companies is identical or directly comparable to PHC.

As part of its analysis, SRR reviewed multiples of EV of the selected companies, which were calculated as equity value, plus debt and preferred stock, plus minority interests, less cash and cash equivalents, *divided by* the selected companies' earnings before interest, taxes, depreciation and amortization (commonly known as EBITDA), for the next fiscal year (NFY) and NFY+1 estimates. Multiples for the selected companies were based on stock prices for the selected companies as of May 17, 2011. Estimates of future performance for the selected companies were compiled from equity analyst estimates, as provided by Capital IQ, Inc. This analysis indicated the following EV multiples for the selected companies:

Market Multiples of the Guideline Companies

Company	EV (In millions of U.S. dollars)	EV/NFY EBITDA	EV/NFY+1 EBITDA
Universal Health Services Inc.	\$ 9,348.8	7.9x	7.4x
Tenet Healthcare Corp.	7,794.0	6.3x	6.0x

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

The GEO Group, Inc.	3,018.7	9.7x	8.7x
Health Management Associates Inc.	5,812.0	7.2x	6.7x
Lifepoint Hospitals Inc.	3,571.9	6.7x	6.3x
Community Health Systems, Inc.	11,929.7	6.4x	6.1x
Low	3,018.7	6.3x	6.0x
High	11,929.7	9.7x	8.7x
Mean	6,912.5	7.4x	6.9x
Median	6,803.0	7.0x	6.5x

PHC financial metrics for 2011 and 2012 were taken from the financial forecast for PHC provided by the management of PHC. Based on this analysis and on SRR's judgment and experience with respect to the differences

Table of Contents

in size, profitability and risk, among other quantitative and qualitative factors of PHC relative to the selected companies, SRR selected for PHC a range of NFY EBITDA multiples of 7.5x to 8.0x and NFY+1 EBITDA multiples of 5.5x to 6.0x. This analysis indicated a range of EV for PHC of approximately \$71.2 million to \$76.8 million.

Merger and Acquisition Method PHC

SRR identified for consideration in its analysis 12 recent transactions (for which sufficient disclosure of financial terms was publicly available) involving the acquisition of healthcare companies that SRR deemed to have certain characteristics that are similar to those of PHC. SRR noted, however, that none of the companies included in the selected transactions is identical or directly comparable to PHC and that none of the selected transactions is identical or directly comparable to the merger. SRR compared selected information of PHC with the corresponding data indicated in the selected transactions.

SRR examined multiples of EV to latest twelve months (LTM) EBITDA. Multiples for the selected transactions were based upon the information available in the latest financial statements issued prior to the transaction announcement date. Financial data for the selected transactions was obtained from various independent sources including Capital IQ, Inc. The EV multiples implied by the selected transactions are as follows:

Market Multiples of the Selected Mergers and Acquisitions

Date Announced	Target	Acquirer	Indicated Multiples EV/LTM EBITDA
3/16/2011	MeadowWood Behavioral Health System	PHC, Inc.	n/a
2/8/2011	RehabCare Group Inc.	Kindred Healthcare Inc.	7.7x
11/22/2010	Cocentra, Inc.	Humana, Inc.	n/a
7/27/2010	Wuesthoff Health System, Inc.	Health Management Associates, Inc.	n/a
5/27/2010	Shands HealthCare	Health Management Associates, Inc.	n/a
5/17/2010	Psychiatric Solutions, Inc.	Universal Health Services, Inc.	9.4x
4/19/2010	Cornell Companies, Inc.	The GEO Group, Inc.	8.3x
4/1/2010	Clark Regional Medical Center, Inc.	Lifepoint Hospitals Inc.	n/a
3/31/2010	University Community Health, Inc.	Adventist Health System, Inc.	n/a
4/14/2009	Brotman Medical Center, Inc.	Prospect Hospital Advisory Services, Inc.	6.8x
11/4/2008	Correctional Mental Health Services LLC	Conmed Healthcare Management, Inc.	n/a
11/27/2007	Community Health Systems, Inc.	Capella Healthcare, Inc.	n/a
Low			6.8x
High			9.4x
Mean			8.1x
Median			8.0x

Based on this analysis, and on SRR's judgment and experience with respect to the differences in size, profitability, and risk, among other quantitative and qualitative factors of PHC relative to the selected companies, SRR selected a range

of EV to EBITDA (for the last twelve months) multiples of 7.5x to 8.0x. This analysis indicated a range of EV for PHC of approximately \$68.8 million to \$73.4 million.

Summary of Valuation Methodologies PHC

SRR utilized the enterprise values for PHC implied by the discounted cash flow, guideline company and merger and acquisition analyses described above in determining an implied range of equity value for PHC. After adjustments to implied enterprise value for debt, cash and certain investments, as provided by PHC management,

Table of Contents

these analyses indicated an implied equity range for PHC of \$47.1 million to \$54.2 million, as illustrated in the chart below, or \$2.37 to \$2.73 per share of PHC common stock.

Valuation Summary PHC

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Discounted Cash Flow Method	\$ 67,300	\$ 78,400
Guideline Public Company Method	71,200	76,800
Merger and Acquisition Method	68,800	73,400
Indicated Enterprise Value	\$ 69,100	\$ 76,200
Less: Interest-Bearing Debt	(23,500)	(23,500)
Add: Cash and Cash Equivalents	504	504
Add: Investments in Unconsolidated Subsidiaries	1,037	1,037
Total Adjustments to Enterprise Value	(21,959)	(21,959)
Indicated Value of Equity	47,141	54,241
Divided by: Diluted Weighted Average Shares Outstanding	19,872	19,872
Indicated Value of Equity Per Share	\$ 2.37	\$ 2.73

Financial Analyses with respect to Acadia*Discounted Cash Flow Method Acadia*

SRR performed a discounted cash flow analysis of Acadia in order to derive an implied enterprise value of Acadia based on the present value of Acadia's future cash flows. In performing its discounted cash flow analysis of Acadia, SRR relied on the financial forecast prepared by Acadia management. The residual year growth rate was provided by Acadia management.

SRR estimated the debt free cash flows that Acadia could generate through the period ending December 31, 2015 based upon the Acadia management forecast. These cash flows were discounted to a present value-equivalent using a range of discount rates of 11.5% to 12.5%, which was based upon Acadia's estimated WACC and residual year growth rates ranging from 3.0% to 4.0%. The estimated WACC was based upon estimates of Acadia's cost of equity capital, cost of debt capital and an assumed capital structure, all of which were based upon information from various independent sources (including market risk-free interest rates, market equity risk premiums, small stock risk premiums, equity betas and corporate bond rates).

Based on the assumptions described above, the discounted cash flow analysis indicated an implied enterprise value range for Acadia of approximately \$356.4 million to \$432.3 million.

Guideline Company Method Acadia

SRR reviewed and compared specific financial and operating data relating to Acadia to that of the six selected publicly traded companies described above with respect to its analysis of PHC. SRR noted, however, that none of the selected publicly traded companies is identical or directly comparable to Acadia.

Acadia financial metrics for 2011 and 2012 were taken from the financial forecast for Acadia provided by the management of Acadia. Based on this analysis, and on SRR's judgment and experience with respect to the differences in size, historical and projected growth rates, profitability and risk, among other quantitative and qualitative factors of Acadia relative to the selected companies, SRR selected a range of NFY EBITDA multiples of 8.5x to 9.0x and NFY+1 EBITDA multiples of 8.0x to 8.5x. This analysis indicated a range of EV for Acadia of approximately \$364.8 million to \$386.9 million.

Table of Contents*Merger and Acquisition Method Acadia*

SRR compared selected information of Acadia with the corresponding data indicated in the 12 acquisition transactions described above with respect to its analysis of PHC. SRR noted, however, that none of the companies included in the selected transactions is identical or directly comparable to Acadia and that none of the selected transactions is identical or directly comparable to the merger.

Based on this analysis, and on SRR's judgment and experience with respect to the differences in size, profitability and risk, among other quantitative and qualitative factors of Acadia relative to the selected companies, SRR selected a range of EV to EBITDA multiples of 8.5x to 9.0x. This analysis indicated a range of EV for Acadia of approximately \$362.4 million to \$383.7 million.

Summary of Valuation Methodologies Acadia

SRR utilized the enterprise values for Acadia implied by the discounted cash flow, guideline company and merger and acquisition analyses described above in determining an implied range of value of equity for Acadia. After adjustments to implied enterprise value for debt and cash, as provided by the management of Acadia, these analyses indicated an implied range of equity value for Acadia of \$224.2 million to \$264.0 million, as illustrated in the chart below.

Valuation Summary Acadia

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Discounted Cash Flow Method	\$ 356,400	\$ 432,300
Guideline Public Company Method	364,800	386,900
Merger and Acquisition Method	362,400	383,700
Indicated Enterprise Value	\$ 361,200	\$ 401,000
Less: Interest-Bearing Debt	(145,000)	(145,000)
Add: Cash and Cash Equivalents	8,028	8,028
Total Adjustments to Enterprise Value	(136,972)	(136,972)
Indicated Value of Equity	\$ 224,228	\$ 264,028

*Financial Analyses with respect to the Combined Company**Discounted Cash Flow Method Combined Company*

SRR performed a discounted cash flow analysis of the combined company in order to derive an implied enterprise value of the combined company based on the present value of the combined company's estimated future cash flows. In performing its discounted cash flow analysis of the combined company, SRR relied on the financial forecast jointly prepared by PHC and Acadia management. The residual year growth rate was jointly provided by PHC and Acadia management.

SRR estimated the debt free cash flows that the combined company could generate through the period ending December 31, 2015 based upon the joint management forecast. These cash flows were discounted to a present value-equivalent using a range of discount rates of 10.5% to 11.5%, which was based upon the combined company's estimated WACC, and residual year growth rates ranging from 3.0% to 4.0%. The estimated WACC was based upon estimates of the combined company's cost of equity capital, cost of debt capital and an assumed capital structure, all of which were based upon information from various independent sources (including market risk-free interest rates, market equity risk premiums, small stock risk premiums, equity betas and corporate bond rates).

Based on the assumptions described above, the discounted cash flow indicated an implied enterprise value range for the combined company of approximately \$516.4 million to \$646.9 million.

Table of Contents*Guideline Company Method Combined Company*

SRR reviewed and compared specific financial and operating data relating to the combined company to that of the six publicly traded companies described above with respect to its analysis of PHC. SRR noted, however, that none of the selected publicly traded companies is identical or directly comparable to the combined company.

The combined company's estimated financial metrics for 2011 and 2012 were provided by the joint management of PHC and Acadia. Based on this analysis, and on SRR's judgment and experience with respect to the differences in size, historical and projected growth rates, profitability and risk, among other quantitative and qualitative factors of the combined company relative to the selected companies, SRR selected a range of NFY EBITDA multiples of 9.0x to 9.5x and NFY+1 EBITDA multiples of 8.0x to 8.5x. This analysis indicated a range of EV for the combined company of approximately \$499.0 million to \$528.5 million.

Merger and Acquisition Method Combined Company

SRR compared selected information of to the combined company with the corresponding data indicated in the 12 acquisition transactions described above with respect to its analysis of PHC. SRR noted, however, that none of the companies included in the selected transactions is identical or directly comparable to the combined company and that none of the selected transactions is identical or directly comparable to the merger.

Based on this analysis, and on SRR's judgment and experience with respect to the differences in size, profitability and risk, among other quantitative and qualitative factors of the combined company relative to the selected companies, SRR selected a range of EV to EBITDA multiples of 9.0x to 10.0x. This analysis indicated a range of EV for the combined company of approximately \$496.8 million to \$552.0 million.

Summary of Valuation Methodologies Combined Company

SRR utilized the enterprise values for to the combined company implied by the discounted cash flow, guideline company and merger and acquisition analyses described above in determining an implied range of value of equity for the combined company. After adjustments to implied enterprise value for debt and cash, as provided by the management of PHC and Acadia, these analyses indicated an implied range of equity value for the combined company of \$220.6 million to \$292.4 million, as illustrated in the chart below.

Valuation Summary Combined Company

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Discounted Cash Flow Method	\$ 516,400	\$ 646,900
Guideline Public Company Method	499,000	528,500
Merger and Acquisition Method	496,800	552,000
Indicated Enterprise Value	\$ 504,100	\$ 575,800
Less: Pro Forma Interest-Bearing Debt	(293,500)	(293,500)
Add: Pro Forma Cash and Cash Equivalents	10,082	10,082
Total Adjustments to Enterprise Value	(283,418)	(283,418)

Indicated Value of Equity	\$ 220,682	\$ 292,382
----------------------------------	-------------------	-------------------

Total Consideration

Based on the implied equity values of PHC and Acadia resulting from the financial analyses described above, SRR compared the relative pre-merger equity contributions to the combined company of both PHC and Acadia.

Based on the relative implied equity values of PHC and Acadia, the holders of outstanding shares of PHC common stock (in the aggregate) would contribute between 15.1% (based on the ratio of the low-end implied equity

Table of Contents

value of PHC to the sum of the low-end implied equity value of PHC plus the high-end implied equity value of Acadia) and 19.5% (based on the ratio of the high-end implied equity value of PHC to the sum of the high-end implied equity value of PHC plus the low-end implied equity value of Acadia) of the total pre-merger combined implied equity value (prior to any distributions to stockholders of PHC or Acadia).

The results of this analysis are reflected in the following chart:

Indicated Allocation of Total Consideration

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Indicated Range of Equity Value PHC	\$ 47,141	\$ 54,241
Indicated Range of Equity Value Acadia	224,228	264,028
Total Combined Equity Value (Pre-Merger)	\$ 271,369	\$ 318,269
PHC % of Total Consideration	15.1% [a]	19.5% [b]

[a] Calculated based on the low-end of the range for PHC and the high-end of the range for Acadia.

[b] Calculated based on the high-end of the range for PHC and the low-end of the range for Acadia.

SRR also analyzed the allocation of the implied equity value of Acadia resulting from the financial analyses described above, based on the allocation of capital of Acadia pursuant to the terms of the merger (22.5% to the holders of PHC Class A Common Stock and Class B Common Stock), together with the cash merger consideration to be paid to holders of PHC's Class B Common Stock. This analysis indicated that the holders of outstanding shares of PHC common stock (in the aggregate) would receive between 17.3% and 18.3% of such total value allocated between PHC and Acadia stockholders in the merger (including the cash merger consideration to be paid to holders of PHC's Class B Common Stock).

The results of this analysis are reflected in the following chart:

Fairness Conclusion Total Consideration

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Indicated Equity Value of Combined Company	\$ 220,682	\$ 292,382
Add: Cash Payments to PHC/Acadia Shareholders	95,000	95,000

Total Value to PHC/Acadia Stockholders	\$	315,682	\$	387,382
22.5% Equity Interest Received By PHC Stockholders on a Fully-Diluted Basis	\$	49,654	\$	65,786
Add: Cash Payment to PHC Class B Stockholders		5,000		5,000
Total Consideration to PHC Stockholders	\$	54,654	\$	70,786
% Allocation		17.3%		18.3%

Class A Consideration

SRR compared the implied value of the consideration to be received by the holders of PHC Class A Common Stock with the implied equity value of PHC Class A Common Stock indicated by the financial analyses with respect to PHC described above. SRR noted that the range of implied equity value of a PHC equivalent share of Acadia common stock is \$2.50 to \$3.31 per share, compared to a stand-alone range of implied equity value of PHC Class A Common Stock of \$2.37 to \$2.73 per share.

Table of Contents

This comparison is illustrated in the following chart:

Valuation Summary Class A Consideration

	Indicated Range of Value as of 5/17/2011 In thousands of U.S. dollars	
Indicated Equity Value of Combined Company	\$ 220,682	\$ 292,382
Divided by: Diluted Weighted Average Shares Outstanding[a]	22,080	22,080
Post-Transaction Equity Value Per Share	\$ 9.99	\$ 13.24
Post-Transaction PHC Share Equivalent[b]	\$ 2.50	\$ 3.31
Pre-Transaction Equity Value Per Share	\$ 2.37	\$ 2.73

[a] Based on 19,872,000 pre-merger shares of PHC divided by 22.5% and multiplied by the 1/4 exchange ratio.

[b] Based on an exchange ratio of 1/4 share of the combined company Common Stock for each share of PHC Common Stock.

Accretion/Dilution Analysis

SRR also prepared a pro forma analysis of the potential impact of the merger on the forecasted earnings per share of PHC common stock. Using the combined company financial forecast provided jointly by the managements of PHC and Acadia, SRR calculated the PHC equivalent pro forma earnings per share of the combined company for 2011, 2012 and 2013. SRR compared the resulting earnings per share with the earnings per share of PHC common stock for each of those years as indicated in the financial forecast for PHC prepared by management of PHC. This comparison indicated that on a pro forma basis the merger would result in earnings per PHC equivalent share that would be neutral compared to the forecasted earnings per share of PHC common stock on a stand-alone basis in 2011 and 2012, and accretive compared to the forecasted earnings per share of PHC common stock on a stand-alone basis in 2013.

General

In connection with the review of the proposed merger by the PHC board of directors, SRR performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying SRR's opinion. In arriving at its fairness determination, SRR considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. SRR made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, SRR may have considered various assumptions more or less probable than other assumptions. As a result, the ranges of valuations

resulting from any particular analysis or combination of analyses described above should not be taken to be the view of SRR with respect to the actual value of PHC, Acadia or to the combined company. In performing its analyses, SRR made numerous assumptions with respect to industry performance, general business, regulatory, economic, market and financial conditions and other matters. Many of these assumptions are beyond the control of PHC and Acadia. Any estimates contained in SRR's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

SRR's opinion was furnished for the use and benefit of the PHC board of directors in connection with its evaluation of the merger.

Table of Contents

SRR's opinion and its presentation to the PHC board of directors was one of many factors taken into consideration by the PHC board of directors in deciding to approve the merger agreement and the related documents and the transactions contemplated thereby. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the PHC board of directors with respect to the terms of the merger or of whether the PHC board of directors would have been willing to agree to different terms.

The issuance of its opinion was approved by a committee of SRR authorized to approve opinions of this nature.

Pursuant to an engagement letter dated April 25, 2011, the PHC board of directors engaged SRR to provide to the PHC board of directors an opinion with respect to the fairness, from a financial point of view, of the merger consideration to be received by holders of the outstanding shares of PHC's Class A Common Stock and Class B Common Stock (in the aggregate) and of the merger consideration to be received by the holders of the outstanding shares of PHC's Class A Common Stock (in the aggregate). Under the terms of its engagement letter, PHC has agreed to pay SRR a fee for its services, of which a portion was payable upon signing of the engagement letter and the remainder became payable upon delivery of SRR's opinion. SRR's compensation is neither based upon nor contingent on the results of its engagement or the consummation of the merger. PHC has also agreed to reimburse SRR for expenses reasonably incurred by SRR in performing its services, including fees and expenses of its legal counsel, and to indemnify SRR and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement. SRR has not been requested to opine to, and its opinion does not address, the fairness of the amount or nature of the compensation to any of PHC's officers, directors or employees, or class of such persons, relative to the compensation to PHC's public stockholders.

The PHC board of directors selected SRR to provide an opinion to the PHC board in connection with its consideration of the merger because SRR is a financial advisory firm with experience in similar transactions. SRR is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged transactions, and private placements. SRR has not previously provided financial advisory services to PHC, Acadia Holdings or Acadia.

Certain Financial Forecasts

PHC does not publicly disclose, as a matter of course, financial forecasts as to future financial performance, earnings or other results. PHC is especially cautious of making financial forecasts for extended periods due to unpredictability of the underlying assumptions and estimates. However, in connection with the evaluation of the merger, PHC prepared and provided to SRR certain non-public internal financial forecasts regarding the projected future operations of PHC and the combined company, in each case for the 2011 through 2015 fiscal years, in connection with SRR's evaluation of the fairness of the merger consideration. As a private company, Acadia does not publicly disclose any financial information. However, it provided to PHC and SRR for purposes of the foregoing financial forecasts for Acadia for such periods.

A summary of these financial forecasts is not being included in this proxy statement/prospectus to influence your decision whether to vote for or against the proposal to approve the merger agreement, but because these financial forecasts were made available to SRR and the PHC board of directors for purposes of evaluating the merger. The inclusion of this information should not be regarded as an indication that Acadia, PHC or any of their respective advisors or any other person considered, or now considers, such financial forecasts to be material or to be a reliable prediction of actual future results. Each management's internal financial forecasts, upon which the financial forecasts were based, are subjective in many respects. There can be no assurance that these financial forecasts will be realized or that actual results will not be significantly higher or lower than forecasted. The financial forecasts cover multiple years and such information by its nature becomes subject to greater uncertainty with each successive year. As a result, the inclusion of the financial forecasts in this proxy statement/prospectus should not be relied on as necessarily

predictive of actual future events.

In addition, the financial forecasts were prepared solely for internal use in evaluating the merger, and not with a view toward public disclosure or toward complying with GAAP, the published guidelines of the SEC regarding projections and the use of non-GAAP measures or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The financial forecasts included below were prepared by, and are the responsibility of, Acadia (with respect to the Acadia financial

Table of Contents

forecasts) and PHC (with respect to the PHC financial forecasts and those of the combined company). None of Ernst & Young, LLP or BDO USA, LLP or any other independent registered public accounting firms have compiled, examined or performed any procedures with respect to the financial forecasts contained herein or expressed any opinion or any other form of assurance on such information or its achievability. The reports of these independent registered public accounting firms, which are included elsewhere in this proxy statement/prospectus, relate to the historical financial information of Acadia, YFCS, PHC and HHC Delaware, as applicable. They do not extend to the financial forecasts and should not be read to do so.

These financial forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Acadia and PHC. Important factors that may affect actual results and cause these financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to the Acadia and PHC businesses and that of the combined company (including their ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described under **Risk Factors** beginning on page 18 of this proxy statement/prospectus and **Cautionary Statement Concerning Forward-Looking Statements** beginning on page 30 of this proxy statement/prospectus. In addition, the forecasts do not reflect revised prospects for the Acadia, PHC or combined company business, changes in general business or economic conditions or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the financial forecasts were prepared. As a result, actual results may differ materially from those contained in these internal financial forecasts. Accordingly, there can be no assurance that these financial forecasts will be realized or that the future financial results of the combined company will not materially vary from these financial forecasts.

The inclusion of a summary of these internal financial forecasts in this proxy statement/prospectus should not be regarded as an indication that any of Acadia, PHC or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for other purposes. None of Acadia, PHC or their respective affiliates, advisors, officers, directors, managers or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Neither PHC nor Acadia intends to make publicly available any update or other revision to these internal financial forecasts, even in the event that any or all of the underlying assumptions are shown to be in error.

None of Acadia, PHC or any of their respective affiliates, advisors, officers, directors, managers or representatives made or makes any representation to any stockholder or anyone else regarding the information included in the financial forecasts set forth below, which are forward-looking statements and speak only as of the date they were prepared. Readers of this proxy statement/prospectus are cautioned not to rely on the forecasted financial information. The below forecasts for Acadia and PHC do not give effect to the merger.

Table of Contents**PHC, Inc. Forecast**

	2011E	2012E	2013E	2014E	2015E
Income Statement Data					
Net revenue	\$ 79.3	\$ 90.0	\$ 93.2	\$ 96.5	\$ 99.8
EBIT(1)	8.0	10.7	11.7	13.4	15.2
Adjusted EBITDA(2)	8.9	13.4	14.9	16.5	18.3
Net Income	3.6	4.2	4.5	5.9	7.1
Balance Sheet Data (as of end of period)					
Cash	\$ 1.3	\$ 4.5	\$ 9.6	\$ 15.3	\$ 21.9
Accounts receivable, total	10.3	11.0	11.05	11.9	12.3
Other current assets	4.5	4.8	5.1	5.2	5.4
<i>Total current assets</i>	16.1	20.3	26.1	32.4	39.7
Restricted cash					
Property, plant & equipment	11.6	12.1	12.1	12.1	12.1
Goodwill	23.9	23.9	23.9	23.9	23.9
Other long term assets	4.0	4.0	4.0	4.0	4.0
Deferred financing fees	1.6	1.4	0.3		
<i>Total assets</i>	\$ 57.2	\$ 61.7	\$ 66.4	\$ 72.4	\$ 79.7
Accounts payable	\$ 1.9	\$ 2.0	\$ 2.0	\$ 2.1	\$ 2.1
Accrued liabilities	3.5	3.7	3.8	3.9	3.9
Other current liabilities	0.1	0.1	0.1	0.1	0.1
Current long term debt					
<i>Total current liabilities</i>	5.4	5.7	5.9	6.0	6.1
Revolving credit facility					
Term loan issued	23.5	23.5	23.5	23.5	23.5
Other	7.4	7.4	7.4	7.4	7.4
<i>Total liabilities</i>	\$ 36.3	\$ 36.6	\$ 36.8	\$ 37.0	\$ 37.0
<i>Total equity</i>	\$ 20.9	\$ 25.1	\$ 29.6	\$ 35.6	\$ 42.7
<i>Total liabilities and equity</i>	\$ 57.2	\$ 61.7	\$ 66.4	\$ 72.4	\$ 79.7
Cash Flow Data					
Total cash flow from operations	\$ 4.3	\$ 7.2	\$ 8.2	\$ 8.9	\$ 9.8
Capital expenditures	(1.3)	(3.2)	(3.2)	(3.1)	(3.1)
Total cash flow from investing	(2.6)	(4.0)	(3.2)	(3.1)	(3.1)
Total cash flow from financing					

(1) Defined as earnings before interest and taxes.

(2)

Defined as earnings before interest, taxes, depreciation and amortization, as adjusted for extraordinary or non-recurring items.

Table of Contents**Acadia Healthcare Company, Inc. Forecast**

	2011E	2012E	2013E	2014E	2015E
Income Statement Data					
Net Revenue	\$ 258.7	\$ 275.2	\$ 299.4	\$ 329.5	\$ 347.5
EBIT(1)	35.8	37.3	43.8	54.7	58.8
Adjusted EBITDA(2)	42.6	45.9	49.8	61.0	65.9
Net income	18.3	18.2	22.1	28.6	31.1
Balance Sheet Data (as of end of period)					
Cash	\$ 15.7	\$ 32.4	\$ 52.5	\$ 79.1	\$ 109.3
Accounts receivable, total	22.7	24.1	27.3	30.1	31.7
Other current assets	7.6	8.1	9.1	10.1	10.6
<i>Total current assets</i>	46.0	64.6	89.0	119.2	151.7
Property, plant & equipment	46.7	47.6	48.0	48.3	48.3
Goodwill	146.0	146.0	146.0	146.0	146.0
Other long term assets	30.2	30.2	30.2	30.2	30.2
Deferred financing fees					
<i>Total assets</i>	\$ 268.9	\$ 288.4	\$ 313.2	\$ 343.7	\$ 376.1
Accounts payable	\$ 4.1	\$ 4.4	\$ 4.9	\$ 5.3	\$ 5.5
Accrued liabilities	7.7	8.2	9.2	9.9	10.4
Other current liabilities	9.0	9.6	10.8	11.6	12.2
Current long term debt					
<i>Total current liabilities</i>	20.9	22.2	24.8	26.7	28.1
New revolver	10.0	10.0	10.0	10.0	10.0
Term Loan A	135.0	135.0	135.0	135.0	135.0
Deferred tax					
Other	16.6	16.6	16.6	16.6	16.6
Total liabilities	182.4	183.7	186.4	188.3	189.6
Total equity	86.4	104.7	126.8	155.4	186.5
Total liabilities and equity	\$ 268.9	\$ 288.4	\$ 313.2	\$ 343.7	\$ 376.1
Cash Flow Data					
Total cash flow from operations	\$ 14.5	\$ 26.2	\$ 26.5	\$ 33.2	\$ 37.3
Capital expenditures	(9.1)	(9.5)	(6.4)	(6.7)	(7.1)
Total cash flow from investing	(9.1)	(9.5)	(6.4)	(6.7)	(7.1)
Total cash flow from financing					

(1) Defined as earnings before interest and taxes.

- (2) Defined as earnings before interest, taxes, depreciation and amortization, as adjusted for extraordinary or non-recurring items.

Table of Contents**Combined Company Forecast**

	2011E	2012E	2013E	2014E	2015E
Income Statement Data					
Net Revenue	\$ 338.0	\$ 365.2	\$ 392.6	\$ 426.0	\$ 447.4
EBIT(1)	43.7	48.0	55.5	68.1	74.0
Adjusted EBITDA(2)	55.0	62.6	68.1	81.0	87.6
Net Income	15.8	18.8	23.8	32.1	36.6
Balance Sheet Data (as of end of period)					
Cash	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
Accounts receivable, total	32.7	34.8	38.7	42.0	44.1
Other current assets	11.9	12.7	14.1	15.3	16.1
<i>Total current assets</i>	45.7	48.6	53.9	58.4	61.2
Property, plant & equipment	58.3	59.8	60.1	60.4	60.4
Goodwill	357.3	357.3	357.3	357.3	357.3
Other long term assets	34.2	34.2	34.2	34.2	34.2
Deferred financing fees	7.0	5.8	4.7	3.6	2.5
<i>Total assets</i>	\$ 502.4	\$ 505.6	\$ 510.1	\$ 513.9	\$ 515.6
Accounts payable	\$ 10.5	\$ 11.1	\$ 12.2	\$ 13.0	\$ 13.5
Accrued liabilities	11.2	11.8	13.0	13.8	14.4
Other current liabilities	9.4	9.9	10.9	11.5	12.0
<i>Total current liabilities</i>	31.1	32.9	36.1	38.3	39.9
Acadia revolving credit facility					
Acadia term loan	120.7	103.3	80.8	50.2	13.7
High yield bonds issued	150.0	150.0	150.0	150.0	150.0
Deferred tax	24.0	24.0	24.0	24.0	24.0
<i>Total liabilities</i>	325.7	310.1	290.8	262.4	227.6
<i>Total equity</i>	176.7	195.5	219.3	251.4	288.0
<i>Total liabilities and equity</i>	\$ 502.4	\$ 505.6	\$ 510.1	\$ 513.9	\$ 515.6
Cash Flow Data					
Total cash flow from operations	\$ 25.2	\$ 30.1	\$ 32.0	\$ 40.4	\$ 46.7
Capital expenditures	(10.4)	(12.7)	(9.5)	(9.8)	(10.2)
Total cash flow from investing	(10.4)	(12.7)	(9.5)	(9.8)	(10.2)
Total cash flow from financing	(22.8)	(17.4)	(22.5)	(30.6)	(36.4)

(1) Defined as earnings before interest and taxes.

(2)

Defined as earnings before interest, taxes, depreciation and amortization, as adjusted for extraordinary or non-recurring items.

Table of Contents

Acadia's Financing for the Merger

On July 12, 2011, Acadia entered into the Second Amendment to the Senior Secured Credit Facility. The Second Amendment will, among other things, permit the merger and other transactions contemplated by the merger agreement. The effectiveness of the Second Amendment is subject to certain closing conditions as described in Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Following the Merger—Second Amendment to Senior Secured Credit Facility, including consummation of the merger and related transactions on or prior to December 15, 2011.

In connection with the entry into the merger agreement, Acadia received the Debt Commitment Letter from Jefferies Finance to provide the Bridge Facility of up to \$150 million in the event that \$150 million of Senior Notes are not issued by Acadia to finance the merger. Net proceeds from the issuance of \$150 million of Senior Notes, or, if the Senior Notes are not issued, drawings under the \$150 million Bridge Facility will be used, in addition to existing cash balances, to pay the \$5 million in cash payable to holders of PHC Class B Common Stock in connection with the merger, pay a dividend to Acadia's existing stockholders, refinance certain existing indebtedness of PHC and pay fees and expenses incurred in connection with the merger.

The Bridge Facility is subject to certain closing conditions described under Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Commitment Letter. The Bridge Facility commitment will terminate on December 15, 2011, if the closing of the Bridge Facility has not been consummated on or before such date or if the merger agreement has been terminated or if the merger has been abandoned. In addition, the commitments to provide and arrange unsecured bridge loans will terminate upon the issuance of the Senior Notes. Each of Acadia and PHC is obligated under the merger agreement to use its reasonable best efforts to arrange the debt financing on the terms contemplated. The receipt of the debt financing on the terms and conditions set forth in the Debt Commitment Letter are condition to the obligation of both Acadia and PHC to consummate the merger.

Accounting Treatment

Existing GAAP requires the use of the acquisition method of accounting for business combinations. In applying the acquisition method, it is necessary to identify the acquirer and the acquiree for accounting purposes. In a business combination effected through an exchange of equity interests, the entity that issues the equity interests is generally considered the acquirer, but there are other factors that must also be considered. Acadia management considered these other factors and determined that Acadia will be considered the acquirer of PHC for accounting purposes. The total purchase price will be allocated to the identifiable assets acquired and liabilities assumed from PHC based on their fair values as of the date of the completion of the transaction, with any excess allocated to goodwill. Reports of financial condition and results of operations of PHC issued after completion of the merger will reflect PHC's balances and results after completion of the merger but will not be restated retroactively to reflect the historical financial position or results of operations of PHC. Following the completion of the merger, the earnings of the combined company will reflect acquisition accounting adjustments; for example, additional depreciation of property, plant and equipment, amortization of identified intangible assets or other impacts from the purchase price allocation will be recognized.

In accordance with existing GAAP, goodwill and indefinite-lived intangible assets resulting from the purchase business combination will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). If Acadia management determines that the value of goodwill and indefinite-lived intangible assets have become impaired, the combined company will incur an impairment loss during the fiscal quarter in which the determination is made.

Material United States Federal Income Tax Consequences of the Merger

The following discussion is a summary of certain material U.S. federal income tax consequences of the merger to holders of PHC common stock and represents the opinion of Arent Fox LLP, counsel to PHC, and Kirkland & Ellis LLP, counsel to Acadia. This discussion is based on the Code, applicable Treasury regulations promulgated thereunder, administrative rulings and judicial authorities, each as in effect as of the date of this document and all of

Table of Contents

which are subject to change at any time, possibly with retroactive effect. In addition, this discussion does not address any state, local or foreign tax consequences of the merger.

This discussion addresses only PHC stockholders who hold PHC common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). It does not address all aspects of U.S. federal income taxation that might be relevant to a particular PHC stockholder in light of that stockholder's individual circumstances or to a PHC stockholder that is subject to special treatment under U.S. federal income tax law, including, without limitation, a stockholder that is:

a bank, insurance company or other financial institution;

a tax-exempt organization;

a mutual fund;

a holder that, for U.S. federal income tax purposes, is not a United States person within the meaning of Section 7701(a)(30) of the Code;

a holder who acquired its PHC common stock pursuant to the exercise of an employee stock option or right or otherwise as compensation;

a U.S. expatriate;

an entity or arrangement treated as a partnership for U.S. federal income tax purposes or an investor in such partnership;

a dealer in securities;

a holder who has a functional currency other than the United States dollar;

a holder who holds PHC common stock as part of a hedge, straddle or conversion transaction;

a holder liable for the alternative minimum tax; or

a trader in securities who elects to apply a mark-to-market method of accounting.

This discussion does not address other U.S. federal tax consequences (such as gift or estate taxes or alternative minimum taxes), or consequences under state, local or foreign tax laws, nor does it address certain tax reporting requirements that may be applicable with respect to the transaction. Also, this discussion does not address U.S. federal income tax considerations applicable to holders of options or warrants to purchase PHC common stock.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds PHC common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding PHC common stock should consult its own tax advisors with respect to the consequences of the merger.

Holders should consult their tax advisors as to the specific tax consequences to them of the merger in light of their particular circumstances, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws.

In the opinion of Arent Fox LLP, counsel to PHC, and Kirkland & Ellis LLP, counsel to Acadia, (i) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and (ii) PHC and Acadia will each be a party to the reorganization within the meaning of Section 368(b) of the Code. It is a condition to the completion of the merger that Acadia and PHC each receives an additional written opinion from its counsel, dated the effective time, substantially to the same effect.

The opinions described above have been (or will be) based, in part, on the accuracy of certain assumptions and representations as to factual matters and covenants and undertakings. If any such assumptions, representations, covenants or undertakings are inaccurate as of the effective time of the merger, or are violated in any material respect, the tax consequences to holders of PHC common stock of the merger could differ materially from those described below. No ruling has been or will be sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger. An opinion of counsel represents counsel's best legal judgment but is not

Table of Contents

binding on the Internal Revenue Service or any court. Accordingly, there can be no assurances that the Internal Revenue Service or a court would not disagree with or challenge any of the conclusions described herein.

Assuming treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code, and of each of PHC and Acadia as a party to the reorganization within the meaning of Section 368(b) of the Code, is proper, the material U.S. federal income tax consequences to a holder of PHC common stock will differ depending on whether (i) the holder's shares are exchanged in the merger solely for shares of Acadia common stock (except for cash received in lieu of a fractional share of Acadia common stock) or (ii) the holder's shares are exchanged in the merger for shares of Acadia common stock and cash.

The material U.S. federal income tax consequences to a holder of PHC common stock whose shares are exchanged in the merger solely for shares of Acadia common stock will be as follows:

a holder will not recognize capital gain or loss on the exchange (except as described below in connection with receipt of cash in lieu of a fractional share);

a holder will have an aggregate tax basis in the shares of Acadia common stock received in the exchange (including a fractional share of Acadia common stock for which cash is received) equal to the stockholder's aggregate tax basis in its shares of PHC common stock surrendered;

the holding period of the shares of Acadia common stock received in the exchange will include the holding period of the shares of PHC common stock surrendered in exchange therefor;

a holder receiving cash in lieu of a fractional share of Acadia common stock will generally be treated as if it received the fractional share in the merger and then received cash in redemption thereof. It should generally recognize capital gain or loss equal to the difference, if any, between the amount of cash received and the tax basis in the fractional share (determined as described above). Any gain or loss recognized will be long-term capital gain or loss if, as of the effective time, the shares of PHC common stock exchanged were held for more than one year.

The material U.S. federal income tax consequences to a holder of PHC common stock whose shares are exchanged in the merger for shares of Acadia common stock and cash will be as follows:

a holder will recognize capital gain (but not loss) realized on the exchange in an amount not exceeding the amount of cash received (excluding cash received in lieu of a fractional share of Acadia common stock). Any gain recognized will be long-term capital gain if, as of the effective time, the shares of PHC common stock exchanged were held for more than one year unless the holder's receipt of cash has the effect of a dividend distribution, as described below;

a holder will have an aggregate tax basis in the shares of Acadia common stock received in the exchange (including a fractional share of Acadia common stock for which cash is received) equal to the stockholder's aggregate tax basis in its shares of PHC common stock surrendered, reduced by the amount of cash received (excluding cash received in lieu of a fractional share of Acadia common stock) and increased by the amount of any gain recognized by the holder in the exchange (but excluding any gain or loss from the deemed receipt and redemption of any fractional share);

the holding period of the shares of Acadia common stock received in the exchange will include the holding period of the shares of PHC common stock surrendered in exchange therefor; and

a holder will recognize capital gain or loss with respect to cash received in lieu of a fractional share of Acadia common stock equal to the difference, if any, between the amount of cash received and the tax basis in the fractional share (determined as described above). Any gain or loss recognized will be long-term capital gain or loss if, as of the effective time, the shares of PHC common stock exchanged were held for more than one year.

If a holder acquired different blocks of PHC common stock at different times or different prices, the foregoing rules generally will be applied separately with reference to each block of PHC common stock. In particular, in computing the amount of gain recognized, if any, a holder of PHC common stock may not offset a loss realized on one block of shares against the gain realized on another block of shares.

Table of Contents

If the receipt of cash has the effect of a distribution of a dividend under the provisions of the Code, then, notwithstanding the foregoing, any gain recognized will be treated as a dividend to the extent of such stockholder's ratable share of the undistributed earnings and profits of PHC. Holders should consult their tax advisors as to the possibility that all or a portion of any cash received in exchange for their shares of PHC common stock will be treated as a dividend.

Reporting Requirements of Holders. Holders of PHC common stock receiving Acadia common stock in the merger will be required to maintain records pertaining to the merger. Holders (i) whose tax basis in the PHC common stock surrendered in the merger equals or exceeds \$1,000,000, or (ii) who (a) with respect to those PHC stockholders owning only shares of PHC Class A Common Stock, own immediately before the merger at least 5% (by vote or value) of the total outstanding stock of PHC, or (b) with respect to all other PHC stockholders, own at least 1% (by vote or value) of the total outstanding stock of PHC, are subject to certain requirements with respect to the merger and should consult their tax advisers with respect to these and other reporting requirements.

Information Reporting and Backup Withholding. A holder may be subject to information reporting and backup withholding at a rate of 28% on any cash payment received (including any cash received in lieu of a fractional share of Acadia common stock), unless such stockholder properly establishes an exemption or provides a correct taxpayer identification number, and otherwise complies with backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be allowed as a refund or credit against such holder's United States federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

Appraisal Rights

General. Section 13.02(a) of the MBCA provides generally that stockholders of Massachusetts corporations are entitled to appraisal rights in the event of a merger.

Any stockholder who wishes to exercise appraisal rights or who wishes to preserve that right should review carefully the following discussion and Sections 13.01 through 13.31 of Part 13 of the MBCA, attached as Annex D to this proxy statement/prospectus. **Failure to strictly comply with the procedures specified in Part 13 of the MBCA will result in the loss of appraisal rights.**

Notice of Intent and Demand for Payment. Any holder of PHC common stock wishing to exercise the right to demand appraisal under Part 13 of the MBCA must satisfy each of the following conditions:

before the vote to approve the merger agreement is taken, a PHC stockholder electing to exercise his or her appraisal rights must deliver to PHC written notice of such stockholder's intent to demand payment for his or her shares if the merger is completed. The written notice should be delivered to Paula C. Wurts, Clerk, PHC, Inc., 200 Lake Street, Suite 102, Peabody, MA 01960. PHC recommends you send your notice by registered or certified mail, return receipt requested; and

a PHC stockholder electing to exercise his or her appraisal rights must **NOT** vote in favor of the proposal to approve the merger agreement. If a stockholder returns a signed proxy but does not specify a vote against the proposal to approve the merger agreement or a direction to abstain, the proxy will be voted **FOR** the merger agreement, which will have the effect of waiving that stockholder's appraisal rights.

Generally, a stockholder may assert appraisal rights only if the stockholder seeks them with respect to all of the holder's shares of common stock. Stockholders of record for more than one beneficial stockholder may assert appraisal rights with respect to fewer than all the shares registered in such stockholder's name as holder of record, provided that

such stockholder notifies PHC in writing of the name and address of each beneficial stockholder on whose behalf such stockholder is asserting appraisal rights. For a beneficial stockholder to assert appraisal rights, such beneficial stockholder must submit to PHC such record stockholder's written consent to the assertion of such rights not fewer than 40 nor more than 60 days after PHC sends out written notice to the stockholder of appraisal rights, as described below. **Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by the nominee.**

Table of Contents

Appraisal Notice and Form. If the merger agreement is approved, within 10 days after the effective date of the merger, PHC will deliver a written appraisal notice and a form containing certain information to all stockholders who have properly demanded appraisal rights. The appraisal notice will include a copy of Part 13 of the MBCA and a form that specifies the date of the first announcement to stockholders of the principal terms of the merger. The form will require the stockholder asserting appraisal rights to certify (i) whether or not beneficial ownership of the shares for which appraisal rights are asserted were acquired before the date of the first announcement of the proposed merger and (ii) that the stockholder did not vote for the proposal to approve the merger agreement. The form provided with the appraisal notice will state:

where the form must be returned, where certificates for shares must be deposited and the date by which such certificates must be deposited;

the date on which the form is due, which will not be fewer than 40 nor more than 60 days after the date the appraisal notice and form are sent, and notice that the stockholder shall have waived the right to demand appraisal with respect to such shares unless the form is received by the specified date;

PHC's estimate of the fair value of the shares;

that, if requested in writing, PHC will provide within 10 days after the date on which all forms are due, the number of stockholders who have returned the forms and the total number of shares owned by such stockholders; and

the date by which the stockholder may withdraw his or her notice of intent to demand appraisal rights, which date will be within 20 days after the date on which all forms are due.

Perfection of Rights. A stockholder who wishes to exercise appraisal rights shall execute and return the form provided, with all certifications completed, and deposit such stockholder's share certificates in accordance with the terms of the notice. Once a stockholder deposits his or her share certificates, such stockholder loses all rights as a stockholder unless the stockholder withdraws his or her election in accordance with the withdrawal procedures, which are summarized below. If a stockholder fails to make the certification on the form that such stockholder acquired the shares before the date of the first announcement of the proposed merger, PHC may elect to treat those shares as after-acquired shares, as described below.

Withdrawal of Appraisal Rights. A stockholder who has otherwise properly perfected his or her appraisal rights may decline to exercise his or her appraisal rights and withdraw from the appraisal process by notifying PHC in writing within 20 days after the date on which all forms were due. If the stockholder fails to withdraw from the appraisal process before the expiration of the withdrawal period, such stockholder may not thereafter withdraw without PHC's written consent.

Payment. Within 30 days after the date on which the form described above is due, PHC will pay in cash to each stockholder who has properly perfected his or her appraisal rights the amount it estimates to be the fair value of their shares, plus interest but subject to any applicable withholding taxes. The payment to each stockholder will be accompanied by:

PHC's financial statements;

a statement of PHC's estimate of the fair value of the shares, which estimate will equal or exceed the estimate given with the appraisal notice; and

a statement that stockholders may demand further payment if the stockholder is dissatisfied with the payment or offer in accordance with the procedures set forth in Section 13.26 of the MBCA (as described below).

Notwithstanding the foregoing, in the event that the stockholder is demanding payment for after-acquired shares, PHC may elect to withhold payment from such stockholder. If PHC elects to withhold payment, it must, within 30 days after the date on which the form described above is due, notify all stockholder who have after-acquired shares :

of the information in PHC s financial statements;

Table of Contents

of PHC's estimate of the fair value of the shares, which estimate will equal or exceed the estimate given with the appraisal notice;

that the stockholders may accept the estimate of fair value, plus interest, in full satisfaction of their demands or demand appraisal under Section 13.26 of the MBCA (as described below);

that those stockholders who wish to accept PHC's offer shall notify PHC of their acceptance within 30 days after receiving such offer; and

that those stockholders who do not satisfy the requirements for demanding appraisal under Section 13.26 of the MBCA shall be deemed to have accepted PHC's offer.

Within 10 days after receiving the stockholder's acceptance of the offer, PHC will pay in cash the amount offered to each stockholder who agreed to accept PHC's offer for his or her after-acquired shares. Within 40 days after sending the notice to holders of after-acquired shares, PHC must pay in cash the amount offered to each stockholder who does not satisfy the requirements for demanding appraisal under Section 13.26 of the MBCA.

Procedure if Stockholder is Dissatisfied with Payment or Offer. Pursuant to Section 13.26 of the MBCA, within 30 days after receipt of payment for a stockholder's shares, a stockholder who is dissatisfied with the amount of the payment to be received shall notify PHC in writing of that stockholder's estimate of the fair value of the shares and demand payment of that estimate plus interest, less any payment previously paid. In addition, within 30 days after receiving PHC's offer to pay for a stockholder's after-acquired shares, a stockholder holding after-acquired shares who was offered payment (as described above) and who is dissatisfied with that offer shall reject the offer and demand payment of the stockholder's stated estimate of the fair value of the shares plus interest. A stockholder's failure to notify PHC within such 30 day period waives the right to demand payment and shall be entitled only to the payment made or offered as described above.

Court Proceedings. If a stockholder makes a proper and timely demand for payment that remains unsettled, PHC will commence an equitable proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If PHC does not commence the proceeding within the 60-day period, it will pay in cash to each stockholder the amount the stockholder demanded, plus interest.

Any stockholder wishing to exercise appraisal rights is urged to consult legal counsel before attempting to exercise appraisal rights. Failure to strictly comply with all of the procedures set forth in Part 13 of the MBCA may result in the loss of a stockholder's statutory appraisal rights.

Federal Securities Laws Consequences

All shares of Acadia common stock to be issued to PHC stockholders in connection with the merger will be freely transferable under the Securities Act of 1933 (as amended, the Securities Act) and the Securities Exchange Act of 1934 (as amended, the Exchange Act), except for shares issued to any stockholder who may be deemed to be an affiliate of Acadia for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or under the common control with Acadia and may include the executive officers, directors and significant stockholders of Acadia. This proxy statement/prospectus does not cover resales of Acadia common stock received by any person upon the completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

Interests of PHC's Directors and Executive Officers

PHC's directors and executive officers have interests in the merger as individuals in addition to, and that may be different from, the interests of PHC's stockholders. The PHC board of directors was aware of these interests and considered them, among other matters, in its decision to approve the merger agreement.

Pursuant to the merger agreement, upon completion of the merger, holders of PHC's Class B Common Stock will collectively receive cash consideration of \$5,000,000. Mr. Shear beneficially owns approximately 93.2% of PHC's Class B Common Stock and will be entitled to receive cash merger consideration of approximately \$4.7 million.

Table of Contents

PHC's executive officers, Messrs. Shear and Boswell and Ms. Paula C. Wurts, hold stock options to purchase shares of PHC Class A Common Stock, subject to various vesting provisions. Pursuant to the merger agreement and except as discussed below, upon completion of the merger, Acadia will assume these options in accordance with their existing terms, with the number of shares and the exercise prices adjusted in accordance with the merger exchange rate. With respect to assumed options granted to current PHC directors (i) all such assumed options (other than those held by Mr. Shear) will be fully vested at closing and (ii) such assumed options will not be terminate as a result of such holder ceasing or failing to be a director or employee and will be fully exercisable at any time prior to the expiration of the option term. Mr. Shear currently holds 170,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share, Mr. Boswell currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share and Ms. Wurts currently holds 85,000 options exercisable at prices ranging from \$1.08 per share to \$2.95 per share.

In addition to the options held by Mr. Shear, PHC's other directors, Messrs. David E. Dangerfield, William F. Grieco, Howard W. Phillips, Donald E. Robar and Douglas J. Smith, hold stock options to purchase shares of PHC Class A Common Stock. Pursuant to the merger agreement, upon completion of the merger, Acadia will issue substitute options for these options with terms substantially the same as their existing terms, with the number of shares and the exercise prices adjusted in accordance with the merger exchange rate. Mr. Dangerfield currently holds 147,500 options exercisable at prices ranging from \$1.08 per share to \$3.18 per share, Mr. Grieco currently holds 195,000 options exercisable at prices ranging from \$0.22 per share to \$3.18 per share, Mr. Phillips currently holds 127,500 options exercisable at prices ranging from \$1.08 per share to \$3.18 per share, Mr. Robar currently holds 157,500 options exercisable at prices ranging from \$0.35 per share to \$3.18 per share and Mr. Smith currently holds 20,000 options exercisable at \$1.65 per share.

Mr. Shear, Mr. Boswell and Ms. Wurts are participants in the PHC change-in-control supplemental benefit plan. Pursuant to the plan, upon the closing of the merger, Messrs. Shear and Boswell and Ms. Wurts are entitled to receive change in control payments of approximately \$1,530,000, \$465,000 and \$408,000, respectively, payable as soon as practicable, but in no event later than 30 days, following the date of the closing of the merger.

After the closing of the merger, Messrs. Shear and Boswell are expected to be employed by the combined company. See Acadia Management After the Merger Acadia Employment Agreements for a description of Mr. Shear's employment agreement.

The term of Mr. Boswell's employment agreement will commence immediately following the closing of the merger. It has a two year term subject to automatic one year extensions unless earlier terminated. Mr. Boswell's annual base salary is \$226,000. He is also eligible to receive an annual bonus up to 60% of his base salary, based upon the satisfaction of performance criteria established by Acadia's board of directors or compensation committee, as applicable.

In addition to base salary, Mr. Boswell is entitled to participate in his sole discretion in all of Acadia's employee benefit programs for which senior executive officers are generally eligible, on terms at least as favorable as those received by such executives from PHC immediately prior to the closing of the merger. Furthermore, during the term of his employment agreement, Acadia shall pay 100% of the monthly premiums or other costs associated with Mr. Boswell's participation in such employee benefit programs and benefits.

Upon the closing of the merger, Messrs. Shear and Grieco will join the Acadia board of directors. In addition, upon the closing of the merger, Mr. Shear will become Acadia's Executive Vice Chairman. After the closing of the merger, Messrs. Shear and Grieco may receive stock options to purchase shares of Acadia common stock.

Acadia will maintain all rights to indemnification existing in favor of the PHC directors and officers for their acts and omissions occurring prior to the completion of the merger and will maintain PHC's directors and officers liability insurance to cover any such liabilities for six years following the completion of the merger.

As a result of the foregoing, the directors and executive officers of PHC may be more likely to vote to approve the merger than PHC stockholders generally.

Table of Contents

Regulatory Approvals

Under the terms of the merger agreement, the merger cannot be completed until (i) any waiting period (and any extension thereof) applicable to the consummation of the merger under the HSR Act and any other antitrust, competition, or trade regulation law, as applicable, shall have expired or been terminated and (ii) Acadia and PHC and their respective subsidiaries shall have timely obtained from each governmental authority all approvals, waivers and consents, if any, necessary for the consummation of or in connection with the transactions contemplated by the merger agreement, free of any condition that reasonably would be expected to have a Pioneer Material Adverse Effect or an Acadia Material Adverse Effect (each as defined in the merger agreement) or a material adverse effect on the parties ability to consummate such transactions.

Notification will be required under the HSR Act, and the rules promulgated thereunder by the FTC, if the market price of the voting securities of PHC calculated pursuant to the HSR Act as the lowest closing quotation within 45 calendar days prior to the closing of the merger, exceeds \$66 million. If notification is required, the merger cannot be completed until each of Acadia and PHC file a notification and report form with the FTC and the Antitrust Division of the Department of Justice under the HSR Act and the applicable waiting period has expired or been terminated. Acadia and/or PHC currently intend to obtain approvals from, file new license and/or permit applications with, and provide notice to applicable governmental authorities in connection with the merger.

Litigation Relating to the Merger

On June 2, 2011, a putative stockholder class action lawsuit was filed in Massachusetts state court, MAZ Partners LP v. Bruce A. Shear, et al., C.A. No. 11-1041, against PHC, the members of the PHC board of directors, and Acadia and Merger Sub. The complaint asserts that the members of the PHC board of directors breached their fiduciary duties by causing PHC to enter into the merger agreement and further asserts that Acadia and Merger Sub aided and abetted those alleged breaches of fiduciary duty. The complaint seeks, among other relief, an order enjoining the consummation of the merger and rescinding the merger agreement. On June 13, 2011, a second lawsuit was filed in federal district court in Massachusetts, Blakeslee v. PHC, Inc., et al., No. 11-cv-11049, making essentially the same allegations against the same defendants. On June 21, 2011, PHC removed the MAZ Partners case to federal court (11-cv-11099). On July 7, 2011, the parties to the MAZ Partners LP case moved to consolidate that action with the Blakeslee case and asked the court to approve a schedule for discovery and a potential hearing on plaintiff's motion for a preliminary injunction. PHC, Acadia, and Merger Sub believe that these lawsuits are without merit and intend to defend against them vigorously.

THE MERGER AGREEMENT

The following summary describes certain material provisions of the merger agreement. The full text of the merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference. This summary may not contain all of the information that is important to you, and you are encouraged to read carefully the entire merger agreement. The following description is subject to, and is qualified in its entirety by reference to, the merger agreement.

The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about Acadia or PHC. Such information can be found elsewhere in this document and in the other public filings PHC makes with the SEC, which are available without charge at www.sec.gov.

The representations and warranties described below and included in the merger agreement were made by each of Acadia and PHC to the other. These representations and warranties were made as of specific dates and may be subject to important qualifications, limitations and supplemental information agreed to by Acadia and PHC in connection with negotiating the terms of the merger agreement. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating risk between Acadia and PHC rather than to establish matters as facts. The merger agreement is described in, and included as Annex A hereto, only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding PHC, Acadia or their respective businesses. Accordingly, the representations and warranties and other provisions of

Table of Contents

the merger agreement should not be read alone, and you should read the information provided elsewhere in this document for information regarding Acadia and PHC and their respective businesses.

Structure of the Merger

At the effective time of the merger, PHC will merge with and into Acadia's wholly-owned subsidiary, Merger Sub. Upon completion of the merger, Merger Sub will be the surviving company and a wholly-owned subsidiary of Acadia.

Effective Time of the Merger

The closing of the transactions contemplated by the merger agreement will occur no later than the second business day after the last of the conditions to the transaction have been satisfied or waived, or at another time as Acadia and PHC may agree. Acadia and PHC hope to close the merger in the third quarter of 2011. Contemporaneously with the closing, Acadia and PHC will file a Certificate of Merger with the Secretary of State of the State of Delaware and the Secretary of the Commonwealth of Massachusetts. The transaction will become effective upon the filing of this certificate or at another time as Acadia and PHC agree in writing and specify in the certificate of merger.

Managers and Officers

At the effective time, the managers and officers of Merger Sub will be the managers and officers of the surviving company, subject to change thereafter.

Conversion of PHC Shares

Each share of PHC Class A Common Stock issued and outstanding immediately prior to the effective time will be automatically converted into and become exchangeable for a number of shares of common stock of Acadia equal to the Class A merger consideration. Each share of PHC Class B Common Stock issued and outstanding immediately prior to the effective time will be automatically converted into and become exchangeable for a number of shares of common stock of Acadia and portion of cash equal to the Class B merger consideration.

The Class A merger consideration is one-quarter of one fully paid and nonassessable share of common stock, par value \$0.01 per share, of Acadia. The Class B merger consideration is one-quarter of one fully paid and nonassessable share of common stock, par value \$0.01 per share, of Acadia and an amount of cash equal to \$5,000,000 *divided by* the aggregate number of issued and outstanding shares of PHC Class B Common Stock immediately prior to the effective time of the merger (other than (i) any shares of PHC Class B Common Stock to be cancelled pursuant to the merger agreement and (ii) any share of PHC Class B Common Stock owned by a subsidiary of PHC). Based on shares of PHC Class B Common Stock outstanding as of May 24, 2011, this calculation would have resulted in a cash payment of \$6.46 per share of PHC Class B Common Stock.

Assumption of Stock Options

When the merger becomes effective, each outstanding PHC option granted under the PHC stock option plans will be assumed by Acadia. Except with respect to stock options previously granted to PHC directors (other than Mr. Shear), each PHC option so assumed by Acadia will continue to have the same terms and conditions set forth in the applicable PHC stock option plan immediately prior to the effective time, except that (i) each PHC option will be exercisable for one-quarter of one share of Acadia common stock for each share of PHC common stock subject to such PHC stock option and (ii) the per share exercise price for the shares of Acadia common stock issuable upon exercise of such assumed PHC option will be equal to four *multiplied by* the exercise price per share of PHC common stock at which such PHC option was exercisable immediately prior to the effective time, rounded up to the nearest whole cent. All of

the assumed stock options issued to Messrs. Howard Phillips, William Grieco, David Dangerfield, Donald Robar and Doug Smith will be 100% vested at the time of issuance by Acadia. All such options (along with assumed stock options issued to Mr. Shear) will not terminate as a result of the holder ceasing to be an employee or director and will be fully exercisable at any time prior to the end of the option term.

Table of Contents

Assumption of Warrants

At the completion of the merger, each outstanding PHC warrant will be assumed by Acadia. Each PHC warrant so assumed by Acadia will continue to have, and be subject to, the same terms and conditions set forth in the applicable PHC warrant, except that (i) each PHC warrant will be exercisable for one-quarter of one share of Acadia common stock for each share of PHC common stock that was issuable upon exercise of such PHC warrant immediately prior to the effective time and (ii) the per share exercise price for the shares of Acadia common stock issuable upon exercise of such assumed PHC warrant will be equal to four *multiplied by* the exercise price per share of PHC common stock at which such PHC warrant was exercisable immediately prior to the effective time, rounded up to the nearest whole cent.

Acadia Common Stock Split

Prior to the effective time of the merger, Acadia will consummate a stock split, reverse stock split or issuance of Acadia common stock such that the shares of Acadia common stock issued and outstanding immediately prior to the effective time will, immediately following the effective time, equal 77.5% of the fully diluted shares of Acadia (as calculated in accordance with the merger agreement).

Acadia Dividend

Immediately prior to the effective time of the merger, Acadia will have the right to declare and, if so declared, at the effective time Acadia will pay a cash dividend to the holders of shares Acadia common stock issued and outstanding immediately prior to the effective time of the merger of up to \$90,000,000 less \$15,559,000 of the transaction fee payable to Waud Capital Partners in connection with the termination of the Professional Services Agreement. While under no obligation to make a dividend, it is Acadia's intention to declare such dividend. At the effective time of the merger, if the net proceeds (as defined in the merger agreement) are not equal to or greater than \$90,000,000, Acadia will issue to the holders of Acadia common stock immediately prior to the effective time one or more promissory notes (each a Deficit Note) with an aggregate principal face amount equal to the positive difference of (i) \$90,000,000 minus (ii) the net proceeds; provided, however, that the aggregate amount of Deficit Notes shall not exceed \$10,000,000.

Termination of Acadia Professional Services Agreement

Acadia intends to terminate the Waud Capital Partners professional services agreement pursuant to the terms of a termination agreement in connection with consummation of the merger. Acadia will pay a termination fee to Waud Capital Partners, as more fully described in Acadia Interested Transactions Professional Services Agreement, in connection with such termination.

Fractional Shares

No fractional shares of Acadia common stock will be issued in the merger. Instead, as soon as practicable following the completion of the merger, Acadia will determine the excess of (i) the number of full shares of Acadia common stock to be issued by Acadia pursuant to merger agreement over (ii) the aggregate number of full shares of Acadia to be delivered pursuant to merger agreement. Acadia will sell such excess at then prevailing prices on the exchange or electronic market on which such Acadia shares are traded. Until the net proceeds of such sale or sales have been distributed to the holders of PHC common stock (in lieu of fractional shares), Acadia will hold such proceeds in trust.

Surrender of PHC Certificates

Following the effective time of the merger, Acadia or the exchange agent, selected by Acadia, will mail to each holder of PHC common stock a letter of transmittal and instructions regarding the details of the exchange. The holders will use the letter of transmittal to exchange PHC stock certificates for the shares of Acadia common stock, cash representing the amount of the cash consideration to be paid to the holders of PHC Class B Common Stock and cash in lieu of fractional shares of Acadia common stock to which the holders of PHC common stock are entitled to receive in connection with the merger.

Table of Contents

United States Tax Consequences

It is intended by both Acadia and PHC that the merger will constitute a reorganization within the meaning of Section 368 of the Code.

Dissenters Rights

Holders of shares of PHC Class A Common Stock and Class B Common Stock that are issued and outstanding immediately prior to the effective time of the merger who have not voted in favor of or consented in writing to the merger and who have properly demanded and perfected their rights to be paid the fair value of such shares in accordance with Section 13.02 of the MBCA, will not have such shares converted into or exchangeable for the right to receive merger consideration and will be entitled only to receive payment of the fair value of such shares, in accordance with Section 13.02 of the MBCA, unless and until such stockholder withdraws or effectively loses the right to dissent.

Representations and Warranties

The merger agreement contains substantially reciprocal representations and warranties made by each company to the other. The representations and warranties relate to:

corporate organization, good standing, qualification to do business and subsidiaries;

absence of a breach of the certificate of incorporation, bylaws, law or material agreement as a result of the merger;

capitalization;

authority to enter into the merger agreement;

permits required to conduct business and compliance with those permits;

compliance with applicable legal requirements;

financial statements;

the absence of any undisclosed liabilities;

the accuracy of information supplied in this proxy statement/prospectus;

the absence of certain changes or events since December 31, 2010;

the absence of litigation;

certain restrictions of business activities;

owned and leased real property;

intellectual property matters;

employee benefit plans and other employment matters;

labor relations;

taxes, tax returns and audits;

material contracts;

insurance;

environmental matters;

the approval of the merger and related matters by the board of directors;

payments required to be made to brokers and agents in connection with the merger;

Table of Contents

transactions with related parties; and

fees and expenses.

Representations and warranties made solely by PHC relate to PHC's filings and reports with the SEC, PHC's requisite stockholder approval and the opinion of SRR. Representations and warranties made solely by Acadia relates to the representation that Acadia is not an interested stockholder in PHC.

Conduct of Business Prior to the Completion of the Merger

Under the terms of the merger agreement, Acadia and PHC have agreed that until the earlier of the termination of the merger agreement or the effective time of the merger, subject to certain exceptions, each company will carry on its business in the ordinary course with past practice in all material respects. In addition, except as required by law and subject to certain exceptions (including the transactions associated with the MeadowWood acquisition), each company has agreed to additional restrictions that prohibit it from:

amending or proposing to amend, as the case may be, its certificate of formation, limited liability company agreement, articles of organization or bylaws (or other comparable organizational documents);

splitting, combining, reclassifying, purchasing, repurchasing, redeeming, otherwise acquiring, declaring, setting aside, establishing a record date for, making or paying any dividend or distribution (whether in cash, stock, property or otherwise) in respect of, or entering into any contract with respect to the voting of, any membership interests, shares of capital stock or other equity securities of it or its subsidiaries;

issuing, delivering, selling, pledging, transferring, disposing of or encumbering any shares of capital stock or other equity securities of it or its subsidiaries, or any securities convertible into or exchangeable for, or any options, warrants or other rights of any kind to acquire any such shares of such capital stock or other equity securities of it or its subsidiaries;

increasing the salaries, bonuses or other compensation and benefits payable or that could become payable by it or any of its subsidiaries to any of their respective directors, limited liability company managers, officers, stockholders, members, employees or other service providers, except, solely with respect to employees who are not officers or directors, in the ordinary course of business consistent with past practice;

entering into any new or amending in any material respect, any employment, severance, retention or change in control agreement with any past or present director, limited liability company manager, officer, stockholder, member, employee or other service provider of it or its subsidiaries;

promoting any officers or employees, except in the ordinary course of business consistent with past practice or as the result of the termination or resignation of any officer or employee;

acquiring by merging, consolidating with or purchasing any equity securities, a substantial portion of the assets of, or by any other manner any interest in, or making any loan, advance or capital contribution to or investment in, any business, corporation, partnership, association or other business organization or any division thereof or any assets thereof, other than acquisitions in the ordinary course of business not exceeding \$25,000,000 in the aggregate;

transferring, licensing, selling, leasing, assigning or otherwise disposing of any material assets by merger, consolidation, sale of stock or assets, or otherwise, including the capital stock or other equity securities of it or its subsidiaries;

granting any lien on any of the assets of it or its subsidiaries;

adopting, entering into or effecting a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of it or its subsidiaries;

redeeming, repurchasing, prepaying, defeasing, canceling, incurring or otherwise acquiring, or modifying the terms of, any indebtedness for borrowed money or assuming, guaranteeing or endorsing, or otherwise become responsible for, any such indebtedness of any business, corporation, partnership, association or other business organization;

Table of Contents

issuing or selling any debt securities or options, warrants, calls or other rights to acquire any debt securities of it or its subsidiaries or assuming, guaranteeing or endorsing, or otherwise becoming responsible for, any debt securities of any business, corporation, partnership, association or other business organization;

making any capital expenditures, capital additions or capital improvements having a cost in excess of \$250,000 (by Acadia) or \$100,000 (by PHC), except for capital expenditures that are contemplated by Acadia's or PHC's existing plans for annual capital expenditures for the fiscal year ending December 31, 2011 (for Acadia) or June 30, 2011 (for PHC), or failing to make any capital expenditures, capital additions or capital improvements contemplated by such existing plans;

entering into or amending or modifying in any material respect, or terminating or consenting to the termination of any material contract;

waiving any material default under, or releasing, settling or compromising any material claim against it or liability or obligation owing to it under any material contract;

instituting, settling, releasing, waiving or compromising any action (i) pending or threatened before any arbitrator, court or other governmental authority involving the payment of monetary damages by it or its subsidiaries of any amount exceeding \$250,000 (by Acadia) or \$100,000 (by PHC), (ii) involving any current, former or purported holder or group of holders of the capital stock or other equity securities of it or its subsidiaries or (iii) which settlement involves a conduct remedy or injunctive or similar relief or has a restrictive impact on the business of it or its subsidiaries;

making any change in financial accounting methods, principles, policies, procedures or practices;

making, changing or rescinding any tax election, filing any amended tax return, entering into any closing agreement relating to taxes, waiving or extending the statute of limitations in respect of material taxes or settling or compromising any tax liability in excess of \$100,000 (by Acadia) or \$50,000 (by PHC);

entering into any material agreement, agreement in principle, letter of intent, memorandum of understanding or similar contract with respect to any joint venture, strategic partnership or alliance;

abandoning, encumbering, conveying title (in whole or in part), exclusively licensing or granting any right or other licenses to intellectual property rights owned by it or its subsidiaries;

failing to maintain in full force and effect the existing insurance policies covering it and its subsidiaries and its and their respective properties, assets and businesses;

effecting or permitting a plant closing or mass layoff as those terms are defined in the Worker Adjustment Retraining and Notification Act without complying with the notice requirements and all other provisions of such act;

entering into or modifying or amending in any material respect or terminating any collective bargaining agreement with any labor union; and

agreeing to take any of the actions described above.

Additional Agreements

Under the terms of the merger agreement, Acadia and PHC have each agreed:

to promptly prepare and file this proxy statement/prospectus, and Acadia will prepare and file the registration statement in which the proxy statement/prospectus is to be included;

to cooperate with each other in the preparation and filing of the proxy statement/prospectus;

to promptly notify one another of any comments from the SEC with respect to the proxy statement/prospectus;

Table of Contents

to provide to the other party or its representatives access, at reasonable times upon prior notice, to its and its subsidiaries' officers, employees, agents, representatives, properties, offices, facilities, books and records; and

to furnish promptly such information concerning its and its subsidiaries' business, properties, contracts, assets, liabilities and personnel as the other party or its representatives may reasonably request.

In addition, PHC has agreed:

to mail the proxy statement/prospectus to its stockholders at the earliest practicable time after the registration statement is declared effective by the SEC;

to promptly take all steps necessary to hold and convene its stockholders' meeting as soon as reasonably practicable after this proxy statement is cleared by the SEC and this registration statement is declared effective, and take all reasonable lawful action to solicit from its stockholders proxies in favor of adoption of the merger agreement; and

that its board of directors will recommend (and reaffirm its recommendation of) the adoption of the merger agreement and the merger to its stockholders, and, except in certain circumstances, neither the board of PHC nor any committee thereof will withdraw, amend or modify the recommendation.

PHC Stockholder Meeting

PHC will, in accordance with and subject to the laws of the Commonwealth of Massachusetts, its restated articles of organization, as amended, and bylaws, and the rules of NYSE Amex Equities, cause a meeting of the PHC stockholders to be duly called and held as soon as reasonably practicable after this proxy statement/prospectus is cleared by the SEC and the related registration statement on Form S-4 is declared effective under the Securities Act for the purpose of voting on the approval of the merger agreement.

Access to Information; Confidentiality

Acadia and PHC have executed a confidentiality agreement dated March 31, 2011, which will continue in full force in accordance with its terms. Subject to the confidentiality agreement and in accordance with the terms of the merger agreement, Acadia and PHC will each grant the other's representatives reasonable access to its records, properties, offices, facilities and personnel and will promptly furnish such information regarding its business, properties, contracts, assets, liabilities and personnel as the other party may reasonably request.

Solicitation by PHC

PHC has agreed, subject to limitations described below, that it will not nor will it permit or authorize any of its subsidiaries or any of its or its subsidiaries' respective officers, directors or employees or other representatives to:

initiate, solicit, propose, encourage (including by providing information) or take any action to facilitate any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an acquisition proposal;

engage in, continue or otherwise participate in any discussions or negotiations regarding, or provide any information or data concerning PHC or any of its subsidiaries to any business, corporation, partnership, association or other business organization relating to, any acquisition proposal;

provide any information or data concerning PHC or any of its subsidiaries to any business, corporation, partnership, association or other business organization pursuant to any commercial arrangement, joint venture arrangement, or other existing agreement or arrangement;

grant any waiver, amendment or release under any standstill or confidentiality agreement or any takeover, anti-takeover, moratorium, fair price , control share or other similar law applicable to PHC, or otherwise

Table of Contents

knowingly facilitate any effort or attempt by any business, corporation, partnership, association or other business organization to make an acquisition proposal; and

approve, endorse, recommend, or execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement relating to an acquisition proposal.

PHC further agrees that it and its subsidiaries and its respective representatives, including non-officer employees and other agents will immediately cease any and all existing activities, discussions or negotiations with any third parties with respect to any acquisition proposal with respect to themselves, and will promptly request each person who has entered into a confidentiality agreement in connection with their consideration of an acquisition proposal to return all confidential information furnished by PHC.

Notification of Unsolicited Acquisition Proposals

Promptly (and, in any event, within 24 hours) after any of PHC's officers, directors or representatives receives or becomes aware of the receipt of any acquisition proposal by PHC, or any request for nonpublic information or any discussions or negotiations are sought to be initiated or continued with PHC, PHC will provide Acadia with written notice of the identity of the person or group making such proposal and the material terms of the acquisition proposal.

Acquisition Proposal means any inquiry, proposal or offer relating to (i) the acquisition of fifteen percent (15%) or more of the PHC common stock (by vote or by value) by any third party, (ii) any merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, equity investment, joint venture, liquidation, dissolution or other transaction which would result in any third party acquiring assets (including capital stock of or interest in any subsidiary or affiliate of PHC) representing, directly or indirectly, fifteen percent (15%) or more of the net revenues, net income or assets of PHC and its subsidiaries, taken as a whole, (iii) the acquisition (whether by merger, consolidation, equity investment, share exchange, joint venture or otherwise) by any third party, directly or indirectly, of any capital stock in any entity that holds assets representing, directly or indirectly, fifteen percent (15%) or more of the net revenues, net income or assets of PHC and its subsidiaries, taken as a whole, (iv) any tender offer or exchange offer, as such terms are defined under the Exchange Act, that, if consummated, would result in any third party beneficially owning fifteen percent (15%) or more of the outstanding shares of PHC common stock and any other voting securities of PHC, or (v) any combination of the foregoing.

Superior Proposals

In the event that PHC receives an acquisition proposal and its board determines in good faith, (i) after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable laws, and (ii) based on the information then available and after consultation with its independent financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal, PHC may:

provide information in response to an unsolicited bona fide written acquisition proposal after the date of the merger agreement if and only if, prior to providing such information, PHC has received from the third party requesting such information an executed confidentiality agreement; and

engage or participate in any discussions or negotiations with any third party who has made an unsolicited bona fide written acquisition proposal.

Superior Proposal means a bona fide written acquisition proposal (with all of the percentages included in the definition of acquisition proposal increased to 66²/₃%) and not solicited in violation of the merger agreement which

the PHC board of directors determines in good faith, after consultation with independent financial advisor and outside legal counsel, and taking into consideration, among other things, all of the terms, conditions, impact and all legal, financial, regulatory and other aspects of such acquisition proposal and merger agreement, including financing, regulatory approvals, stockholder litigation, identity of the third party making the acquisition proposal, breakup fee and expense reimbursement provisions and other events or circumstances beyond the control of the party invoking the condition, (a) is reasonably likely to be consummated in accordance with its terms and (b) would

Table of Contents

result in a transaction more favorable to the stockholders of PHC from a financial point of view than the transactions provided for in the merger agreement (after taking into account the expected timing and risk and likelihood of consummation).

Change of Recommendation

At any time prior to obtaining PHC stockholder approval of the merger agreement, if PHC has received a bona fide written acquisition proposal that is not withdrawn and that the PHC board of directors concludes in good faith constitutes a superior proposal, the PHC board may withdraw, amend or modify the PHC board recommendation if and only if:

the PHC board of directors determines in good faith, after consultation with its independent financial advisor and outside legal counsel, that failure to do so would be inconsistent with its fiduciary obligations under applicable laws;

PHC has complied with its obligations with respect to solicitations;

PHC has provided prior written notice to Acadia at least five business days in advance, which states that PHC received a bona fide written acquisition proposal that was not withdrawn and that the PHC board of directors concludes in good faith constitutes a superior proposal and, absent any revision to the terms and conditions of the merger agreement, the PHC board of directors has resolved to adversely change its recommendation for the merger; and

prior to changing the PHC board recommendation for approval of the merger, PHC will, and will cause its representatives to, (i) negotiate with Acadia and its financial and legal advisors in good faith (to the extent Acadia desires to negotiate) to make such adjustments in the terms and conditions of the agreement, so that such acquisition proposal would cease to constitute a superior proposal, and (ii) permit Acadia and its financial and legal advisors to make a presentation to the PHC board of directors regarding the agreement and any adjustments with respect thereto (to the extent Acadia desires to make such presentation).

Directors and Officers Indemnification and Insurance

From and after the effective time of the merger, Acadia and the surviving company will, jointly and severally, to the fullest extent permitted under applicable law, indemnify and hold harmless the present and former officers, directors and limited liability company managers of PHC and its subsidiaries against all costs and expenses (including attorneys fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any action (whether arising before or after the effective time), whether civil, criminal, administrative or investigative, arising out of or pertaining to any action or omission in their capacity as an officer, director, limited liability company manager, employee, fiduciary or agent, whether occurring at or before the effective time.

If PHC is unable to do so, Acadia shall obtain and fully pay the premium for the extension of the directors and officers liability coverage of PHC's existing directors and officers insurance policies, for a claims reporting or discovery period of at least six years from and after the effective time of the merger with respect to any claim related to any period or time at or prior to the effective time from an insurance carrier with the same or better credit rating as PHC's existing insurance carrier with respect to directors and officers liability insurance and fiduciary liability insurance with terms, conditions, retentions and limits of liability that are at least as favorable as the coverage provided under PHC's existing policy with respect to any matter claimed against a director or officer of PHC or any of its subsidiaries by reason of him or her serving in such capacity that existed or occurred at or prior to the effective time of the merger.

Employee Matters

PHC and Acadia have agreed to cooperate to conduct a review of their respective employee benefit and compensation plans and programs in order to (i) coordinate the provision of benefits and compensation to the employees of PHC and Acadia and their respective subsidiaries after the effective time, (ii) eliminate duplicative benefits and (iii) treat similarly situated employees of PHC, Acadia and their respective subsidiaries on a

Table of Contents

substantially similar basis in all material respects, taking into account all relevant factors, including duties, geographic location, tenure, qualifications and abilities. Notwithstanding the foregoing, PHC, Acadia or any of their respective subsidiaries shall not be required to continue the employment of any specific person. Furthermore, no provision of the merger agreement shall be construed as prohibiting or limiting the ability of PHC, Acadia or any of their respective subsidiaries to amend, modify or terminate any plans programs, policies, arrangements, agreements or understandings of PHC or Acadia or any of their respective subsidiaries.

Further Action

Subject to the terms and conditions of the merger agreement, each party will use reasonable best efforts to (i) obtain promptly all authorizations, consents, orders, approvals, licenses, permits and waivers of all governmental authorities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, the merger agreement, (ii) cooperate fully with the other parties in promptly seeking to obtain all such authorizations, consents, orders, approvals, licenses, permits and waivers, (iii) provide such other information to any governmental authority as such governmental authority may reasonably request in connection therewith, (iv) obtain all necessary consents, approvals or waivers from third parties under such party's respective contracts, and (v) from and after the effective time, execute and deliver any additional instruments necessary to consummate the transactions contemplated by the merger agreement and to fully carry out the purposes of the merger agreement. Each party promptly will notify each other party thereto of any material communication it or any of its affiliates receives from any governmental authority relating to the matters that are the subject of the merger agreement.

Update Disclosure; Breaches

From and after the date of the merger agreement until the effective time, each party will promptly notify the other party thereto by written update to its disclosure schedule of (i) the occurrence, or non-occurrence, of any event that, individually or in the aggregate, would reasonably be expected to cause any condition to the obligations of any party to effect the transactions contemplated by the merger agreement not to be satisfied, (ii) any action commenced or, to any party's knowledge, threatened against, such party or any of its subsidiaries or affiliates or otherwise relating to, involving or affecting such party or any of its subsidiaries or affiliates, in each case in connection with, arising from or otherwise relating to the transactions contemplated by the merger agreement or (iii) the failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with by it pursuant to the merger agreement which, individually or in the aggregate, would reasonably be likely to result in any condition to the obligations of any party to effect the transactions contemplated by the merger agreement not to be satisfied. PHC delivered to Acadia and Merger Sub a supplement to the disclosure schedule after the closing of the MeadowWood acquisition containing any additions, revisions or modifications to such disclosure schedule that are required as a result of PHC's acquisition of the MeadowWood assets.

Stock Exchange Listing

Each of Acadia and PHC will cooperate with the other and use its reasonable best efforts to cause the shares of Acadia common stock to be issued in connection with the merger to be listed on NASDAQ and if not possible, NYSE Amex Stock Market, another securities exchange, subject to official notice of issuance, prior to the effective time.

Section 16 Matters

Prior to the effective time, PHC and Acadia will take all steps necessary to cause the transactions contemplated by the merger agreement, including any acquisition of Acadia Common Stock in connection therewith, by each individual who is or will be subject to the reporting requirements under Section 16(a) of the Exchange Act with respect to Acadia, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Table of Contents

Takeover Statutes

If any control share acquisition, fair price, moratorium or other anti-takeover law becomes or is deemed to be applicable to Acadia, PHC, Merger Sub, the merger or any other transaction contemplated by the merger agreement, then each of Acadia, PHC, Merger Sub, and their respective boards of directors or managers will grant all such approvals and take all such actions as are necessary so that the transactions contemplated by the merger agreement may be consummated as promptly as practicable on the terms contemplated thereby and otherwise act to render such anti-takeover law inapplicable to the merger agreement and the transactions contemplated thereby.

Deregistration

PHC will use its reasonable best efforts to cause its shares of PHC Class A Common Stock to no longer be quoted on AMEX and to be de-registered under the Exchange Act as soon as practicable following the effective time.

Tax Free Reorganization Treatment

Neither Acadia nor PHC will, nor will they permit any of their respective subsidiaries to, take any action prior to or after the closing that would reasonably be expected to cause the merger to fail to qualify as a reorganization with the meaning of Section 368(a) of the Code.

Public Announcements

Each of Acadia and PHC will consult with each other before issuing any press release or otherwise making any public statements (including conference calls with investors and analysts) with respect to the merger agreement or any of the transactions contemplated thereby. No party to the merger agreement will issue any such press release or make any such public statement with respect to the merger agreement or any of the transactions contemplated thereby prior to such consultation, except to the extent public disclosure is required by applicable law or the requirements of the NYSE Amex Stock Market or NASDAQ, as applicable, in which case the issuing party will use its reasonable best efforts to consult with the other party before issuing any such press release or making any such public statements.

Transfer Taxes

Acadia and PHC will cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any sales, transfer, stamp, stock transfer, value added, use, real property transfer or gains and any similar taxes that become payable in connection with the transactions contemplated by the merger agreement. From and after the effective time, the surviving company agrees to assume liability for and pay any such taxes of PHC, Acadia or any of their respective subsidiaries.

Other Actions

From the date of the merger agreement until the earlier to occur of the effective time or the termination of the merger agreement in accordance with its terms, Acadia and PHC will not, and will not permit any of their respective subsidiaries to, take, or agree or commit to take, any action that would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the consummation of the transactions contemplated by the merger agreement.

Financing

Each of PHC and Acadia will cooperate with the other and use its reasonable best efforts to arrange the debt financing on the terms and conditions to those described in the Debt Commitment Letter, together with the related fee letter and that certain engagement letter dated as of the same date by and among Acadia and Jefferies. Each of PHC and Acadia will use its commercially reasonable efforts to (i) negotiate definitive agreements with respect thereto and (ii) satisfy on a timely basis all conditions in such definitive agreements that are within its control.

Table of Contents

PHC Stock Purchase Plans

Except with respect to PHC's 2005 Employee Stock Purchase Plan, which shall be terminated at the conclusion of the current participation period on August 31, 2011, PHC will take all actions necessary (i) to suspend any and all offering or grants during the offering periods currently in effect under the PHC stock purchase plans effective as of the date of the merger agreement (such that no shares of PHC capital stock can be issued pursuant thereto) and (ii) to terminate the PHC stock purchase plans prior to the effective time.

Peabody Office

Acadia will keep PHC's Peabody, Massachusetts office open for as long as reasonably required to effect necessary transition matters, which Acadia and PHC anticipate will take from three to six months following the effective time.

Company Name

For a period of two years following the effective time of the merger, Acadia will file a dba in Delaware and such other jurisdictions as it deems necessary to enable it to conduct business as Pioneer Behavioral Health, and Acadia will conduct business under such dba, including by using corporate stationary bearing such name and by answering the telephone in the corporate offices under such name. Acadia anticipates that each of PHC's subsidiaries will retain their current names from and after the effective time.

Conditions to the Merger

Conditions to the Obligations of Each Party

The obligations of Acadia, PHC and Merger Sub to effect the transaction are subject to the satisfaction or waiver (in writing, by mutual agreement of Acadia and PHC where permissible) of various conditions, which include the following:

the SEC will have declared the registration statement effective, and no stop order will have been issued or proceedings initiated or threatened by the SEC suspending the effectiveness of the registration statement or any part thereof;

the PHC stockholder approval must be obtained in accordance with Massachusetts Law;

no governmental authority will have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order that is in effect and that has the effect of making the merger illegal or otherwise prohibiting completion of the merger and there will not be any pending or overtly threatened suit or action by any court of competent jurisdiction or other restraint or prohibition of any governmental authority;

the expiration or early termination of the waiting period applicable to the transaction under the Hart-Scott Rodino Act, if required, and the acquisition of all other material foreign antitrust requirements required to consummate the transaction;

(i) Acadia will have obtained debt financing in the amounts described in, and on the terms and conditions set forth in, the Debt Commitment Letter, (ii) Acadia will have received an opinion that its and its subsidiaries

total consolidated liabilities will not exceed their total consolidated assets immediately after giving effect to the merger and the other transactions contemplated thereby and (iii) the net proceeds to be distributed to Acadia Holdings existing members will be equal to or greater than \$80,000,000 (and as a result, the aggregate principal amount of the Deficit Note(s) shall not exceed \$10,000,000); and

the shares of Acadia common stock to be issued in the merger will have been authorized for listing on a national securities exchange or be eligible for trading on the over the counter bulletin board.

Table of Contents

Conditions to the Obligations of Acadia

The obligations of Acadia to consummate the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of PHC contained in the merger agreement relating to organization, standing and power, subsidiaries, capitalization, authority, absence of certain changes, stockholder vote and PHC board approval must be true and correct in all respects as of the date of the merger agreement and as of the closing date as if made at and as of the closing date;

other than the representations and warranties listed in the prior paragraph and relating to SEC filings and undisclosed liabilities, the representations and warranties of PHC contained in the merger agreement must be true and correct as of the date of the merger agreement and as of the closing date, except (i) where the failure to be true and correct would not reasonably be expected to have a material adverse effect on PHC, or (ii) to the extent such representations and warranties expressly relate to an earlier date, in which case such representations must have been true and correct as of such earlier date;

the representations and warranties of PHC contained in the merger agreement relating to SEC filings and undisclosed liabilities must be true and correct in all material respects as of the date of the merger agreement and as of the closing date as if made at and as of the closing date;

PHC must have performed or complied in all material respects with the agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the closing date;

since the date of the merger agreement, there must not have been or occurred any material adverse effect with respect to PHC;

Acadia must have received a certificate, signed by the chief executive officer or chief financial officer of PHC, certifying that the following requirements have been satisfied: (i) the representations and warranties are true and correct as of a certain date and (ii) the requisite agreements and covenants have been complied with;

Acadia must have been provided with any third party consents or approvals PHC is required to obtain in connection with the merger;

the directors and officers of PHC required to resign as set forth in the merger agreement must have resigned as directors and officers of PHC;

Acadia and PHC and their respective subsidiaries must have timely obtained from each governmental authority all approvals, waivers and consents, if any, necessary for the consummation of or in connection with the transactions contemplated by the merger agreement;

Acadia must have received an opinion by its legal counsel with respect to federal income tax purposes, which states that: (i) the merger will constitute a reorganization within the meaning of Section 368(a) of the Code and (ii) Acadia and PHC will each be a party to that reorganization within the meaning of Section 368(b) of the Code;

PHC must have received an opinion of its special counsel, substantially in the form attached to the merger agreement;

PHC must have consummated its acquisition of the MeadowWood assets; and

Acadia and certain of its stockholders must have entered into the stockholders agreement, substantially in the form attached to the merger agreement.

Table of Contents

Conditions to the Obligations of PHC

The obligations of Acadia to consummate the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of Acadia contained in the merger agreement relating to organization, standing and power, subsidiaries, capitalization, authority, absence of certain changes or events and Acadia board approval must be true and correct as of the date of the merger agreement and as of the closing date as if made at and as of the closing date;

other than the representations and warranties listed in the prior paragraph and relating to financial statements, the representations and warranties of Acadia contained in the merger agreement must be true and correct as of the date of the merger agreement and as of the closing date, except (i) where the failure to be true and correct would not reasonably be expected to have a material adverse effect on Acadia, or (ii) to the extent such representations and warranties expressly relate to an earlier date, in which case such representations must have been true and correct as of such earlier date;

the representations and warranties of Acadia contained in the merger agreement relating to financial statements must be true and correct in all material respects as of the date of the merger agreement and as of the closing date as if made at and as of the closing date;

Acadia must have performed or complied in all material respects with the agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the closing date;

since the date of the merger agreement, there must not have been or occurred any material adverse effect with respect to Acadia;

PHC must have received a certificate, signed by the chief executive officer or chief financial officer of Acadia, certifying that the following requirements have been satisfied: (i) the representations and warranties are true and correct as of a certain date and (ii) the requisite agreements and covenants have been complied with;

PHC must have been provided with any third party consents or approvals Acadia is required to obtain in connection with the merger; and

PHC must have received an opinion by its legal counsel with respect to federal income tax purposes, which states that: (i) the merger will constitute a reorganization within the meaning of Section 368(a) of the Code and (ii) Acadia and PHC will each be a party to that reorganization within the meaning of Section 368(b) of the Code.

Termination of the Merger Agreement

Termination by the Parties

The merger agreement may be terminated by the mutual written consent of Acadia and PHC or by either party (if, in the case of PHC it has not breached the no solicitation provisions of the merger agreement):

if the merger has not been consummated by 11:59 p.m., New York City Time, on December 15, 2011 (the End Date); provided, however, that such right to terminate the merger agreement shall not be available to PHC if

PHC has not obtained stockholder approval;

if an order of any governmental authority having competent jurisdiction is entered enjoining PHC, Acadia or Merger Sub from consummating the merger and has become final and nonappealable; provided, however, that such right to terminate the merger agreement shall not be available to any party whose breach of any provision of the merger agreement results in the imposition of any such order or the failure of such order to be resisted, resolved or lifted, as applicable;

if any law that makes consummation of the merger illegal or otherwise prohibited (unless the consummation of the merger in violation of such law would not have a material adverse effect on PHC); provided, however, that such right to terminate the merger agreement shall not be available to any party whose breach of any

Table of Contents

provision of the merger agreement results in the imposition of any such order or the failure of such order to be resisted, resolved or lifted, as applicable; or

if PHC has not obtained stockholder approval.

Termination by the PHC

The merger agreement may be terminated by PHC:

if Acadia or Merger Sub has breached any of the covenants or agreements contained in the merger agreement to be complied with by Acadia or Merger Sub such that PHC's closing condition regarding such covenants or agreements would not be satisfied, and such breach is incapable of being cured by the End Date or is not cured within thirty (30) calendar days after Acadia or Merger Sub receives written notice of such breach from PHC; provided that PHC will not have the right to terminate the merger agreement pursuant to this paragraph if, at the time of the termination, Acadia or Merger Sub would be unable to satisfy their closing condition because PHC is in breach of any of its covenants or agreements;

if there exists a breach of any of the representations or warranties of Acadia or Merger Sub contained in the merger agreement such that PHC's closing condition regarding such representations or warranties would not be satisfied, and such breach is incapable of being cured by the End Date or is not cured within thirty (30) calendar days after Acadia or Merger Sub receives written notice of such breach from PHC; provided that PHC will not have the right to terminate the merger agreement pursuant to this paragraph if, at the time of the termination, Acadia and Merger Sub would be unable to satisfy their closing condition because PHC is in breach of any of its representations or warranties; or

if, prior to the obtaining of the PHC stockholder approval, the PHC board of directors or any committee thereof has adversely changed its recommendation to approve the merger.

Termination by Acadia

The merger agreement may be terminated by Acadia:

if PHC has breached any of the covenants or agreements contained in the merger agreement to be complied with by PHC such that Acadia's closing condition regarding such covenants or agreements would not be satisfied, and such breach is incapable of being cured by the End Date or is not cured within thirty (30) calendar days after PHC receives written notice of such breach from Acadia; provided that Acadia will not have the right to terminate the merger agreement pursuant to this paragraph if, at the time of the termination, PHC would be unable to satisfy its closing condition because Acadia or Merger Sub is in breach of any of their covenants or agreements;

if there exists a breach of any of the representations or warranties of PHC contained in the merger agreement such that Acadia's closing condition regarding such representations or warranties would not be satisfied, and such breach is incapable of being cured by the End Date or is not cured within thirty (30) calendar days after PHC receives written notice of such breach from PHC; provided that Acadia will not have the right to terminate the merger agreement pursuant to this paragraph if, at the time of the termination, PHC would be unable to satisfy its closing condition because Acadia or Merger Sub is in breach of any of their representations or warranties; or

if, prior to the obtaining of the PHC stockholder approval, the PHC board of directors or any committee thereof has adversely changed its recommendation to approve the merger; or

if after the completion of the MeadowWood asset purchase and the additions, revisions and modifications to the supplemental disclosures provided by PHC to Acadia, Acadia would be unable to satisfy its closing condition because PHC representations or warranties are no longer true and correct in all respects as of the date of delivery of the MeadowWood disclosure schedule supplement.

Table of Contents

Expense Reimbursement

In the event the merger agreement is terminated by PHC due to the fact that Acadia or Merger Sub has breached any of its covenants, agreements, representations or warranties such that a condition related to PHC's obligation to close would not be satisfied, then Acadia will pay all of PHC's reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by PHC and its affiliates on or prior to the termination of merger agreement in connection with the transactions contemplated by the merger agreement, which amount will in no event exceed \$1,000,000 in the aggregate, and shall be paid in four annual installments, with the first annual installment due within two business days of such termination, and the remaining payments being made on the first, second and third anniversary of such termination date.

In the event the merger agreement is terminated by Acadia under circumstances in which the termination fee is not then payable, due to the fact that (i) PHC has breached any of its covenants, agreements, representations or warranties such that a condition related to Acadia's obligation to close would not be satisfied or (ii) the supplement to the disclosure schedules delivered to Acadia in connection with PHC's recent acquisition of MeadowWood would cause a breach of a PHC representation or warranty such that a condition related to Acadia's obligation to close would not be satisfied, then PHC will pay all of Acadia's reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by Acadia and its affiliates on or prior to the termination of the merger agreement in connection with the transactions contemplated by the merger agreement, which amount will in no event exceed \$1,000,000 in the aggregate and shall be paid in four annual installments, with the first annual installment due within two business days of such termination, and the remaining payments being made on the first, second and third anniversary of such termination date. Notwithstanding the foregoing, the existence of circumstances which could require payment of the termination fee by PHC subsequent to termination of the merger agreement will not relieve PHC of its obligations to pay Acadia reimbursable expenses.

Termination Fee

In the event the merger agreement is terminated by PHC or Acadia because, prior to the obtaining of the PHC stockholder approval, the PHC board of directors or any committee thereof has adversely changed its recommendation to approve the merger, PHC will promptly pay Acadia an amount equal to \$3,000,000, but in any event within two business days after the date of such termination, by wire transfer of same day funds to one or more accounts designated by Acadia.

In the event that (i) the merger agreement is terminated (A) by either Acadia or PHC because the merger has not been consummated by the End Date or PHC has not obtained stockholder approval in accordance with the merger agreement or (B) by Acadia because PHC would be unable to satisfy its closing conditions regarding covenants and agreements or representations and warranties as of the closing date and (ii) after the date of the merger agreement and prior to the twelve month anniversary of the termination of the merger agreement, PHC consummates an acquisition proposal, enters into any letter of intent, agreement in principle, acquisition agreement or other similar agreement related to an acquisition proposal, or PHC files a Solicitation/Recommendation Statement on Schedule 14D-9 that includes the PHC board's recommendation of any acquisition proposal to PHC's stockholders, then PHC will, on the date an acquisition proposal is consummated, any such letter is executed or agreement is entered into or any such statement is filed with the SEC, pay to Acadia an amount equal to \$3,000,000 (less the amount of any reimbursable expenses previously paid by PHC to Acadia pursuant to the merger agreement, if any) to Acadia by wire transfer of same day funds to one or more accounts designated by Acadia.

For purposes of the termination section of the merger agreement only, a transaction pursuant to an acquisition proposal (as defined above and in the merger agreement) all percentages in the definition of acquisition proposal will be replaced with 50%.

Fees and Expenses

Each of PHC and Acadia will not (and will cause each of their respective subsidiaries not to), incur or agree to pay any reasonably documented out-of-pocket fees and expenses (including reasonable legal and advisory fees and expenses) in connection with the merger or any of the transactions contemplated in the merger agreement, other than certain shared fees and expenses, in excess of certain estimated fees and expenses set forth in the merger

Table of Contents

agreement. This prohibition does not apply to fees and expenses related to the following activities: (i) the filing, Edgarizing, printing, mailing and similar out of pocket fees and expenses (but not legal or accounting fees and expenses) relating to this proxy statement/prospectus and any other necessary filings with respect to the merger or any related transactions under the Securities Act, the Exchange Act and applicable state blue sky laws and the rules and regulations promulgated thereunder; and (ii) the listing fee(s) incurred in obtaining (or attempting to obtain) the stock exchange listing(s) or trading eligibility for Acadia. Regardless of whether the merger is completed, Acadia and PHC will pay 75% and 25% respectively of such fees. The prohibition also does not apply to the incurrence by Acadia or any of its affiliates of any costs or expenses under or pursuant to the debt commitment letter or otherwise in connection with obtaining the financing under such commitment letter.

Amendment, Extension and Waiver

The merger agreement may be amended, at any time, by the parties, by action taken or authorized by their respective boards of directors, before or after approval of the merger agreement by the stockholders of PHC, provided that after any such approval, no amendment can be made that requires further stockholder approval without such approval having been obtained. The merger agreement may not be amended except by execution of an instrument in writing signed on behalf of each of Acadia and PHC.

Subject to the foregoing, at any time prior to the effective time, the parties may, to the extent permitted by applicable law:

extend the time for the performance of any of the obligations or other acts of the other parties;

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant thereto; or

waive compliance with any of the agreements or conditions contained in the merger agreement.

After any approval of the merger agreement by the PHC stockholders, there may not be any extension or waiver of the merger agreement which decreases the merger consideration provided therein or which adversely affects the rights of the PHC stockholders thereunder without the approval of such stockholders. Any agreement on the part of a party to any such extension or waiver will be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to assert any of its rights under the merger agreement or otherwise will not constitute a waiver of those rights.

Material Adverse Effect

For purposes of the merger agreement, the term material adverse effect, when used in connection with PHC or Acadia, means any event, change, condition or effect that, individually or in the aggregate, is, or is reasonably likely to be, materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of such entity and its subsidiaries, taken as a whole, other than any event, change, condition or effect relating to:

the merger and the transactions contemplated by the merger agreement or the announcement thereof;

compliance with the terms of the merger agreement or the taking of any action consented to or requested by PHC or, in the case of Acadia, Merger Sub;

any change in accounting requirements or principles required by GAAP, or any interpretations thereof;

the United States economy in general; or

the behavioral healthcare industry in general.

Notwithstanding the foregoing, a material adverse effect will include any change in or effect on the business of either Acadia or PHC and their respective subsidiaries that, individually or in the aggregate, is, or is reasonably likely to be, materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of such party and its subsidiaries taken as a whole, if such change or effect is

Table of Contents

significantly more adverse to such party and its subsidiaries, taken as a whole, than to the behavioral healthcare industry in general.

THE VOTING AGREEMENT

In connection with the merger, each of PHC's directors and executive officers entered into a voting agreement with Acadia pursuant to which these individuals agreed to vote their shares of PHC common stock in favor of the merger agreement, among other things. The following description of the voting agreement describes the material terms of the voting agreement.

As of the record date, the directors and executive officers of PHC who have entered into the voting agreement collectively owned beneficially and of record shares of PHC common stock representing less than 11% of the total outstanding shares of PHC Class A Common Stock and 94% of the total outstanding shares of PHC Class B Common Stock entitled to vote at the meeting of PHC stockholders.

Bruce A. Shear, Donald E. Robar, Robert H. Boswell, Paula C. Wurts, Howard W. Phillips, William F. Grieco, David E. Dangerfield, and Douglas J. Smith, have each entered into the voting agreement with Acadia dated as of March 23, 2011.

Pursuant to the terms of the voting agreement, each director and executive officer who signed the voting agreement has agreed to vote (i) in favor of approval of the merger agreement, (ii) against approval of any proposal made in opposition to or competition with consummation of the merger and the merger agreement, including any acquisition proposal, (iii) against any transaction of the type described in the definition of "Acquisition Proposal" in the merger agreement from any party other than Acadia or an affiliate of Acadia as contemplated by the merger agreement, (iv) against any other proposal that is intended to, or is reasonably likely to, result in the conditions of Acadia's or Merger Sub's obligations under the merger agreement not being fulfilled, (v) against any amendment of PHC's certificate of incorporation or by-laws that is not requested or expressly approved by Acadia and (vi) against any dissolution, liquidation or winding up of PHC. The directors and executive officers also agree that until the earlier of the termination of the merger agreement or completion of the merger, they will not enter into any agreement or understanding with another person to vote or give instructions inconsistent with the foregoing obligations.

In furtherance of the foregoing obligations and in the event of a failure by a director or officer who is party to the voting agreement of his or her obligations as to voting or executing a written consent pursuant to the voting agreement, such director or officer revokes any and all other proxies or powers of attorney in respect of any of the shares of PHC common stock governed by the voting agreement and agrees that during the period commencing on the date of the voting agreement until its expiration, each director and executive officer appointed Acadia, Merger Sub or any individual designated by Acadia or Merger Sub as such individual's agent, attorney-in-fact and proxy (with full power of substitution) to vote all shares owned by such director or executive officer in accordance with the voting agreement. Such proxy will be valid and irrevocable until termination of the voting agreement.

The directors and executive officers may vote their shares of PHC common stock on all other matters not referred to by the voting agreement, and Acadia may not exercise its proxy with respect to such other matters.

The directors and executive officers agreed not to, and not to permit any entity under such director's or executive officer's control to, (i) solicit proxies or become a participant in a solicitation (as such terms are defined in Rule 14a-1 under the Exchange Act) with respect to an acquisition proposal, (ii) initiate a stockholders' vote with respect to an acquisition proposal, (iii) become a member of a group (as such term is used in Section 13(d) of the Exchange Act) with respect to any voting securities of PHC with respect to an acquisition proposal or (iv) solicit, entertain, promote, negotiate, knowingly aid, accept, enter or agree into or discuss, directly or indirectly, any proposal, arrangement,

agreement or offer regarding an acquisition proposal.

Prior to the expiration of the voting agreement, each director and executive officer who signed the voting agreement shall not: (a) transfer, assign, sell, gift-over, pledge or otherwise dispose of, or consent to any of the foregoing, any or all of the shares governed thereunder or any right or interest of such shares; (b) enter into any contract, option or other agreement, arrangement or understanding with respect to any action enumerated in (a) of

Table of Contents

this paragraph; (c) grant any proxy, power-of-attorney or other authorization or consent with respect to any of the shares governed thereunder (other than the proxy contemplated in the voting agreement); or (d) deposit any of the shares governed thereunder into a voting trust, or enter into a voting agreement or arrangement with respect to any of the shares governed thereunder; provided, however, that a stockholder (and any permitted transferee thereof) may take an action enumerated in (a) of this paragraph with respect to any or all of the shares governed thereunder to such stockholder's spouse, descendants (whether natural or adopted) or any trust or other entity controlled by such stockholder; provided that such permitted transferee provides Acadia and Merger Sub with a written agreement to be bound by the terms of the voting agreement and to hold such shares governed thereunder subject to all terms of the voting agreement, in each case, as if it were the stockholder.

The voting agreement will terminate upon the earlier to occur of the completion of the merger or the termination of the merger agreement in accordance with its terms.

Table of Contents**ACADIA MANAGEMENT AFTER THE MERGER****Management and Board of Directors**

The following is a list of the persons who are anticipated to be Acadia's executive officers and directors following the merger and their ages and anticipated positions following the merger.

Name	Age	Position/Affiliation
Joey A. Jacobs	58	Chairman, Director & Chief Executive Officer
Bruce A. Shear	57	Executive Vice Chairman and Director
Brent Turner	45	Co-President
Trey Carter	45	Co-President
Ron Fincher	58	Chief Operating Officer
Jack E. Polson	45	Chief Financial Officer
Christopher L. Howard	45	Executive Vice President, General Counsel
Reeve B. Waud	47	Director
Charles E. Edwards	33	Director
Matthew A. London	29	Director
Gary A. Mecklenburg	65	Director
William F. Grieco	59	Director

Joey A. Jacobs, age 58, joined Acadia in February 2011 and has served as the Chairman of the Acadia board of directors and as Acadia's Chief Executive Officer since that time. Mr. Jacobs has extensive experience in the behavioral health industry. He co-founded Psychiatric Solutions, Inc. (PSI) and served as Chairman, President and Chief Executive Officer of PSI from April 1997 to November 2010. Prior to founding PSI, Mr. Jacobs served for 21 years in various capacities with Hospital Corporation of America (HCA, also formerly known as Columbia and Columbia/HCA), most recently as President of the Tennessee Division. Mr. Jacobs' background at HCA also included serving as president of HCA's Central Group, vice president of the Western Group, assistant vice president of the Central Group and assistant vice president of the Salt Lake City Division. The board of directors of Acadia believes that Mr. Jacob's qualifications to serve as a director include his 35 years of experience in the health care industry.

Bruce A. Shear, age 57, has served as President, Chief Executive Officer and a director of PHC since 1980 and Treasurer of PHC from September 1993 until February 1996. Upon consummation of the merger, it is anticipated that Mr. Shear will be appointed as the Executive Vice Chairman and a director of Acadia. From 1976 to 1980, he served as Vice President, Financial Affairs, of PHC. The board of directors of Acadia believes that Mr. Shear is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his knowledge of PHC. Mr. Shear has served on the Board of Governors of the Federation of American Health Systems for over fifteen years and is currently a member of the Board of Directors of the National Association of Psychiatric Health Systems. Since November 2003, Mr. Shear has been a member of the Board of Directors of Vaso Active Pharmaceuticals, Inc., a company marketing and selling over-the-counter pharmaceutical products that incorporate Vaso's transdermal drug delivery technology.

Brent Turner, age 45, joined Acadia in February 2011 and has served as a Co-President of Acadia since that time. Previously, Mr. Turner served as the Executive Vice President, Finance and Administration of PSI from August 2005 to November 2010 and as the Vice President, Treasurer and Investor Relations of PSI from February 2003 to August

2005. From late 2008 through 2010, Mr. Turner also served as a Division President of PSI overseeing facilities in Texas, Illinois and Minnesota. From 1996 until January 2001, Mr. Turner was employed by Corrections Corporation of America, a private prison operator, serving as Treasurer from 1998 to 2001.

Trey Carter, age 45, joined Acadia in May 2007 and has served as a Co-President of Acadia since February 2011. Previously, Mr. Carter served as Acadia's Chief Executive Officer from May 2007 until February 2011. Prior to joining Acadia, Mr. Carter served as Regional Vice President, Behavioral Health Division for Universal Health Services. Mr. Carter also served as Chief Executive Officer of Anchor Hospital located in Atlanta, Georgia. Prior to

Table of Contents

his tenure with Universal Health Services, Trey Carter was Director of Behavioral Health Services at Tanner Behavioral Health in Carrollton, Georgia.

Ron Fincher, age 58, joined Acadia in February 2011 and has served as Acadia's Chief Operating Officer since that time. Previously, Mr. Fincher served as PSI's Chief Operating Officer from October 2008 to November 2010. As Chief Operating Officer of PSI, Mr. Fincher oversaw hospital operations for 95 facilities. He had served PSI as a Division President since April 2003. As a Division President, Mr. Fincher was responsible for managing the operations of multiple inpatient behavioral health care facilities owned by the Company. Prior to joining PSI, Mr. Fincher served as a Regional Vice President of Universal Health Services, Inc. from 2000 until 2003.

Jack E. Polson, age 45, joined Acadia in February 2011 and has served as Acadia's Chief Financial Officer since that time. Previously, Mr. Polson served as an Executive Vice President and Chief Accounting Officer of PSI from September 2006 to November 2010 and as PSI's Chief Accounting Officer from August 2002 to September 2006. Prior to being appointed to Chief Accounting Officer, Mr. Polson had served as Controller of PSI since June 1997. From June 1995 until joining PSI, Mr. Polson served as Controller for Columbia Healthcare Network, a risk-bearing physician health organization in HCA's Tennessee Division.

Christopher L. Howard, age 45, joined Acadia in February 2011 and has served as Acadia's Executive Vice President, General Counsel and Secretary since that time. Before joining Acadia, Mr. Howard served as PSI's Executive Vice President, General Counsel and Secretary from September 2005 to November 2010. Prior to joining PSI, Mr. Howard was a partner at of Waller Lansden Dortch & Davis, LLP, a law firm based in Nashville, Tennessee.

Reeve B. Waud, age 47, has served as a director of Acadia (and a manager of its predecessor Acadia Healthcare Company, LLC) since December 2005. Mr. Waud formed Waud Capital Partners in 1993 and has served as the Managing Partner of Waud Capital Partners since that time. Prior to founding Waud Capital Partners, Mr. Waud was an investment professional at Golder, Thoma, Cressey, Rauner, Inc. (GTCR), a private equity investment group based in Chicago, Illinois. Before joining GTCR, Mr. Waud was in the Corporate Finance Group of Salomon Brothers, Inc. and was a founding member of its Venture Capital Group. The board of directors of Acadia believes that Mr. Waud is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. Waud also serves as the controlling shareholder and/or chairman of the board of directors of Adreima, CarePoint Partners, Maxum Petroleum, True Partners Consulting, and Whitehall Products, all private companies. He also serves on the board of directors of Northwestern Memorial Foundation, the philanthropic arm that supports the fundraising, grant-making and stewardship activities of Northwestern Memorial HealthCare (NMHC), and is a member of the NMHC Finance Committee. Mr. Waud currently serves as an advisor to Green Courte Partners, a private equity, real estate investment firm. In addition, Mr. Waud is a member of the Commonwealth Club of Chicago and is a member of The Economic Club of Chicago. He is a trustee of St. Paul's School in Concord, New Hampshire and the John G. Shedd Aquarium. In addition, he serves on the Visiting Committee of the University of Chicago Harris School of Public Policy.

Charles E. Edwards, age 33, has served as a director of Acadia (and a manager of its predecessor Acadia Healthcare Company, LLC) since 2008. Mr. Edwards is a Principal of Waud Capital Partners and joined the firm in 2005. Prior to joining Waud Capital Partners, Mr. Edwards worked in the investment banking group at A.G. Edwards & Sons from 2000 to 2003 and attended the Harvard Business School from 2003 to 2005. The board of directors of Acadia believes that Mr. Edwards is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. Edwards also serves on the board of directors of Maxum Petroleum, a private company.

Matthew A. London, age 29, has served as a director of Acadia (and a manager of its predecessor Acadia Healthcare Company, LLC) since April 2011. Mr. London is a Vice President of Waud Capital Partners and joined the firm in

2007. Prior to joining Waud Capital Partners, Mr. London was an investment banking analyst with Deutsche Bank from 2004 to 2007 and with Morgan Keegan from January 2004 to December 2004. The board of directors of Acadia believes that Mr. London is qualified to serve as a director due to, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. London also serves on the board of directors of Maxum Petroleum, a private company, and previously served on the board of Regency Hospital Company, a private company in the healthcare services industry.

Table of Contents

Gary A. Mecklenburg, age 65, has served as a director of Acadia (and a manager of its predecessor Acadia Healthcare Company, LLC) since 2006. Mr. Mecklenburg is an Executive Partner of Waud Capital and joined the firm in 2006. Prior to joining Waud Capital Partners, Mr. Mecklenburg served as President and Chief Executive Officer of Northwestern Memorial HealthCare from 1986 to 2006 and Northwestern Memorial Hospital from 1985 to 2003. Mr. Mecklenburg's career has included senior management positions at the University of Wisconsin Hospitals, Stanford University Hospital and St. Joseph's Hospital and Franciscan Healthcare in Milwaukee, Wisconsin. The Acadia board of directors believes that Mr. Mecklenburg is qualified to serve as a director due, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. He currently serves as a director of the board of White Glove Health, LHP Hospital Partners, Adreima, CarePoint Partners and Becton Dickinson. Previously he served as Chairman of the Board of Regency Hospital Company (where he first joined as an outside director in 2002) and on the boards of the Institute for Healthcare Improvement and the National Center for Healthcare Leadership.

William F Grieco, age 59, has served as a director of PHC since February 1997. Since 2008, Mr. Grieco has served as the Managing Director of Arcadia Strategies, LLC, a legal business consulting organization servicing healthcare, science and technology companies. From 2008 to 2008, he served as Senior Vice President and General Counsel of American Science and Engineering, Inc., an x-ray inspection technology company. From 2001 to 2002, he served as Senior Vice President and General Counsel of IDX Systems Corporation, a healthcare information technology company. Previously, from 1995 to 1999, he was Senior Vice President and General Counsel for Fresenius Medical Care North America. Prior to that, Mr. Grieco was partner at Choate, Hall & Stewart, a general service law firm. The board of directors of Acadia concluded that based on Mr. Grieco's legal and healthcare expertise, senior management, business experience and education that he should serve as a director of Acadia.

Controlled Company

We intend to list the shares issued in the merger on NASDAQ. For purposes of the Nasdaq rules, we expect to be a controlled company. Controlled companies under those rules are companies of which more than 50 percent of the voting power is held by an individual, a group or another company. Waud Capital Partners will continue to control more than 50% of the voting power of our common stock upon completion of the merger and be able to elect a majority of our board of directors. As a result, we will be considered a controlled company for the purposes of the NASDAQ listing requirements. As a controlled company, we will be permitted to, and we intend to, opt out of the NASDAQ listing requirements that would otherwise require a majority of the members of our board of directors to be independent and require that we either establish a compensation committee and a nominating and governance committee, each comprised entirely of independent directors, or otherwise ensure that the compensation of our executive officers and nominees for directors are determined or recommended to our board by the independent members of our board.

Acadia Board of Directors Composition

Upon the closing of the merger, the Acadia board of directors will be divided into three classes, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. Following the merger, subject to any phase in rules of the SEC and NASDAQ, three (3) of the members of Acadia board of directors will be independent of Acadia and its management. Three (3) directors to be designated by Waud Capital Partners and a director to be designated by Bruce Shear, the President of PHC, will be in the class of directors whose initial terms expires at the 2012 annual meeting of the stockholders; provided that Mr. Shear's designee shall satisfy the applicable director independence requirements of NASDAQ or any other securities exchange on which Acadia's securities may be listed (collectively, the Director Independence Requirements). Mr. Bruce Shear and three (3) directors to be designated by Waud Capital Partners will be in the class of directors whose initial term expires at the 2013 annual meeting of the stockholders. Mr. Joey A. Jacobs, one director to be designated by Waud Capital Partners and two

directors designated by the other directors (the Other Independent Directors) shall be in the class of directors whose initial term expires at the 2014 annual meeting for stockholders; provided, that the Other Independent Directors shall satisfy the Director Independence Requirements.

Table of Contents

Committees of the Acadia Board of Directors

Upon completion of the merger, the Acadia board of directors will establish three standing committees: the audit committee, the compensation committee and the corporate governance and nominating committee.

Audit Committee. Acadia's audit committee will be responsible for preparing such reports, statements or charters as may be required by NASDAQ or federal securities laws, as well as, among other things:

overseeing and monitoring the integrity of its financial statements, its compliance with legal and regulatory requirements as they relate to financial statements or accounting matters and its internal accounting and financial controls;

preparing the report that SEC rules require be included in its annual proxy statement;

overseeing and monitoring its independent registered public accounting firm's qualifications, independence and performance;

providing the board with the results of its monitoring and recommendations; and

providing to the board additional information and materials as it deems necessary to make the board aware of significant financial matters that require the attention of the board.

It is anticipated that the board of directors will nominate three directors to serve as members of Acadia's audit committee. It is also anticipated that one of the independent directors nominated by the Acadia board of directors will serve as Chairman of Acadia's audit committee and also will qualify as an audit committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act. The Acadia board of directors has determined that each of these persons meets the current independence and financial literacy requirements under the Sarbanes-Oxley Act, NASDAQ and SEC rules and regulations.

Compensation Committee. It is anticipated that the Acadia board of directors will nominate three directors to serve as members of Acadia's compensation committee. For so long as affiliates of Waud Capital Partners have the right to designate a majority of the Acadia board of directors, the directors designated by affiliates of Waud Capital Partners are expected to constitute a majority of the compensation committee and the chairman of the compensation committee is expected to be a director who is selected by affiliates of Waud Capital Partners.

The compensation committee will be responsible for, among other things:

reviewing and approving for the chief executive officer and other executive officers (a) the annual base salary, (b) the annual incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements and change in control arrangements, and (e) any other benefits, compensations, compensation policies or arrangements;

reviewing and making recommendations to the board regarding the compensation policy for such other officers as directed by the board;

preparing a report to be included in the annual proxy statement that describes: (a) the criteria on which compensation paid to the chief executive officer for the last completed fiscal year is based; (b) the relationship

of such compensation to our performance; and (c) the committee's executive compensation policies applicable to executive officers; and

acting as administrator of Acadia's current benefit plans and making recommendations to the Acadia board of directors with respect to amendments to the plans, changes in the number of shares reserved for issuance thereunder and regarding other benefit plans proposed for adoption.

Corporate Governance and Nominating Committee. It is anticipated that the Acadia board of directors will nominate three directors to serve as members of Acadia's corporate governance and nominating committee. For so long as affiliates of Waud Capital Partners have the right to designate a majority of the Acadia board of directors, the directors designated by affiliates of Waud Capital Partners are expected to constitute a majority of the corporate governance and nominating committee and the chairman of such committee is expected to be a director who is

Table of Contents

selected by affiliates of Waud Capital Partners. The corporate governance and nominating committee will be responsible for, among other things:

reviewing board structure, composition and practices, and making recommendations on these matters to the board;

reviewing, soliciting and making recommendations to the board and stockholders with respect to candidates for election to the board; and

overseeing compliance by the chief executive officer and senior financial officers with the Code of Business Conduct and Ethics.

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis (CD&A) describes the compensation arrangements Acadia has with its Named Executive Officers (NEOs) that are expected to serve as executive officers following the merger and Bruce Shear, PHC's current chief executive officer, who is expected to serve as an executive officer and director of Acadia following the merger. NEOs include our principal executive officer and our principal financial officer, regardless of compensation level, and our three most highly compensated executive officers during our last completed fiscal year, other than our principal executive officer and principal financial officer. Because Mr. Carter is the only executive officer that was employed by Acadia during 2010 that is expected to be an executive officer following the merger, he is the only executive officer of Acadia for whom information is provided in this CD&A. As further described below under Intended Objectives of Acadia's Executive Compensation Program; Elements of Compensation Base Salary, the other executive officers of Acadia joined Acadia in February 2011. No PHC executive officers other than Mr. Shear are expected to become executive officers or directors of Acadia following the merger.

Intended Objectives of Acadia's Executive Compensation Program; Elements of Compensation

The Acadia board of directors oversees the design and administration of Acadia's executive compensation program. Acadia's objective is to have an executive compensation program that will attract and retain the best possible executive talent, to tie annual and long-term cash compensation to the achievement of measurable corporate and individual performance goals and objectives and to align executives' incentives with stockholder value creation.

Compensation for Acadia's NEOs has historically consisted of the following elements:

Base Salary

Mr. Carter joined Acadia in April 2007. His base salary was negotiated with him at that time based upon his experience level and anticipated duties and responsibilities. His base salary has been subject to annual increase at the discretion of the Acadia board of directors. The remaining members of Acadia's senior management, including Messrs. Jacobs, Fincher, Turner, Howard and Polson, were hired in February of 2011. These officers were formerly employed by PSI. PSI, a publicly-traded company, was sold to UHS in November of 2010. Following the sale of PSI to UHS, Acadia hired the former PSI management team and Acadia Management Company, Inc. (Acadia Management) entered into employment agreements with these former PSI executive officers, effective on January 31, 2011. Acadia Management also entered into an employment agreement with Mr. Carter in March 2011, which sets forth his annual base salary. The base salary is subject to increase by the Acadia board of directors, in its sole discretion, on an annual basis. These base salaries were the result of negotiation between Waud Capital Partners and

these members of management.

In anticipation of consummation of the merger, Acadia has also entered into an employment agreement with Mr. Shear, PHC's current Chief Executive Officer. Mr. Shear's employment agreement sets forth his expected duties and responsibilities, his compensation and benefits and certain restrictions to which he will be subject after consummation of the merger.

Table of Contents

See Acadia Employment Agreements for a description of the employment agreements with Messrs. Jacobs, Shear, Turner, Carter, Fincher, Polson and Howard (collectively, the Acadia Employment Agreements).

Cash Bonuses

For fiscal year 2010, Acadia paid a cash bonus to Mr. Carter based on the satisfaction of certain company and individual performance criteria. Mr. Carter was eligible to receive a bonus of up to 8% of his total annual base salary based upon the achievement of individual performance goals, including items related to Acadia's financial performance, patient and employee satisfaction survey results and the performance of Acadia facilities in annual evaluations (the Individual Portion). He was also eligible to receive a bonus between 32% and 62% of his total annual base salary tied to the company's EBITDA performance, as compared to base and stretch EBITDA targets (the EBITDA Portion).

Mr. Carter was not eligible to receive any portion of his targeted bonus for fiscal year 2010 unless Acadia met or exceeded its base EBITDA for the same period. EBITDA for purposes of calculating the EBITDA Portion of Mr. Carter's annual bonus, is defined as earnings before interest, income taxes, interest, depreciation and amortization, as may be adjusted in the discretion of the Acadia board of directors for certain one-time or non-recurring items.

For fiscal year 2010, base target EBITDA was set at \$7,045,000 and stretch target EBITDA was set at \$9,000,000. Acadia Holdings' actual adjusted EBITDA for fiscal year 2010 (which excludes transaction related expenses and non-budgeted director fees) was \$9,677,000, resulting in the bonus for the EBITDA Portion being set at 62.0% of base salary for Mr. Carter, resulting in bonuses of \$196,614 attributable to the EBITDA Portion paid to Mr. Carter for fiscal year 2010. Mr. Carter achieved all of his 2010 individual performance goals, resulting in the bonus for the Individual Portion being set at 8% of his base salary and a bonus of \$25,370 attributable to the Individual Portion paid to Mr. Carter for fiscal year 2010.

Mr. Carter's Acadia Employment Agreement provides that during each calendar year in the related employment period beginning on December 31, 2011, he will be eligible to earn a target annual bonus of up to 100% of his base salary, subject to satisfaction of specified performance criteria established by the Acadia board of directors or its compensation committee. Following the merger, Mr. Shear will be eligible to earn a target annual bonus of up to 60% of his base salary, subject to satisfaction of certain performance criteria.

Mr. Carter also entered into a bonus agreement with Acadia Management on January 4, 2010. This bonus agreement, as more fully described in Acadia Interested Transactions Affiliate Transactions, provide for the payment of a one-time incentive cash bonus of \$40,000 to Mr. Carter if no Change of Control (as defined in the Prior LLC Agreement) has occurred prior to the date on which the incentive bonus is paid, Acadia achieves specified EBITDA targets and the executive has been continuously employed by Acadia Management from January 4, 2010 to the date such incentive bonus is paid.

Historical Equity Arrangements

Acadia Holdings sold shares of its Class A Common Units and Class A Preferred Units to certain executives, including Mr. Carter, in January 2010. Acadia Holdings also issued Class B Common Units and Class B Preferred Units to Mr. Carter and certain other executives that only vest upon certain qualified changes in control. Acadia Holdings reclassified all of its units into Class A Units and Class B Units in April 2011 in connection with a reclassification of its equity structure. Acadia Holdings also issued Class C Units and Class D Units to certain executives, including Mr. Carter, in connection with the reclassification. In connection with the merger, Acadia Holdings, the sole stockholder of Acadia, will distribute the shares of Acadia common stock that it owns to its members, including Mr. Carter, in accordance with their respective ownership interests in Acadia Holdings.

Mr. Carter, along with Messrs. Fincher, Howard, Jacobs, Polson and Turner, will enter into a stockholders agreement with Waud Capital Partners and Acadia in connection with the merger. The stockholders agreement will contain certain transfer restrictions with respect to the Acadia common stock received from Acadia Holdings in connection with the distribution from Acadia Holdings. See [Stockholders Agreement](#) for a description of the terms of these restrictions.

Table of Contents

Long-Term Equity Incentives Following the Merger

As a private company, Acadia has not historically made annual grants of equity. Waud Capital Partners and the Acadia board of directors believed that management's ownership interests in Acadia provided sufficient incentives with respect to the long-term growth of Acadia and aligned management's interests with those of Acadia's stockholders. Prior to the consummation of the merger, it is anticipated that the Acadia board of directors will adopt the 2011 Incentive Plan (as defined below), which will permit the granting of several types of equity-based compensation awards designed to provide our executive officers with incentives to help align those individuals' interests with the interests of our stockholders. We also anticipate granting the Acadia board of directors (or its compensation committee) the authority to make periodic grants under the Acadia Healthcare Company, Inc. 2011 Incentive Compensation Plan (the "2011 Incentive Plan") to our executive officers based on the achievement of certain corporate and individual performance criteria, or otherwise in accordance with the 2011 Acadia Incentive Plan. See "2011 Incentive Plan."

Acadia Employment Agreements

Mr. Carter did not have an employment agreement in fiscal 2010. In 2011, Acadia Management entered into Acadia Employment Agreements with each of Messrs. Jacobs, Fincher, Turner, Howard, Polson and Carter. In anticipation of the merger, Acadia entered into the Acadia Employment Agreements with Messrs. Shear and Boswell. In connection with the merger, the Acadia board of directors has retained a compensation consultant as it transitions to a compensation program more consistent with that of a public company.

Pursuant to the terms of his Acadia Employment Agreement, Mr. Carter currently receives annual base salary of \$317,474. Each of Messrs. Jacobs, Fincher, Turner, Howard and Polson currently receives an annual base salary of \$240,000.

The term of the Acadia Employment Agreements for each of Messrs. Shear and Boswell will commence immediately following the closing of the merger. Mr. Shear's Acadia Employment Agreement has a five year term, which shall automatically be extended for successive one-year terms, subject to non-renewal if either party gives the other 90 days prior written notice of termination. The Acadia Employment Agreement for Mr. Boswell is subject to a two-year term, subject to automatic one year extensions unless earlier terminated. The annual base salaries for each of Messrs. Shear and Boswell are \$350,000 and \$226,000, respectively.

The base salaries under the Acadia Employment Agreements for Messrs. Jacobs, Fincher, Turner, Howard, Polson and Carter are subject to an annual increase in the sole discretion of the Acadia board of directors. The Acadia Employment Agreements for Messrs. Shear and Boswell provide that the base salary for the applicable executive shall be increased by at least 5% of the base salary for the prior year as of the first day of each calendar year in the term.

In addition to base salary, the senior executives under the Acadia Employment Agreements are entitled to participate in their sole discretion in all of Acadia's employee benefit programs for which senior executive officers are generally eligible. These benefits (for the former PSI executive officers) are in addition to any that the related executives may receive from PSI. The benefits to be provided to the executives under the Acadia Employment Agreements for Messrs. Shear and Boswell must be on terms at least as favorable as those received by such executives from PHC immediately prior to the closing of the merger. Furthermore, during the term of such Acadia Employment Agreements, Acadia shall pay 100% of the monthly premiums or other costs associated with the related executives participation in such employee benefit programs and benefits. Mr. Shear is also permitted, under the terms of his Acadia Employment Agreement, to use the automobile leased by Acadia for him until the scheduled expiration of the lease and Acadia shall continue to make all lease payments until the expiration of the lease.

Executives (other than Messrs. Shear and Boswell) are eligible to receive discretionary annual bonuses of up to 100% of such executive's base salary and reimbursement of reasonable expenses incurred in connection with services performed under each executive's respective Acadia Employment Agreement. Each of Messrs. Shear and Boswell are eligible to receive an annual bonus of up to 60% of his base salary under his Acadia Employment Agreement. In each case, achievement of the annual bonus is based upon the satisfaction of performance criteria

Table of Contents

established by the Acadia board of directors or compensation committee or as set forth in the applicable Acadia Employment Agreement.

Generally, if an executive officer party to an Acadia Employment Agreement is terminated without cause or resigns with good reason, such executive is entitled to receive (subject to the satisfaction of certain conditions): (i) such executive's base salary through the termination date; (ii) any bonus amounts under such executive's Acadia Employment Agreement to which such executive is entitled determined by reference to the calendar that ended on or prior to the termination date; (iii) any unused and unpaid time off and sick pay accrued through the termination date and any incurred but unreimbursed business expenses as of the termination date; (iv) a prorated bonus amount for the calendar year in which the termination occurs; (v) certain bonus amounts, prorated based on the actual number of days elapsed in such year prior to the termination date; (vi) an amount equal to the cost of the premiums for continued health and dental insurance for the executive and/or his or her dependents in accordance with the Consolidated Budget Reconciliation Act of 1985 for a specified period; (vii) a specified severance payment; and (viii) solely with respect to Mr. Shear, the continued use of his leased automobile until the scheduled termination of the lease and the continued payment by Acadia of all related lease payments (collectively, the Termination Payments).

Cause (as defined in the Acadia Employment Agreements) means the occurrence of one or more of the following with respect to the applicable executive: (i) the conviction of or plea of nolo contendere to a felony or other crime involving moral turpitude or the conviction of any crime involving misappropriation, embezzlement or fraud with respect to Acadia or any of its subsidiaries or any of their customers, suppliers or other business relations, (ii) conduct outside the scope of such executive's duties and responsibilities under his/her Acadia Employment Agreement that causes Acadia or any of its subsidiaries substantial public disgrace or disrepute or economic harm, (iii) repeated failure to perform duties consistent with this Agreement as reasonably directed by the Acadia board of directors, (iv) any act or knowing omission aiding or abetting a competitor, supplier or customer of Acadia or any of its subsidiaries to the disadvantage or detriment of Acadia and its subsidiaries, (v) breach of fiduciary duty, gross negligence or willful misconduct with respect to Acadia or any of its subsidiaries, (vi) an administrative or other proceeding results in the suspension or debarment of such executive from participation in any contracts with, or programs of, the United States or any of the fifty states or any agency or department thereof, or (vii) any other material breach by such executive of his/her Acadia Employment Agreement or any other agreement between such executive and Acadia or any of its subsidiaries, which is not cured to the reasonable satisfaction of the Acadia board of directors within thirty (30) days after written notice thereof to such executive.

Good Reason (as defined in the Acadia Employment Agreements for executives other than Mr. Shear) means if the applicable executive resigns his/her employment with Acadia (a) as a result of one or more of the following actions (in each case taken without executive's written consent): (i) a reduction in such executive's base salary (other than as part of an across-the-board reduction that (A) results in a 10% or less reduction of such executive's base salary as in effect on the date of any such reduction or (B) is approved by the Chief Executive Officer of Acadia), (ii) a material diminution of such executive's job duties or responsibilities inconsistent with Executive's position; (iii) any other material breach by Acadia (or its successors) of such Acadia Employment Agreement; or (iv) a relocation of Acadia's principal executive offices and corporate headquarters outside of a thirty (30) mile radius of Nashville, Tennessee following relocation thereto in accordance with Section 1; provided that, none of the events described in clauses (i) through (iv) shall constitute Good Reason unless such executive shall have notified Acadia in writing describing the event which constitutes Good Reason within ninety (90) days after the occurrence of such event and then only if Acadia and its subsidiaries shall have failed to cure such event within thirty (30) days after Acadia's receipt of such written notice and such executive elects to terminate his employment as a result at the end of such thirty (30) day period, or (b) for any reason within 180 days following a Sale of the LLC (as defined in the Acadia Holdings LLC Agreement). The merger does not constitute a Sale of the LLC (as defined in the Acadia Holdings LLC Agreement). For Mr. Shear, *Good Reason* (as defined in his Acadia Employment Agreement) is defined as (A) a reduction in his base salary (other than as part of an across-the-board reduction that (1) results in a 10% or less reduction of such

executive's base salary as in effect on the date of any such reduction or (2) is approved by the Chief Executive Officer of Acadia), (B) a material diminution of his job duties or responsibilities inconsistent with his position; (C) the failure by Acadia to nominate Mr. Shear to serve on the Acadia board of directors; or (D) any other material breach by Acadia (or its successors) of Mr. Shear's Acadia

Table of Contents

Employment Agreement; provided that, none of the events described in clauses (A) through (D) shall constitute Good Reason unless such executive shall have notified Acadia in writing describing the event which constitutes Good Reason within ninety (90) days after the occurrence of such event and then only if Acadia and its subsidiaries shall have failed to cure such event within thirty (30) days after Acadia's receipt of such written notice and such executive elects to terminate his employment as a result at the end of such thirty (30) day period.

If an executive officer party to an Acadia Employment Agreement dies or becomes disabled, such executive is entitled to the applicable Termination Payments (other than the severance payment contemplated under clause (vii) of the definition thereof). In the event that a senior executive becomes disabled not due to death, such executive shall be entitled to receive continued installment payments of such executive's base salary as in effect on the termination date for a specified period of time.

If Acadia terminates an executive under an Acadia Employment Agreement for cause or if any such executive resigns without good reason, such executive will only be entitled to receive his or her unpaid base salary through the termination date and any bonus amount to which such executive is entitled by reference to the calendar year that ended on or prior to the termination date.

During the term of the Acadia Employment Agreement for each executive officer (other than Mr. Shear) and for one year thereafter (or 24 months thereafter in the case of Mr. Jacobs), each such executive is prohibited from (i) directly or indirectly managing, controlling, consulting, rendering services for or participating, engaging or owning an interest in any business which derives 25% of its gross revenue from the business of providing behavioral healthcare and/or related services and (ii) directly or indirectly managing, controlling, rendering services for or participating or consulting with any unit, division, segment or subsidiary of any other business that engages in or otherwise competes with (or was organized for the purpose of engaging in or competing with) the business of providing behavioral healthcare and/or related services, subject to certain exceptions. Each such executive is prohibited from directly or indirectly soliciting or hiring any employee or independent contractor of Acadia or directly or indirectly soliciting any customer, supplier, licensee, licensor or other business relation of Acadia during the employment period and for 12 months thereafter. The non-compete provisions to which Mr. Shear will be subject under his Acadia Employment Agreement shall terminate on the lesser of (i) 24 months and (ii) the number of months remaining until the expiration of his employment term (but in no event less than 12 months), calculated from the date of his termination of service. In addition, the executive officers party to an Acadia Employment Agreement are (or will be) subject to customary confidentiality and non-disparagement obligations both during and following their employment with Acadia.

2011 Incentive Plan

In connection with the merger, we expect to adopt a 2011 Incentive Plan, or the 2011 Incentive Plan. The 2011 Incentive Plan is expected to provide for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based. Directors, officers and other employees of us and our subsidiaries, as well as others performing consulting or advisory services for us, will be eligible for grants under the 2011 Incentive Plan. The purpose of the 2011 Incentive Plan will be to provide incentives that will attract, retain and motivate high performing officers, directors, employees and consultants by providing them a proprietary interest in our long-term success or compensation based on their performance in fulfilling their responsibilities to our company. The specific terms of the 2011 Incentive Plan are still being finalized. Set forth below is a summary of the material terms of the 2011 Incentive Plan based on our current discussions. This summary is preliminary and may not include all of the provisions of the 2011 Incentive Plan. For further information about the 2011 Incentive Plan, we refer you to the complete copy of the 2011 Incentive Plan, which we will file as an exhibit to the registration statement.

Administration. The 2011 Incentive Plan will be administered by a committee designated by our board of directors. Among the committee's powers will be to determine the form, amount and other terms and conditions of awards;

clarify, construe or resolve any ambiguity in any provision of the 2011 Incentive Plan or any award agreement; amend the terms of outstanding awards; and adopt such rules, forms, instruments and guidelines for administering the 2011 Incentive Plan as it deems necessary or proper. The committee will have full authority to administer and interpret the 2011 Incentive Plan, to grant discretionary awards under the 2011 Incentive Plan, to

Table of Contents

determine the persons to whom awards will be granted, to determine the types of awards to be granted, to determine the terms and conditions of each award, to determine the number of shares of common stock to be covered by each award, to make all other determinations in connection with the 2011 Incentive Plan and the awards thereunder as the committee deems necessary or desirable and to delegate authority under the 2011 Incentive Plan to our executive officers.

Available Shares. The aggregate number of shares of common stock which may be issued or used for reference purposes under the 2011 Incentive Plan or with respect to which awards may be granted may not exceed _____ shares. The number of shares available for issuance under the 2011 Incentive Plan may be subject to adjustment in the event of a reorganization, stock split, merger or similar change in the corporate structure or the number of outstanding shares of our common stock. In the event of any of these occurrences, we may make any adjustments we consider appropriate to, among other things, the number and kind of shares, options or other property available for issuance under the plan or covered by grants previously made under the plan. The shares available for issuance under the plan may be, in whole or in part, either authorized and unissued shares of our common stock or shares of common stock held in or acquired for our treasury. In general, if awards under the 2011 Incentive Plan are for any reason cancelled, or expire or terminate unexercised, the shares covered by such awards may again be available for the grant of awards under the 2011 Incentive Plan.

Eligibility for Participation. Members of our board of directors, as well as employees of, and consultants to, us or any of our subsidiaries and affiliates will be eligible to receive awards under the 2011 Incentive Plan.

Award Agreement. Awards granted under the 2011 Incentive Plan will be evidenced by award agreements, which need not be identical, that provide additional terms, conditions, restrictions or limitations covering the grant of the award, including, without limitation, additional terms providing for the acceleration of exercisability or vesting of awards in the event of a change of control or conditions regarding the participant's employment, as determined by the committee.

Stock Options. The committee may grant nonqualified stock options and incentive stock options to purchase shares of our common stock only to eligible employees. The committee will determine the number of shares of our common stock subject to each option, the term of each option, which may not exceed ten years, or five years in the case of an incentive stock option granted to a 10% or greater stockholder, the exercise price, the vesting schedule, if any, and the other material terms of each option. No incentive stock option or nonqualified stock option may have an exercise price less than the fair market value of a share of our common stock at the time of grant or, in the case of an incentive stock option granted to a 10% or greater stockholder, 110% of such share's fair market value. Options will be exercisable at such time or times and subject to such terms and conditions as determined by the committee at grant and the exercisability of such options may be accelerated by the committee.

Stock Appreciation Rights. The committee may grant stock appreciation rights, or SARs, either with a stock option, which may be exercised only at such times and to the extent the related option is exercisable, or Tandem SAR, or independent of a stock option, or Non-Tandem SAR. A SAR is a right to receive a payment in shares of our common stock or cash, as determined by the committee, equal in value to the excess of the fair market value of one share of our common stock on the date of exercise over the exercise price per share established in connection with the grant of the SAR. The term of each SAR may not exceed ten years. The exercise price per share covered by an SAR will be the exercise price per share of the related option in the case of a Tandem SAR and will be the fair market value of our common stock on the date of grant in the case of a Non-Tandem SAR. The committee may also grant limited SARs, either as Tandem SARs or Non-Tandem SARs, which may become exercisable only upon the occurrence of a change in control, as defined in the 2011 Incentive Plan, or such other event as the committee may designate at the time of grant or thereafter.

Restricted Stock. The committee may award shares of restricted stock. Except as otherwise provided by the committee upon the award of restricted stock, the recipient generally will have the rights of a stockholder with respect to the shares, including the right to receive dividends, the right to vote the shares of restricted stock and, conditioned upon full vesting of shares of restricted stock, the right to tender such shares, subject to the conditions and restrictions generally applicable to restricted stock or specifically set forth in the recipient's restricted stock agreement. The committee may determine at the time of award that the payment of dividends, if any, will be deferred until the expiration of the applicable restriction period. Recipients of restricted stock will be required to

Table of Contents

enter into a restricted stock agreement with us that states the restrictions to which the shares are subject, which may include satisfaction of pre-established performance goals, and the criteria or date or dates on which such restrictions will lapse. If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the committee will establish for each recipient the applicable performance goals, formulae or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulae or standards while the outcome of the performance goals are substantially uncertain. Such performance goals may incorporate provisions for disregarding, or adjusting for, changes in accounting methods, corporate transactions, including, without limitation, dispositions and acquisitions, and other similar events or circumstances. Section 162(m) of the Internal Revenue Code requires that performance awards be based upon objective performance measures. The performance goals for performance-based restricted stock will be based on one or more of the objective criteria set forth on Exhibit A to the 2011 Incentive Plan and are discussed in general below.

Other Stock-Based Awards. The committee may, subject to limitations under applicable law, make a grant of such other stock-based awards, including, without limitation, performance units, dividend equivalent units, stock equivalent units, restricted stock and deferred stock units under the 2011 Incentive Plan that are payable in cash or denominated or payable in or valued by shares of our common stock or factors that influence the value of such shares. The committee may determine the terms and conditions of any such other awards, which may include the achievement of certain minimum performance goals for purposes of compliance with Section 162(m) of the Code and a minimum vesting period. The performance goals for performance-based other stock-based awards will be based on one or more of the objective criteria set forth on Exhibit A to the 2011 Incentive Plan and discussed in general below.

Other Cash-Based Awards. The committee may grant awards payable in cash. Cash-based awards shall be in such form, and dependent on such conditions, as the committee shall determine, including, without limitation, being subject to the satisfaction of vesting conditions or awarded purely as a bonus and not subject to restrictions or conditions. If a cash-based award is subject to vesting conditions, the committee may accelerate the vesting of such award in its discretion.

Performance Awards. The committee may grant a performance award to a participant payable upon the attainment of specific performance goals. The committee may grant performance awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code as well as performance awards that are not intended to qualify as performance-based compensation under Section 162(m) of the Code. If the performance award is payable in cash, it may be paid upon the attainment of the relevant performance goals either in cash or in shares of restricted stock, based on the then current fair market value of such shares, as determined by the committee. Based on service, performance or other factors or criteria, the committee may, at or after grant, accelerate the vesting of all or any part of any performance award.

Performance Goals. The committee may grant awards of restricted stock, performance awards, and other stock-based awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code. These awards may be granted, vest and be paid based on attainment of specified performance goals established by the committee. These performance goals may be based on the attainment of a certain target level of, or a specified increase or decrease in, one or more of the following measures selected by the committee: (1) earnings per share; (2) operating income; (3) gross income; (4) net income, before or after taxes; (5) cash flow; (6) gross profit; (7) gross profit return on investment; (8) gross margin return on investment; (9) gross margin; (10) operating margin; (11) working capital; (12) earnings before interest and taxes; (13) earnings before interest, tax, depreciation and amortization; (14) return on equity; (15) return on assets; (16) return on capital; (17) return on invested capital; (18) net revenues; (19) gross revenues; (20) revenue growth, as to either gross or net revenues; (21) annual recurring net or gross revenues; (22) recurring net or gross revenues; (23) license revenues; (24) sales or market share; (25) total shareholder return; (26) economic value added; (27) specified objectives with regard to limiting the level of increase in all or a portion of our bank debt or other long-term or short-term public or private debt or other similar financial

obligations, which may be calculated net of cash balances and other offsets and adjustments as may be established by the committee; (28) the fair market value of the a share of common stock; (29) the growth in the value of an investment in the common stock assuming the reinvestment of dividends; (30) reduction in operating expenses or (31) other objective criteria determined by the committee.

Table of Contents

To the extent permitted by law, the committee may also exclude the impact of an event or occurrence which the committee determines should be appropriately excluded, such as (1) restructurings, discontinued operations, extraordinary items and other unusual or non-recurring charges; (2) an event either not directly related to our operations or not within the reasonable control of management; or (3) a change in accounting standards required by generally accepted accounting principles. Performance goals may also be based on an individual participant's performance goals, as determined by the committee. In addition, all performance goals may be based upon the attainment of specified levels of our performance, or the performance of a subsidiary, division or other operational unit, under one or more of the measures described above relative to the performance of other corporations. The committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria.

Change in Control. In connection with a change in control, as will be defined in the 2011 Incentive Plan, the committee may accelerate vesting of outstanding awards under the 2011 Incentive Plan. In addition, such awards may be, in the discretion of the committee, (1) assumed and continued or substituted in accordance with applicable law; (2) purchased by us for an amount equal to the excess of the price of a share of our common stock paid in a change in control over the exercise price of the awards; or (3) cancelled if the price of a share of our common stock paid in a change in control is less than the exercise price of the award. The committee may also provide for accelerated vesting or lapse of restrictions of an award at any time.

Stockholder Rights. Except as otherwise provided in the applicable award agreement, and with respect to an award of restricted stock, a participant will have no rights as a stockholder with respect to shares of our common stock covered by any award until the participant becomes the record holder of such shares.

Amendment and Termination. Notwithstanding any other provision of the 2011 Incentive Plan, our board of directors may at any time amend any or all of the provisions of the 2011 Incentive Plan, or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided in the 2011 Incentive Plan, the rights of a participant with respect to awards granted prior to such amendment, suspension or termination may not be adversely affected without the consent of such participant.

Transferability. Awards granted under the 2011 Incentive Plan generally will be nontransferable, other than by will or the laws of descent and distribution, except that the committee may provide for the transferability of nonqualified stock options at the time of grant or thereafter to certain family members.

Recoupment of Awards. The 2011 Incentive Plan will provide that awards granted under the 2011 Incentive Plan are subject to any recoupment policy we may regarding the clawback of incentive-based compensation under the Exchange Act or under any applicable rules and regulations promulgated by the SEC.

Effective Date. We expect that the 2011 Incentive Plan will be adopted in connection with the merger.

Table of Contents

Board of Directors Report

The full Acadia board of directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b)(1) of Regulation S-K with management and, based on such review and discussions, has recommended that the Compensation Discussion and Analysis be included in this proxy statement/prospectus.

THE ACADIA HEALTHCARE COMPANY, INC. BOARD OF DIRECTORS

Joey A. Jacobs
 Reeve B. Waud
 Charles E. Edwards
 Matthew A. London
 Gary A. Mecklenburg

Executive Compensation Tables

Summary Compensation Table

The table below summarizes the total compensation earned by each of Acadia's NEOs for the fiscal year ended December 31, 2010.

Name and Principal Position	Fiscal Year	Base Salary (\$)	Bonus (\$)(2)	Stock Awards (\$)	Option Awards (\$)	Non-Qualified Incentive Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation (\$)	Other Compensation (\$)(4)	Total (\$)
Trey Carter(1)	2010	317,119	222,232	(3)				4,579	543,930

(1) Mr. Carter served as Acadia's Chief Executive Officer from May 2007 until February 2011. In February 2011, he was appointed as a Co-President of Acadia and will serve in such capacity following the merger.

(2) Bonus amounts were earned in fiscal year 2010 and paid in fiscal year 2011.

(3) Mr. Carter received a grant of 6,500 shares of Class B Common Units and 400 shares of Class B Preferred Units in fiscal 2010. The grant date fair value of such rewards was determined to be de minimis. These awards vest only upon certain change of control events.

(4) Acadia allows employees to cash-in up to 40 hours of accrued vacation time payable at 75% of its accrued value.

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

The table below summarizes the total compensation earned by Mr. Shear from PHC during its fiscal years ended June 30, 2010, 2009 and 2008.

Name and Principal Position	Fiscal Year	Base Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(2)	Change in Pension Value and Non-Qualified Non-Equity Incentive Compensation		All Other Compensation (\$)	Total (\$)
						(\$)	(\$)		
Bruce A. Shear(1)	2010	468,369	49,000		17,199			22,719(3)	557,287
	2009	453,846			42,648			13,685(4)	510,179
	2008	470,077	60,000		69,300			24,312(5)	623,689

Table of Contents

- (1) Mr. Shear has served (and currently serves) as the President, Chief Executive Officer of PHC since 1980. It is anticipated that he will serve as the Executive Vice Chairman and a member of the Acadia board of directors after consummation of the merger.
- (2) These amounts represent the aggregate grant date fair value of stock option awards granted during the fiscal year.
- (3) This amount represents \$9,837 contributed by PHC to PHC's Executive Employee Benefit Plan on behalf of Mr. Shear, \$3,520 in premiums paid by PHC with respect to life and disability insurance for the benefit of Mr. Shear and \$9,362 in personal use of a company car used by Mr. Shear.
- (4) This amount represents \$8,894 contributed by PHC to PHC's Executive Employee Benefit Plan on behalf of Mr. Shear, \$3,706 in premiums paid by PHC with respect to life and disability insurance for the benefit of Mr. Shear and \$1,085 in personal use of a company car used by Mr. Shear.
- (5) This amount represents \$8,894 contributed by PHC to PHC's Executive Employee Benefit Plan on behalf of Mr. Shear, \$11,261 in premiums paid by PHC with respect to life and disability insurance for the benefit of Mr. Shear and \$4,157 in personal use of a company car used by Mr. Shear.

Grant of Plan-Based Awards

The table below summarizes grants of incentive plan awards to each of Acadia's NEOs for the fiscal year ended December 31, 2010:

Name	Grant Date	Threshold (\$)	Estimated Future Payouts		Estimated	All	Grant Date Fair Value of Stock Awards (\$)(3)
			Awards(1) Target (\$)	Maximum (\$)	Future Payouts Under Equity Incentive Plan Awards (#)(2)	Other Stock Awards: Number of Shares of Stock or Units (#)	
Trey Carter	1/4/2010				6,500(4)		0
	1/4/2010				400(4)		0
	2/24/2011		126,990	203,183			
	1/4/2010		40,000				

- (1) See Compensation Discussion and Analysis - Intended Objectives of Acadia's Executive Compensation Program; Elements of Compensation - Cash Bonuses for a discussion of Acadia's annual incentive plan.

(2)

All of the equity incentive plans awards granted in the fiscal year are performance based awards that would have vested upon the occurrence of a Change of Control (as defined in the Prior LLC Agreement) in which Waud Capital Partners achieves a targeted internal rate of return. All of these awards were reclassified into Class B Units in connection with Acadia Holdings' entry into the Acadia Holdings LLC Agreement on April 1, 2011.

- (3) The grant date fair value of the awards reflected in this column was determined to be de minimis. These awards were subject to vesting only upon certain change of control events.
- (4) Represents 6,500 Class B Common Units and 400 Class B Preferred Units of Acadia Holdings, which were reclassified into Class B Units of Acadia Holdings on April 1, 2011.

The table below summarizes grants of incentive plan awards by PHC to Mr. Shear during its fiscal year ended June 30, 2010:

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
Bruce Shear(1)	12/14/2009	15,000	1.08	8,599
	12/14/2009	15,000	1.08	8,599

Table of Contents

- (1) These options were approved for issue by the PHC board of directors separate from PHC's established executive bonus plan. None of the targets were met based on PHC's performance in fiscal 2010. The options issued were 25% vested when issued and vest 25% on each of the next three anniversary dates of the grant and expire after five years. PHC utilized the Black-Scholes valuation model for estimating the Grant Date Value with no adjustments for non-transferability or risk of forfeiture. The assumptions used are as follows (as of December 14, 2009): (i) risk free interest rate of 2.30%; (ii) no expected dividend yield; (iii) expected lives of five years; and (iv) expected volatility of 60.66%.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes Acadia Holdings equity awards outstanding for Mr. Carter as of December 31, 2010:

Name	Grant Date	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
		Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Trey Carter(1)	1/4/2010	6,500(1)	\$ 1,302,000
	1/4/2010	400(1)	800,000

- (1) Represents Class B Common Units and Class B Preferred Units of Acadia Holdings, which were reclassified into Class B Units of Acadia Holdings on April 1, 2011.

The following table provides information about PHC options outstanding, held by Mr. Shear as of PHC's fiscal year ended June 30, 2010:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
	Bruce A. Shear	15,000		2.68
75,000			2.68	9/20/10

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

15,000		2.20	5/22/11
15,000		2.06	10/14/12
11,250	3,750(1)	2.95	10/31/12
15,000	5,000(2)	2.90	11/14/12
15,000	5,000(3)	2.75	2/18/13
50,000		1.25	11/28/13
10,000	10,000(4)	1.20	6/15/14
3,750	11,250(5)	1.08	12/14/14
3,750	11,250(5)	1.08	12/14/14

- (1) The additional 7,500 unvested options are scheduled to vest on October 31, 2011.
- (2) The additional 10,000 unvested options are scheduled to vest on November 14, 2011.
- (3) The additional 10,000 unvested options are scheduled to vest on February 18, 2012.
- (4) The additional 20,000 unvested options are scheduled to vest on 10,000 on June 15, 2012 and 10,000 are scheduled to vest on June 15, 2013.
- (5) The additional 60,000 unvested options will vest 20,000 on December 14, 2011; 20,000 on December 14, 2012; and, 20,000 December 14, 2013.

Table of Contents***Options Exercised and Stock Vested***

None of the units of Acadia Holdings issued to Mr. Carter prior to April 2011 were subject to any vesting.

There were no options exercised or stock vested held by Mr. Shear in PHC's fiscal year ended June 30, 2010.

Pension Benefits

Neither Acadia nor PHC offered any pension benefits to any of NEO for the fiscal year ended December 31, 2010 or June 30, 2010, as applicable.

Non-qualified Deferred Compensation

Neither Acadia nor PHC have any non-qualified deferred compensation plans. We do not intend to adopt any non-qualified deferred compensation after consummation of the merger.

Potential Payments upon Termination or Change-in-Control

The equity agreements pursuant to which Acadia Holdings issued units of Acadia Holdings to certain members of Acadia management provide for potential payments that could be received by the NEOs employed by Acadia upon termination of employment or in connection with a Sale of Acadia. Consummation of the merger will not trigger a change-in-control payment under such agreements.

PHC has entered into a change-in-control arrangement with Mr. Shear. The arrangement calls for Mr. Shear, in the event of a change in control, to receive payment of his average annual salary for the past five years times a multiplier of 2.99, as set by PHC's compensation committee. The proposed merger constitutes a change in control under Mr. Shear's change-in-control arrangements with PHC. Assuming a June 30, 2011 closing date for the merger, Mr. Shear would have been entitled to a change-in-control payment of \$1,529,951 under his change-in-control arrangement.

Name	Element	Cause		Termination	Death or	Retirement
		For Cause (\$)	Not for Cause (\$)	Following Change-in-Control (\$)	Disability (\$)	
Trey Carter	Salary		317,474			
	Bonus					
	Benefits					
	Acadia Holdings Units			2,102,000		
	Totals					
Bruce A. Shear(2)	Salary			1,529,951	519,000	
	Bonus					
	Benefits				1,490,948(3)	
	Stock Options					

Totals	1,529,951	2,009,948
---------------	-----------	-----------

- (1) Amounts set forth in this table for Mr. Carter assume that the triggering event occurred as of December 31, 2010. They do not take into account any amounts to which Mr. Carter may be entitled under his Acadia Employment Agreement, which he entered into on March 29, 2011.
- (2) Amounts set forth in this table for Mr. Shear assume that the triggering occurred as of June 30, 2010. They do not take into account any amounts to which Mr. Shear may be entitled under his Acadia Employment Agreement which he entered into on May 23, 2011.
- (3) In the event of disability, Mr. Shear would have been entitled to receive a disability benefit of \$990,948 paid out over four years. In the event of his death, Mr. Shear's survivors would have received a \$500,000 death benefit under a PHC paid life insurance policy.

Table of Contents

Mr. Shear entered into an Acadia Employment Agreement (as discussed above in Acadia Employment Agreements) in connection with the merger.

Director Compensation

For fiscal 2010, Mr. Mecklenburg received a payment of \$5,000 per month for serving as a manager of Acadia Healthcare Company, LLC. The other managers of Acadia Healthcare Company, LLC (including Messrs. Waud, Edwards and London) did not receive any fees for attending meetings.

The following table sets forth a summary of the compensation paid to Messrs. Mecklenburg and Sainer for the fiscal year ended December 31, 2010:

Director	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Mr. Mecklenburg	\$ 60,000			\$ 60,000

In fiscal 2010, Mr. Grieco received the following compensation from PHC as a director:

Director	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)	All Other Compensation (\$)	Total (\$)
Mr. Grieco	\$ 26,825	15,526		\$ 42,351

(1) These amounts represent the aggregate grant date fair value of stock option awards granted during the fiscal year.

As of June 30, 2010, Mr. Grieco had 187,000 outstanding PHC stock options, 150,125 of which had vested.

Table of Contents

ACADIA BUSINESS DESCRIPTION

As used in this Acadia Business Description and in the Acadia Management's Discussion and Analysis of Financial Condition and Results of Operation, Acadia Principal Stockholders and Acadia Interested Transactions sections, unless otherwise set forth herein, references to we, us, and our refer to Acadia and its subsidiaries after acquisition of YFCS but prior to consummation of the merger.

Overview

Founded in December 2005, Acadia is a leading provider of behavioral health care services in the United States. Acadia operates 19 inpatient behavioral health care facilities in 13 states. On April 1, 2011, Acadia acquired Youth & Family Centered Services, Inc. (YFCS), the largest private, for-profit provider of behavioral health, education and long term support services exclusively for abused and neglected children and adolescents. YFCS' services include residential treatment care, community-based services, acute care, specialized education services, therapeutic group homes, therapeutic foster care and medical and behavioral services.

For the year ended December 31, 2010 and the quarter ended March 31, 2011, on a pro forma basis giving effect to the YFCS acquisition, we generated revenues of \$248.7 million and \$63.3 million, respectively. As of May 1, 2011, we operated 19 facilities, including six inpatient psychiatric facilities that provide acute care services, 13 inpatient facilities that provide resident treatment care, eight facilities that provide community based services and one substance abuse facility.

History and Acquisitions

Acadia was formed in 2005 by Waud Capital Partners (WCP) as a behavioral health company to acquire, develop and operate behavioral health facilities. Acadia has grown both organically and through acquisitions. Key acquisitions since 2008 include:

Youth & Family Centered Services, Inc. (2011) largest private, for-profit provider of behavioral health, education and long term support services exclusively for abused and neglected children and adolescents. YFCS had 12 active operations in eight states, over 100 clinical programs and served over 4,300 infants, children and adolescents at the time of its acquisition by Acadia.

Peninsula Village (2009) 145-bed residential treatment center located in Louisville, Tennessee.

Acadiana Addiction Center (2009) 42-bed substance abuse facility located in Lafayette, Louisiana.

Riverwoods (2008) 55-bed inpatient psychiatric facility located in Atlanta, Georgia.

Acadia was formed as a limited liability company in the State of Delaware in 2005. Our principal executive offices are located at 830 Crescent Centre Drive, Suite 610, Franklin, Tennessee 37067. Our telephone number is (615) 861-6000.

Types of Facilities and Services

Our facilities and services can generally be classified into the following categories: acute inpatient psychiatric facilities; residential treatment centers; group home, therapeutic group home and foster care; substance abuse centers;

outpatient community-based services; specialized educational services and other behavioral services. The

Table of Contents

table below presents the percentage of our total net revenue (on an a pro forma basis giving effect to Acadia's acquisition of YFCS) attributed to each facility or service category for the year ended December 31, 2010:

Facility/Service	Percentage of Net Revenue for the Year Ended December 31, 2010 (Unaudited)
Inpatient facilities/acute care	19.9%
Residential treatment centers	43.0%
Group home, therapeutic group home and foster care	3.2%
Substance abuse facilities	1.5%
Community-based services	27.2%
Specialized educational services	4.7%
Other behavioral services	0.5%

Acute Inpatient Psychiatric Facilities

Acute inpatient psychiatric facilities provide a high level of care in order to stabilize patients that are either a threat to themselves or to others. The acute setting provides 24-hour observation, daily intervention and monitoring by psychiatrists. Generally, due to high patient turnover and the special security and health precautions required, acute psychiatric hospitals have lower average occupancy.

Our facilities which offer acute care services provide evaluation and crisis stabilization of patients with severe psychiatric diagnoses through a medical model delivery that incorporates structured and intensive medical and behavioral therapies with 24-hour monitoring by a psychiatrist, psychiatric trained nurses and direct care staff. Lengths of stay for crisis stabilization and acute care range in these facilities range from three to five days and from five to twelve days, respectively.

As of May 1, 2011, we operated six facilities that provide acute care services in addition to other services.

Residential Treatment Centers

Residential treatment centers treat psychiatric patients in a non-hospital setting. The facilities balance therapy activities with social, academic and other activities. Since the setting is less intensive, demands on staffing, security and oversight are generally lower than inpatient psychiatric facilities. In contrast to acute care psychiatric facilities, occupancy can be managed more easily given a longer length of stay. Over time, however, residential treatment centers have continued to serve increasingly severe patients who would have been treated in acute care facilities in earlier years.

We provide residential treatment care through a medical model residential treatment facility, which offers intensive, medically-driven interventions, intense staff-to-patient ratios and sophisticated treatment regimens designed to deal with the high level of patient acuity and dysfunction. Children and adolescents admitted to these facilities typically have had multiple prior failed treatment attempts, histories of severe physical, sexual and emotional abuse, termination of parental custody, substance abuse, marked deficiencies in social, interpersonal and academic skills and a wide range of multiple psychiatric disorders. Treatment typically is provided by an interdisciplinary team coordinating psychopharmacological, individual, group and family therapy along with specialized accredited

educational programs in both secure and unlocked environments. Lengths-of-stay range from three months to several years.

As of May 1, 2011, we operated 13 facilities that provide residential treatment care, in addition to other services.

Group Home, Therapeutic Group Homes and Foster Care

Our group-home programs provide family-style living for approximately four to 12 youths in a single house or apartment within residential communities where supervision and support are provided by 24-hour staff. The goal of

Table of Contents

a group home program is to teach family living and social skills through individual and group counseling sessions within a real life environment. The residents are encouraged to take on responsibility for the home and their health as well as actively take part in community functions. Most attend an accredited and licensed school (on our premises) or a local public school in their area.

We also operate therapeutic group homes which provide comprehensive treatment services for serious, emotionally disturbed adolescents. The ultimate goal is to reunite or place these children with their families or prepare them, when appropriate, for permanent placement with a relative or an adoptive family. Therapeutic foster care is considered the least restrictive form of therapeutic placement for children and adolescents with emotional disorders who often are part of the child welfare or juvenile justice system. Care is delivered in private homes with experienced foster parents who are trained to work with children and adolescents with special needs.

As of May 1, 2011, we operated two facilities that provide group home services and one facility that provides therapeutic group home services.

Substance Abuse Centers

Substance abuse centers (or SACs) provide a comprehensive continuum of care for male and female adults with addictive disorders and co-occurring mental disorders. Our detox, inpatient, partial hospitalization and outpatient treatment options are cost-effective and give patients access to the least restrictive level of care. All programs offer individualized treatment in a supportive and nurturing environment. As of May 1, 2011, we operated one SAC.

Outpatient Community-Based Services

Our community-based services can be divided into two age groups: children and adolescents (seven to 18 years of age) and young children (three months to six years of age). Community-based programs are designed to provide therapeutic treatment to children and adolescents who have a clinically-defined emotional, psychiatric or chemical dependency disorder while enabling the youth to remain at home and within their community. Many patients who participate in community-based programs have transitioned out of a residential facility or have a disorder that does not require placement in a facility that provides 24-hour care.

Community-based programs developed for these age groups provide a unique array of therapeutic services to a very high-risk population of children. These children suffer from severe congenital, neurobiological, speech/motor and early onset psychiatric disorders. These services are provided in clinics and employ a treatment model that is consistent with our multi, interdisciplinary medical treatment approach. Depending on their individual needs and treatment plan, children receive speech, physical, occupational and psychiatric interventions that are coordinated with services provided by their referring primary care physician. The children receive treatment from 7:30 a.m. to 4:00 p.m. five days a week.

As of May 1, 2011, we operated eight facilities that provide community-based services.

Specialized Education Services

Our accredited grammar, middle and high schools (including charter schools) are unique because of their focus on integrating educational interventions into each child's individual treatment plan through participation in inter-disciplinary treatment team meetings to assist in monitoring and reporting on each child's clinical progress.

Our education programs are accredited schools that provide a full educational experience to children and adolescents having special education needs. In some states, we provide educational services on an extended school year basis. As

a result of the YFCS acquisition, we now also have charter schools that utilize teaching methods that address therapeutic needs particular to learning and behavioral deficits of the students.

Our education services also include vocational education and training that may allow those residents to become employable in entry level positions in the communities in which they reside. GED preparation courses are also offered for students who require assistance in developing test-taking skills and who would benefit from tutoring services.

As of May 1, 2011, we operated 11 facilities that provide educational services.

Table of Contents

Other Behavioral Services

We also offer a variety of other behavioral health services for specialized populations who need specific treatment methods. Programs include at risk infant and children clinics, sexually maladaptive behavior (SMB) programs, programs for adolescent females, programs for the mentally retarded and developmentally disabled youth and programs for severe and persistently mentally ill youths.

Business Strengths

We believe the following strengths differentiate us from our competitors and contribute to our success:

Premier Operational Management Team with Track Record of Success

Our management team has 135 combined years of experience in acquiring, integrating and operating a variety of behavioral facilities. Following the sale of PSI to UHS in November 2010, PSI's former executive officers joined Acadia in February 2011. The combination of the Acadia management team with the operational expertise of the former PSI management team gives us what we believe to be the premier leadership team in the behavioral health care industry. The new management team will bring its years of experience operating behavioral health facilities, generating strong cash flow and growing a strong business.

Favorable industry and legislative trends

Health reform and the expansion of health insurance coverage may increase the number of patients seeking behavioral health services as payment issues are the primary reasons for people not seeking mental health and substance abuse treatment.

Expanded coverage should reduce uncollectible accounts receivable.

The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (the MHPAEA) provides for equal coverage between psychiatric or mental health services and conventional medical health services and forbids employers and insurers from placing stricter limits on mental health care compared to other health conditions.

Expanded coverage has in turn increased awareness and acceptance of mental health and substance abuse diseases.

Mental health and substance abuse treatment in the United States is projected to grow from approximately \$121 billion in 2003 to approximately \$239 billion in 2014 at a compound annual growth rate of approximately 6.4%.

Approximately 6% of people in the United States suffer from a seriously debilitating mental illness and over 20% of children, either currently or at some point during their life, have had a seriously debilitating mental disorder.

Leading Platform in Highly Attractive Healthcare Niche

Upon our acquisition of YFCS, we became one of the largest providers of behavioral health care services in the United States. Our scale positions us well, as the industry itself is undergoing consolidation in an effort to reduce costs and better negotiate with larger payer organizations. In addition, the behavioral health care industry has significant

barriers to entry as it is highly specialized and regulated. Significant capital requirements are required and market entrants are expected to have knowledge of state and federal laws, medical facility operations and be licensed with each agency in each location.

Diversified Revenue and Payor Bases

After giving effect to the YFCS acquisition, we now operate 19 facilities in 13 states. The YFCS acquisition increased our payor, patient/client and geographic diversity, which mitigates the potential risk associated with any single facility. On a pro forma basis giving effect to the YFCS acquisition, our largest facility accounted for less than

Table of Contents

15% of 2010 revenue and no other facility accounted for more than 11% of total facility revenue. Such increased diversity also mitigates the impact of any financial or budgetary pressure that may arise in a particular state in which we operate a facility, with no state accounting for more than 20% of revenue on a pro forma basis giving effect to the YFCS acquisition.

Business Strategy

We are committed to providing the communities we serve with high quality, cost-effective behavioral health services, while growing our business, increasing profitability and creating long-term value for our stockholders. To achieve these objectives, we have aligned our activities around the following growth strategies:

Increase Margins by Enhancing Programs and Improving Underperforming Facilities

We believe we can improve efficiencies and increase operating margins by utilizing our management's expertise and experience within existing programs and their expertise in improving performance at underperforming facilities. We believe the efficiencies can be realized by investing in growth in strong markets, addressing capital constrained facilities that have underperformed and improving management systems. Furthermore, the YFCS acquisition gives us an opportunity to develop a national marketing strategy in many markets which should help to increase the geographic footprint from which our existing facilities attract patients and referrals.

Opportunistically Pursue Acquisitions

We selectively seek opportunities to expand and diversify our base of operations by acquiring additional facilities. The combination of Acadia and YFCS creates a national platform to become the leading dedicated provider of high quality behavioral health care services in the U.S. We intend to focus our efforts on acquiring additional acute psychiatric facilities, which should increase the percentage of such facilities in our portfolio. We leverage our management team's expertise to identify and integrate acquisitions based on a disciplined acquisition strategy that focuses on quality of service, return on investment, and strategic benefits.

Drive Organic Growth of Existing Facilities

We seek to increase revenue at our facilities by providing a broader range of services to new and existing patients and clients. The YFCS acquisition presents us with an opportunity to leverage YFCS' platform in order to provide a wider array of behavioral health services (including adult services and acute services) to patients and clients in the markets YFCS serviced before the acquisition without increasing the number of our licensed beds. We also intend to increase licensed bed counts in our existing facilities, with a focus on increasing the number of acute psychiatric beds. Furthermore, we believe that opportunities exist to leverage out-of-state referrals to increase volume and minimize payor concentration, especially with respect to our youth and adolescent focused services and our substance abuse services.

Facilities

We currently own or operate inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities and facilities providing outpatient community based services, specialized education

Table of Contents

services and various other outpatient behavioral health services. The following table summarizes the services provided at, and information regarding, our facilities as of May 1, 2011.

Facility	Acadia or YFCS Facility	Type of Facility or Key Services(1)	City	State	Certificate of Need State?	# of Licensed Beds	Owned/Leased
Vermillion	Acadia	IPF	Lafayette	LA	No	56	Leased
Abilene	Acadia	IPF	Abilene	TX	No	60	Owned
Riverwoods	Acadia	IPF	Riverdale	GA	Yes	55	Owned
Montana	Acadia	RTC	Butte	MT	Yes	68	Owned
The Village	Acadia	RTC	Louisville	TN	Yes	145	Leased
Acadiana	Acadia	SAC	Lafayette	LA	No	42	Leased
Casa Grande(2)	YFCS	RTC	Casa Grande	AZ	No	32	Owned
Parc Place	YFCS	RTC, ES	Chandler	AZ	No	87	Owned
Desert Hills		AC, RTC, TFC, ES and					
	YFCS	CBS	Albuquerque	NM	No	100	Owned
Lakeland		AC, RTC and					
	YFCS	ES	Springfield	MO	Yes	149	Owned
Milcreek-AR		RTC, MR and					
	YFCS	ES	Fordyce	AR	Yes	172	Leased
Ascent		MBS, ES and					
	YFCS	CBS	Jonesboro	AR	Yes	N/A	Owned
Milcreek-Pontotoc		RTC, CBS and					
	YFCS	ES	Pontotoc	MS	Yes	51	Leased
Milcreek-Magee		RTC, MR, TGH, CBS and					
	YFCS	ES	Magee	MS	Yes	205	Leased
PsychSolutions	YFCS	CBS	Miami	FL	Yes	N/A	Leased
Southwood		AC, RTC, ES					
	YFCS	and CBS	Pittsburgh	PA	No	112	Owned
Options		RTC, ES and					
	YFCS	GH	Indianapolis	IN	No	98	Leased
Resource		RTC, CBS and					
	YFCS	ES	Indianapolis	IN	No	90	Leased
Resolute		RTC, GH, ES					
	YFCS	and CBS	Indianapolis	IN	No	86	Leased

(1) The following definitions apply to the services listed in this column: IPF means inpatient psychiatric facility; RTC means residential treatment care; AC means acute care; GH means group home; TGH means therapeutic group home; CBS means community-based services; ES means specialized educational services; TFC means therapeutic foster care; MR means mentally retarded; MBS means medical and behavioral services; and SAC means substance abuse center.

(2) Scheduled to re-open fourth quarter 2011.

Sources of Revenue

We receive payments from the following sources, for services rendered in our facilities: (i) state governments under their respective Medicaid programs and otherwise; (ii) private insurers, including managed care plans; (iii) educational institutions; (iv) the federal government under the Medicare Program (Medicare) administered by the Center for Medicare and Medicaid Services (CMS); and (v) directly from other payors including individual patients and clients. For the fiscal year ended December 31, 2010, on a pro forma basis giving effect to the YFCS acquisition, approximately 63% of our revenue came from Medicaid, approximately 12% came from state governments, approximately 9% came from private insurers, approximately 9% came from educational institutions, approximately 5% came from Medicare and approximately 1% came directly from patients or clients.

Industry Overview

Mental Health Industry

According to the National Institute of Mental Health, 26.2% of Americans ages 18 or older, or slightly more than one in four adults, suffer from a diagnosable mental disorder in a given year and about 6% suffer from a serious mental illness. Approximately one in five children and adolescents has a mental disorder.

The mental health facilities and youth behavioral services market is estimated to be approximately \$22 billion with an estimated 73 million people in the United States having diagnosable mental illnesses. The child and adolescent behavioral health services market is estimated to be approximately \$10.1 billion in 2010 and is expected

Table of Contents

to grow to approximately \$11 billion by 2014 according to IBISWorld. This market is likely to expand in light of the growing under age of 18 population, which is expected to reach 81.7 million by 2020. National expenditures on mental health and substance abuse treatment are expected to reach \$239 billion by 2014. The mental health and substance abuse centers industry is growing in response to an increased awareness of mental and substance abuse diseases. In 2010, the industry generated revenue of approximately \$9.0 billion. In 2014, the industry is expected to generate revenue of approximately \$10.2 billion according to IBISWorld. The behavioral health industry is highly fragmented, with only a few large national providers of significant scale. The industry is characterized by favorable supply and demand dynamics, with capacity reductions during the 1990s driving a sustained increase in occupancy rates.

The capacity reduction was largely driven by third-party payors reducing reimbursement, implementing more stringent admission criteria and decreasing the authorized length of stay. Since then, the supply of new beds has remained relatively stable as the industry has high barriers to entry, including CON restrictions, Medicare/Medicaid certification requirements and high start-up costs. Reduced capacity, mental health parity legislation (as discussed below in Regulation Mental Health Parity Legislation) and increased demand for behavioral healthcare services have resulted in favorable industry fundamentals over the last several years. The industry has been characterized by relatively stable pricing and inpatient average length of stay combined with increased admissions and occupancy trends, with minimal exposure to uncompensated care and relatively low maintenance capital expenditure requirements.

The growing acceptance of mental health and substance abuse conditions is expected to accelerate demand for services while healthcare reform is expected to increase access to industry services as more people gain insurance coverage. A key aspect of reform legislation is the extension of mental health parity protections established into law by the MHPAEA. Further, all health plans purchased through the new federally funded health insurance exchange system will cover mental health and substance abuse services on par with coverage for medical and surgical services.

Regulation

Overview

The healthcare industry is subject to numerous laws, regulations and rules including, among others, those related to government healthcare participation requirements, various licensure and accreditations, reimbursement for patient services, health information privacy and security rules, and Medicare and Medicaid fraud and abuse provisions. Providers that are found to have violated any of these laws and regulations may be excluded from participating in government healthcare programs, subjected to significant fines or penalties and/or required to repay amounts received from the government for previously billed patient services. We believe we are in compliance with all applicable laws and regulations and are not aware of pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from government health programs.

Licensing and Certification

All of our facilities must comply with various federal, state and local statutes and regulations and receive periodic inspection by licensing agencies to assure compliance with such laws.

Certificates of Need

Many of the states in which we operate facilities have enacted CON laws as a condition prior to hospital capital expenditures, construction, expansion, modernization or initiation of major new services. Failure to obtain CON approval of certain activities can result in our inability to complete an acquisition, expansion or replacement, the imposition of civil or, in some cases, criminal sanctions, the inability to receive Medicare or Medicaid reimbursement or the revocation of a facility's license, which could harm our business. In the past, we have not experienced any material adverse effects from those requirements, but we cannot predict the impact of these changes upon our operations.

Table of Contents

Utilization Review

Federal regulations require that admissions and utilization of facilities by Medicare and Medicaid patients must be reviewed in order to ensure efficient utilization of facilities and services. The law and regulations require Quality Improvement Organizations (QIOs) to review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of diagnosis related group classifications and the appropriateness of cases of length of stay. QIOs may deny payment for services provided, assess fines and also have the authority to recommend to the Department of Health and Human Services that a provider that is in substantial non-compliance with the Medicare Conditions of Participation be excluded from participating in the Medicare program.

Audits

Most healthcare facilities are subject to federal and state audits to validate the accuracy of claims submitted to the Medicare and Medicaid programs. If these audits identify overpayments, we could be required to make substantial repayments subject to various administrative appeal rights. Each of Acadia and YFCS has undergone claims audits related to its respective receipt of federal healthcare payments during the last several years with no material overpayments identified. However, potential liability from future federal or state audits could ultimately exceed established reserves, and any excess could potentially be substantial. Further, Medicare and Medicaid regulations also provide for withholding Medicare and Medicaid overpayments in certain circumstances, which could adversely affect our cash flow.

Anti-Kickback Legislation

A provision of the Social Security Act known as the anti-kickback statute prohibits healthcare providers and others from directly or indirectly soliciting, receiving, offering or paying money or other remuneration to other individuals and entities in return for using, referring, ordering, recommending or arranging for such referrals or orders of services or other items covered by a federal or state health care program. However, recent changes to the anti-kickback statute have reduced the intent required for violation. One is no longer required to have actual knowledge or specific intent to commit a violation of the anti-kickback statute in order to be found guilty of violating such law.

The anti-kickback statute contains certain exceptions, and the Office of the Inspector General of the Department of Health and Human Services (OIG) has issued regulations that provide for safe harbors, from the federal anti-kickback statute for various activities. The fact that conduct or a business arrangement does not fall within a safe harbor or exception does not automatically render the conduct or business arrangement illegal under the anti-kickback statute. However, such conduct and business arrangements may lead to increased scrutiny by government enforcement authorities.

Although we believe that our arrangements with physicians, psychiatrists and other referral sources have been structured to comply with current law and available interpretations, there can be no assurance that all arrangements comply with an available safe harbor or that regulatory authorities enforcing these laws will determine these financial arrangements do not violate the anti-kickback statute or other applicable laws. Violations of the anti-kickback statute may be punished by a criminal fine. Civil money penalties may also be imposed.

These laws and regulations are extremely complex and, in many cases, we do not have the benefit of regulatory or judicial interpretation. It is possible that different interpretations or enforcement of these laws and regulations could subject our current or past practices (or those of Acadia or YFCS) to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws, or the public announcement that we are being investigated for possible violations of one or more of these laws, could have a material adverse effect on

our business, financial condition or results of operations. In addition, we cannot predict whether other legislation or regulations at the federal or state level will be adopted, what form such legislation or regulations may take or what their impact on us may be.

Table of Contents

If we are deemed to have failed to comply with the anti-kickback statute or other applicable laws and regulations, we could be subjected to liabilities, including criminal penalties, civil penalties (including the loss of our licenses to operate one or more facilities), and exclusion of one or more facilities from participation in the Medicare, Medicaid and other federal and state health care programs. The imposition of such penalties could have a material adverse effect on our business, financial condition or results of operations.

Federal False Claims Act and Other Fraud and Abuse Provisions

The Social Security Act also imposes criminal and civil penalties for submitting false claims to Medicare and Medicaid. False claims include, but are not limited to, billing for services not rendered, billing for services without prescribed documentation, misrepresenting actual services rendered in order to obtain higher reimbursement and cost report fraud. Like the anti-kickback statute, these provisions are very broad.

Violations of the Federal False Claims Act are punishable by fines up to three times the actual damages sustained by the government, plus mandatory civil penalties. There are many potential bases for liability under the False Claims Act. Liability often arises when an entity knowingly submits a false claim for reimbursement to the federal government. The Fraud Enforcement and Recovery Act has expanded the number of actions for which liability may attach under the False Claims Act, eliminating requirements that false claims be presented to federal officials or directly involve federal funds. The Fraud Enforcement and Recovery Act also clarifies that a false claim violation occurs upon the knowing retention, as well as the receipt, of overpayments. In addition, recent changes to the anti-kickback statute have made violations of that law punishable under the civil False Claims Act. Further, a number of states have adopted their own false claims provisions as well as their own whistleblower provisions whereby a private party may file a civil lawsuit on behalf of the state in state court.

A current trend affecting the health care industry is the increased use of the federal False Claims Act, and, in particular, actions being brought by individuals on the government's behalf under the False Claims Act's qui tam, or whistleblower, provisions. Whistleblower provisions allow private individuals to bring actions on behalf of the government by alleging that the defendant has defrauded the Federal government.

Further, HIPAA broadened the scope of the fraud and abuse laws by adding several criminal provisions for health care fraud offenses that apply to all health benefit programs, whether or not payments under such programs are paid pursuant to federal programs. HIPAA also introduced enforcement mechanisms to prevent fraud and abuse in Medicare. There are civil penalties for prohibited conduct, including, but not limited to billing for medically unnecessary products or services.

HIPAA Administrative Simplification and Privacy Requirements

The administrative simplification provisions of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically. These provisions are intended to encourage electronic commerce in the health care industry. HIPAA also established federal rules protecting the privacy and security of personal health information. The privacy and security regulations address the use and disclosure of individual health care information and the rights of patients to understand and control how such information is used and disclosed. Violations of HIPAA can result in both criminal and civil fines and penalties.

The HIPAA security regulations require health care providers to implement administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of patient information. HITECH has since strengthened certain HIPAA rules regarding the use and disclosure of protected health information, extended certain HIPAA provisions to business associates, and created new security breach notification requirements. HITECH has

also increased maximum penalties for violations of HIPAA privacy rules. We believe that we have been in material compliance with the HIPAA regulations and continuously develop our policies and procedures to ensure ongoing compliance.

Table of Contents

Mental Health Parity Legislation

The MHPAEA was signed into law in October 2008. The MHPAEA requires health insurance plans that offer mental health and addiction coverage to provide that coverage on par with financial and treatment coverage offered for other illnesses. In addition, the law applies to Medicaid managed care plans, state Children's Health Insurance Program (CHIP) and group health plans that do not already cover mental health and substance abuse benefits. The MHPAEA has some limitations because health plans that do not already cover mental health treatments will not be required to do so, and health plans are not required to provide coverage for every mental health condition published in the Diagnostic and Statistical Manual of Mental Disorders by the American Psychiatric Association. The MHPAEA also contains a cost exemption which operates to exempt a group health plan from the MHPAEA's requirements if compliance with the MHPAEA becomes too costly.

The MHPAEA specifically directed the Secretaries of Labor, Health and Human Services and the Treasury to issue regulations to implement the legislation. Although regulations regarding how the MHPAEA was to be implemented were issued on February 2, 2010 in the form of an interim final rule, final regulations have not yet been published and interpretative guidance from the regulators has been limited to date.

Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), expands coverage of uninsured individuals and provides for significant reductions in the growth of Medicare program payments, material decreases in Medicare and Medicaid disproportionate share hospital payments, and the establishment of programs where reimbursement is tied in part to quality and integration. Based on Congressional Budget Office estimates, the Health Reform Law, as enacted, is expected to expand health insurance coverage to approximately 32 to 34 million additional individuals through a combination of public program expansion and private sector health insurance reforms. This increased coverage will occur through a combination of public program expansion and private sector health insurance and other reforms.

The most significant changes will expand the categories of individuals eligible for Medicaid coverage and permit individuals with relatively higher incomes to qualify. The federal government reimburses the majority of a state's Medicaid expenses, and it conditions its payment on the state meeting certain requirements. The federal government currently requires that states provide coverage for only limited categories of low-income adults under 65 years old (e.g., women who are pregnant, and the blind or disabled). In addition, the income level required for individuals and families to qualify for Medicaid varies widely from state to state.

Federal Medical Assistance Percentages

As Medicaid is a joint federal and state program, the federal government provides states with matching funds in a defined percentage, known as the federal medical assistance percentage (FMAP). Beginning in 2014, states will receive an enhanced FMAP for the individuals enrolled in Medicaid pursuant to the Health Reform Law. The FMAP percentage is as follows: 100% for calendar years 2014 through 2016; 95% for 2017; 94% in 2018; 93% in 2019; and 90% in 2020 and thereafter.

Risk Management and Insurance

The healthcare industry in general continues to experience an increase in the frequency and severity of litigation and claims. As is typical in the healthcare industry, we could be subject to claims that our services have resulted in injury to our patients or clients or other adverse effects. In addition, resident, visitor and employee injuries could also subject us to the risk of litigation. While we believe that quality care is provided to patients and clients in our facilities and

that we materially comply with all applicable regulatory requirements, an adverse determination in a legal proceeding or government investigation could have a material adverse effect on our financial condition.

Prior to July 1, 2009, Acadia maintained commercial insurance coverage on an occurrence basis for workers compensation claims with no deductible. Effective July 1, 2009, Acadia and now Acadia-YFCS, maintains commercial insurance coverage on an occurrence basis with a \$250,000 deductible per claim and a \$1 million per

Table of Contents

claim limit. We maintain commercial insurance coverage on a claims-made basis for general and professional liability claims with a \$50,000 deductible and \$1 million per claim limit and an aggregate limit of \$3 million with excess umbrella coverage for an additional \$7 million.

Environmental Matters

We are subject to various federal, state and local environmental laws that (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the handling, storage, transportation, treatment and disposal of medical waste products generated at our facilities; the identification and warning of the presence of asbestos-containing materials in buildings, as well as the removal of such materials; the presence of other hazardous substances in the indoor environment; and protection of the environment and natural resources in connection with the development or construction of our facilities; (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (iii) regulate workplace safety. Some of our facilities generate infectious or other hazardous medical waste due to the illness or physical condition of our patients. The management of infectious medical waste is subject to regulation under various federal, state and local environmental laws, which establish management requirements for such waste. These requirements include record-keeping, notice and reporting obligations. Each of our facilities (other than our call centers) has an agreement with a waste management company for the disposal of medical waste. The use of such companies, however, does not completely protect us from alleged violations of medical waste laws or from related third-party claims for clean-up costs.

From time to time, our operations have resulted in, or may result in, non-compliance with, or liability pursuant to, environmental or health and safety laws or regulations. We believe that our operations are generally in compliance with environmental and health and safety regulatory requirements or that any non-compliance will not result in a material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws and regulations have not been material. However, we cannot assure you that future costs and expenses required for us to comply with any new or changes in existing environmental and health and safety laws and regulations or new or discovered environmental conditions will not have a material adverse effect on our business.

We have not been notified of and are otherwise currently not aware of any contamination at our currently or formerly operated facilities for which we could be liable under environmental laws or regulations for the investigation and remediation of such contamination and we currently are not undertaking any remediation or investigation activities in connection with any contamination conditions. There may however be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

New laws, regulations or policies or changes in existing laws, regulations or policies or their enforcement, future spills or accidents or the discovery of currently unknown conditions or non-compliances may give rise to investigation and remediation liabilities, compliance costs, fines and penalties, or liability and claims for alleged personal injury or property damage due to substances or materials used in our operations; any of which may have a material adverse effect on our business, financial condition, operating results or cash flow.

Competition

The healthcare industry is highly competitive. Our principal competitors include other behavioral health service companies, including UHS, Aurora and Ascend. We also compete against hospitals and general health care facilities that provide mental health services. An important part of our business strategy is to continue to make targeted acquisitions of other behavioral health facilities. However, reduced capacity, the passage of mental health parity legislation and increased demand for mental health services are likely to attract other potential buyers, including

diversified healthcare companies and possibly other pure behavioral healthcare companies.

In addition to the competition we face for acquisitions, we must also compete for patients. Patients are referred to our behavioral health facilities through a number of different sources, including healthcare practitioners, public programs, other treatment facilities, managed care organizations, unions, emergency departments, judicial officials,

Table of Contents

social workers, police departments and word of mouth from previously treated patients and their families, among others. These referral sources may instead refer patients to hospitals that are able to provide a full suite of medical services or to other behavioral health centers.

Employees

As of July 7, 2011, we had approximately 5,060 employees, of whom approximately 4,292 were employed full-time. Approximately 3,857 of these employees (approximately 3,471 full-time employees) are employed by the facilities acquired by us in connection with our acquisition of YFCS in April 2011. Typically, our inpatient facilities are staffed by a chief executive officer, medical director, director of nursing, chief financial officer, clinical director and director of performance improvement. Psychiatrists and other physicians working in our facilities are licensed medical professionals who are generally not employed by us and work in our facilities as independent contractors.

Seasonality of Services

Due to the large number of children and adolescent patients served, our inpatient behavioral health care facilities typically experience lower patient volumes and revenue during the summer months, the year-end holidays and other periods when school is out of session.

Legal Proceedings

In addition to the litigation described in *The Merger Litigation Relating to the Merger*, Acadia is subject to various claims and legal actions that arise in the ordinary course of business. Management does not believe that Acadia currently is party to any proceedings that would have a material adverse effect on its financial condition or results of operations.

Table of Contents

**ACADIA MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations with Selected Historical Financial Information Acadia Historical Financial Data and the audited consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the Risk Factors section of this prospectus. Actual results may differ materially from those contained in any forward-looking statements. You should read Cautionary Statement Concerning Forward-Looking Statements and Risk Factors.

Overview

Our business strategy is to acquire and develop inpatient behavioral health care facilities and improve our operating results within our inpatient facilities and our other behavioral health care operations. From 2006 through 2010 the company acquired eight inpatient behavioral and substance abuse facilities. During this time, the company also closed two underperforming assets. Our goal is to improve the operating results of our facilities by providing high quality services, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral health care services through expansion of our current locations as well as developing new services within existing locations.

Income from continuing operations before income taxes increased to \$7.2 million in 2010 from \$2.8 million in 2009, or an increase of 157%. The increase in income from continuing operations was a direct result of the increase in net revenues, which increased 24% in 2010 over that in 2009 as inpatient and outpatient volumes increased by 31% and 18%, respectively. Income from continuing operations before income taxes in 2010 was negatively affected by \$0.8 million of transaction fees as a result of the YFCS merger.

Sources of Revenue

Patient service revenue is generated by our facilities for services provided to patients on an inpatient and outpatient basis within the behavioral health facilities. Patient service revenue is recorded at our established billing rates less contractual adjustments. Contractual adjustments are recorded to state our patient service revenue at the amount we expect to collect for the services provided based on amounts reimbursable by Medicare and Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates. In 2010, 2009 and 2008, Medicare and Medicaid accounted for 62%, 62% and 63% of total patient service revenue, respectively. Inpatient services revenue comprised approximately 72%, 71% and 73% of our total revenue for 2010, 2009 and 2008, respectively. Outpatient service and other revenue accounted for 28%, 29% and 27% of our total revenue for 2010, 2009 and 2008, respectively.

Acquisitions

On April 1, 2011, Acadia completed the acquisition of YFCS, a provider of behavioral health care services, for \$178.2 million. YFCS operates 13 facilities in eight states and offers a broad array of behavioral programs to adults, adolescents, and children. These programs include behavioral acute and residential care in inpatient facilities, therapeutic group homes, therapeutic foster care services, education, and other community based services. This transaction was financed with a new \$135 million Senior Secured Term Loan and \$10 million of borrowings on a new \$30 million revolving credit facility, as well as \$52.5 million of new equity.

On May 24, 2011, Acadia signed a definitive merger agreement with PHC, a leading national provider of inpatient and outpatient mental health and drug and alcohol addiction treatment programs in Michigan, Nevada, Pennsylvania, Utah and Virginia. Upon the completion of the merger, Acadia stockholders will own approximately 77.5% of the combined company, and PHC stockholders will own 22.5% of the combined company, on a fully diluted basis (as defined in the merger agreement). The merger will bring together Acadia's 19 behavioral health facilities, with approximately 1,600 beds in 13 states, with PHC's nine facilities with approximately 280 beds in four states. In addition, on July 1, 2011, PHC acquired MeadowWood, a 58 bed acute inpatient behavioral facility located in Newcastle, Delaware.

Table of Contents**Anticipated Synergies, Cost Savings and Revenue Improvements**

Acadia management believes that the merger presents significant synergies through the elimination of certain corporate overhead costs. The current PHC corporate functions would be integrated with and moved to the existing Acadia corporate offices in Franklin, TN. The combined company would eliminate certain redundant positions, professional services and other expenses, as well as achieve efficiencies by integrating corporate functions within a larger company framework. We are targeting annual cost savings of approximately \$3.4 million per annum beginning in fiscal 2012 as a result of this integration. In addition to these cost savings, Acadia management believes that there are substantial opportunities to generate organic revenue growth by increasing bed capacity in existing facilities, increasing utilization rates at our existing facilities, leveraging out-of-state referrals to increase volume, developing a national marketing plan and expanding services at existing facilities.

In addition to synergies relating to the merger, we currently expect that the capitalization of a certain facility lease will reduce lease expense by approximately \$0.7 million per annum. Acadia management has also identified several recent improvements to our revenue base from (i) a rate increase on one of our contracts effective in March 2011, and (ii) the expansion of one of our existing contracts in December 2010. We believe that these improvements would have had a positive effect on operating income (before taxes) of \$2.0 million and \$0.3 million for 2010, respectively. We estimated the improvement from the rate increase by multiplying historical plan enrollment by the newly-contracted rate, and we estimated the improvement from the contract expansion using an estimate of monthly incremental operating income resulting from the expansion for months prior to December 2010. In addition, we incurred start up losses at the Seven Hills Behavioral Center, which was opened in the fourth quarter of 2008 and became CMS certified in July 2010. The elimination of the start up losses incurred in 2010 but not expected to be incurred in the future would have resulted in additional operating income (before taxes) of approximately \$1.5 million. See Risk Factors Risks Affecting Acadia, PHC and the Combined Company We may not achieve all of the expected benefits from synergies, cost savings and recent improvements to our revenue base.

Results of Operations

The following table illustrates our consolidated results of operations from continuing operations for the respective periods shown (dollars in thousands):

	Three Months Ended March 31,				Year Ended December 31,					
	2011		2010		2010		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenue	\$ 17,584	100.0%	\$ 15,964	100.0%	\$ 64,342	100.0%	\$ 51,821	100.0%	\$ 33,353	100.0%
Expenses, wages										
Benefits	10,107	57.5%	9,119	57.1%	36,333	56.5%	30,752	59.3%	22,342	67.0%
Professional fees	3,261	18.5%	617	3.9%	3,612	5.6%	1,977	3.8%	952	2.9%
Supplies	936	5.3%	915	5.7%	3,709	5.8%	2,841	5.5%	2,076	6.2%
Depreciation and amortization	351	2.0%	371	2.3%	1,288	2.0%	885	1.7%	852	2.6%
Other operating expenses	2,252	12.8%	1,983	12.4%	8,289	12.9%	8,390	16.2%	5,400	16.1%
Provision for doubtful accounts	734	4.2%	636	4.0%	2,239	3.5%	2,424	4.7%	1,804	5.4%
Depreciation and amortization	243	1.4%	235	1.5%	976	1.5%	967	1.9%	740	2.2%

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

Best expense	223	1.3%	177	1.1%	738	1.1%	774	1.5%	729	2.0%
	18,107	103.0%	14,053	88.0%	57,184	88.9%	49,010	94.6%	34,895	104.0%
Income (loss) from continuing operations, before income taxes	(523)	(3.0)%	1,911	12.0%	7,158	11.1%	2,811	5.4%	(1,542)	(4.0)%
Income (loss) from continuing operations	(271)	(1.5)%	442	2.8%	477	0.7%	53	0.1%	20	0.0%
Income (loss) from continuing operations	\$ (252)	(1.4)%	\$ 1,469	9.2%	\$ 6,681	10.4%	\$ 2,758	5.3%	\$ (1,562)	(4.0)%

Three months ended March 31, 2011 as compared to three months ended March 31, 2010

Revenue. Revenue increased \$1.6 million, or 10.1%, to \$17.6 million for the three months ended March 31, 2011 compared to \$16.0 million for the three months ended March 31, 2010. Growth in revenue is attributable to an increase in inpatient days of 4.1% and an increase in outpatient visits of 14.5%.

Table of Contents

Salaries, wages and benefits. Salaries, wages and benefits (SWB) expense was \$10.1 million for the three months ended March 31, 2011 compared to \$9.1 million for the three months ended March 31, 2010, an increase of \$1.0 million, or 10.8%. SWB expense represented 57.5% of revenue for the three months ended March 31, 2011 compared to 57.1% of revenue for the three months ended March 31, 2010.

Professional fees. Professional fees were \$3.3 million for the three months ended March 31, 2011, or 18.5% of revenue, compared to \$0.6 million for the three months ended March 31, 2010, or 3.9% of revenue. Professional fees increased in the three months ended March 31, 2011 compared to the three months ended March 31, 2010 primarily as a result of approximately \$2.7 million of acquisition-related expenses incurred in the three months ended March 31, 2011 in connection with the YFCS acquisition.

Supplies. Supplies expense was \$0.9 million for the three months ended March 31, 2011, or 5.3% of total revenue, compared to \$0.9 million for the three months ended March 31, 2010, or 5.7% of revenue.

Rentals and leases. Rentals and leases were \$0.4 million for the three months ended March 31, 2011, or 2.0% of total revenue, compared to \$0.4 million for the three months ended March 31, 2010, or 2.3% of total revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were \$2.3 million for the three months ended March 31, 2011, or 12.8% of revenue, compared to \$2.0 million for the three months ended March 31, 2010, or 12.4% of revenue.

Provision for doubtful accounts. The provision for doubtful accounts was \$0.7 million for the three months ended March 31, 2011, or 4.2% of revenue, compared to \$0.6 million for the three months ended March 31, 2010, or 4.0% of revenue.

Depreciation and amortization. Depreciation and amortization expense was \$0.2 million for the three months ended March 31, 2011, or 1.4% of revenue, compared to \$0.2 million for the three months ended March 31, 2010, or 1.5% of revenue.

Interest expense. Interest expense was \$0.2 million for the three months ended March 31, 2011 compared to \$0.2 million for the three months ended March 31, 2010.

Year ended December 31, 2010 as compared to year ended December 31, 2009

Revenue. Revenue increased \$12.5 million, or 24.2%, to \$64.3 million for the year ended December 31, 2010 compared to \$51.8 million for the year ended December 31, 2009. On a same-facility basis, revenue increased \$7.0 million or 13.5% for the year ended December 31, 2010 compared to the year ended December 31, 2009. Same-facility revenue growth is attributable an increase in same-facility inpatient days of 10.3% and an increase in same-facility outpatient visits of 17.6%. Revenue increased by \$5.5 million in 2010 compared to 2009 as a result of the acquisitions of the Acadiana facility on March 5, 2009 and The Village facility on November 2, 2009.

Salaries, wages and benefits. SWB expense was \$36.3 million for the year ended December 31, 2010 compared to \$30.8 million for the year ended December 31, 2009, an increase of \$5.5 million, or 18.1%. SWB expense represented 56.5% of revenue for the year ended December 31, 2010 compared to 59.3% of revenue for the year ended December 31, 2009. Same-facility SWB expense was \$32.8 million in 2010, or 55.8% of revenue, compared to \$30.8 million in 2009, or 59.3% of revenue. This decrease in same-facility SWB expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

Professional fees. Professional fees were \$3.6 million for the year ended December 31, 2010, or 5.6% of revenue, compared to \$2.0 million for the year ended December 31, 2009, or 3.8% of revenue. Professional fees increased for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily as a result of approximately \$0.8 million of acquisition-related expenses incurred in the year ended December 31, 2010 in connection with the YFCS acquisition. Same-facility professional fees, excluding acquisition-related expenses, were \$2.7 million in 2010, or 4.5% of revenue, compared to \$2.0 million in 2009, or 3.8% of revenue.

Table of Contents

Supplies. Supplies expense was \$3.7 million for the year ended December 31, 2010, or 5.8% of total revenue, compared to \$2.8 million for the year ended December 31, 2009, or 5.5% of total revenue. Same-facility supplies expense was \$3.2 million in 2010, or 5.4% of revenue, compared to \$2.8 million in 2009, or 5.5% of revenue.

Rentals and leases. Rentals and leases were \$1.3 million for the year ended December 31, 2010, or 2.0% of total revenue, compared to \$0.9 million for the year ended December 31, 2009, or 1.7% of total revenue. Same-facility rentals and leases were \$1.0 million in 2010, or 1.7% of revenue, compared to \$0.9 million in 2009, or 1.7% of revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were \$8.3 million for the year ended December 31, 2010, or 12.9% of revenue, compared to \$8.4 million for the year ended December 31, 2009, or 16.2% of revenue. Same-facility other operating expenses were \$7.6 million in 2010, or 12.8% of revenue, compared to \$8.4 million in 2009, or 16.2% of revenue. This decrease in same-facility other operating expenses as a percent of revenue is primarily attributable to reductions in insurance premiums as well as improved operating efficiencies.

Provision for doubtful accounts. The provision for doubtful accounts was \$2.2 million for the year ended December 31, 2010, or 3.5% of revenue, compared to \$2.4 million for the year ended December 31, 2009, or 4.7% of revenue. This decrease as a percent of revenue was a result of improved collection efforts at our facilities.

Depreciation and amortization. Depreciation and amortization expense was \$1.0 million for the year ended December 31, 2010, or 1.5% of revenue, compared to \$1.0 million for the year ended December 31, 2009, or 1.9% of revenue.

Interest expense. Interest expense was \$0.7 million for the year ended December 31, 2010 compared to \$0.8 million for the year ended December 31, 2009.

Year ended December 31, 2009 as compared to year ended December 31, 2008

Revenue. Revenue increased \$18.5 million, or 55.4%, to \$51.8 million for the year ended December 31, 2009 compared to \$33.4 million for the year ended December 31, 2008. On a same-facility basis, revenue increased \$5.3 million or 15.8% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Same-facility revenue growth is attributable to an increase in same-facility inpatient days of 6.4% and an increase in same-facility outpatient visits of 21.9%. Revenue increased in 2009 compared to 2008 by \$13.2 million related to the acquisitions of RiverWoods in September 2008, Acadiana in March 2009, and The Village in November 2009.

Salaries, wages and benefits. SWB expense was \$30.8 million for the year ended December 31, 2009 compared to \$22.3 million for the year ended December 31, 2008, an increase of \$8.4 million, or 37.6%. SWB expense represented 59.3% of revenue for the year ended December 31, 2009 compared to 67.0% of revenue for the year ended December 31, 2008. Same-facility SWB expense was \$24.5 million in 2009, or 63.5% of revenue, compared to \$22.3 million in 2008, or 67.0% of revenue. This decrease in same-facility SWB expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

Professional fees. Professional fees were \$2.0 million for the year ended December 31, 2009, or 3.8% of revenue, compared to \$1.0 million for the year ended December 31, 2008, or 2.9% of revenue. This \$1.0 million increase in professional fees is primarily related to acquisition costs associated with the Acadiana facility and The Village facility.

Supplies. Supplies expense was \$2.8 million for the year ended December 31, 2009, or 5.5% of total revenue, compared to \$2.1 million for the year ended December 31, 2008, or 6.2% of total revenue. Same-facility supplies

expense was \$2.1 million in 2009, or 5.6% of revenue, compared to \$2.1 million in 2008, or 6.2% of revenue. This decrease in same-facility supplies expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

Rentals and leases. Rentals and leases were \$0.9 million for the year ended December 31, 2009, or 1.7% of total revenue, compared to \$0.9 million for the year ended December 31, 2008, or 2.6% of total revenue. Same-facility rentals and leases were \$0.7 million in 2009, or 1.9% of revenue, compared to \$0.9 million in 2008, or 2.6% of revenue.

Table of Contents

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were \$8.4 million for the year ended December 31, 2009, or 16.2% of revenue, compared to \$5.4 million for the year ended December 31, 2008, or 16.2% of revenue.

Provision for doubtful accounts. The provision for doubtful accounts was \$2.4 million for the year ended December 31, 2009, or 4.7% of revenue, compared to \$1.8 million for the year ended December 31, 2008, or 5.4% of revenue. This decrease as a percent of revenue was a result of improved collection efforts at our facilities.

Depreciation and amortization. Depreciation and amortization expense was \$1.0 million for the year ended December 31, 2009, or 1.9% of revenue, compared to \$0.7 million for the year ended December 31, 2008, or 2.2% of revenue.

Interest expense. Interest expense was \$0.8 million for the year ended December 31, 2009 compared to \$0.7 million for the year ended December 31, 2008.

Liquidity and Capital Resources

Historical

Cash provided by continuing operating activities was \$0.6 million for the three months ended March 31, 2011 and the three months ended March 31, 2010. As of March 31, 2011, we had a working capital deficit of \$2.2 million, including cash and cash equivalents of \$8.0 million and long-term debt of \$10.0 million. The working capital deficit is attributable to the current classification of our long-term debt as of March 31, 2011, which was refinanced on April 1, 2011.

Cash used in investing activities was \$0.8 million for the three months ended March 31, 2011 compared to \$0.3 million for the three months ended March 31, 2010. Cash used in investing activities for the three months ended March 31, 2011 consisted of purchases of property and equipment. Cash provided by operating activities for the fiscal year ended December 31, 2010 was \$8.2 million compared to \$6.2 for the fiscal year ended December 31, 2009. This increase is primarily attributable to the acquisitions of the Acadiana facility on March 5, 2009 and The Village facility on November 2, 2009 and improved operating results. Cash used in investing activities for the fiscal year ended December 31, 2010 was \$1.5 million compared to cash used in investing activities of approximately \$3.4 million for the fiscal year ended December 31, 2009. The decrease in cash provided by investing activities was due to two facility acquisitions in 2009.

Cash used in financing activities was \$0.4 million for the three months ended March 31, 2011 compared to \$0.9 million for the three months ended March 31, 2010. Cash used in financing activities primarily consisted of capital distributions of \$0.4 million and \$0.9 million for the three months ended March 31, 2011 and 2010, respectively. Cash used in financing activities was \$2.6 million for the fiscal year ended December 31, 2010 compared to cash provided by financing activities of \$1.7 million for the fiscal year ended December 31, 2009. Cash provided by financing activities primarily consisted of capital distributions of \$2.3 million for the fiscal year ended December 31, 2010 and a \$2.5 million capital contribution for the fiscal year ended December 31, 2009.

To finance our acquisition of YFCS and refinance our existing \$10.0 million secured promissory note, we entered into the Senior Secured Credit Facility on April 1, 2011. The Senior Secured Credit Facility, administered by Bank of America, N.A., includes \$135.0 million of term loans and a revolving credit facility of \$30.0 million. Of the \$30.0 million available under the revolving portion of the Senior Secured Credit Facility, \$10.0 million was borrowed on April 1, 2011 and \$20.0 million was available for further borrowings. The term loans require quarterly principal

payments of \$1.7 million for June 30, 2011 to March 31, 2013, \$3.4 million for June 30, 2013 to March 31, 2014, \$4.2 million for June 30, 2014 to March 31, 2015, and \$5.1 million for June 30, 2015 to December 31, 2015, with the remaining principal balance due on the maturity date of April 1, 2016. As of June 30, 2011, we had \$23.0 million of availability under our revolving line of credit.

Borrowings under the Senior Secured Credit Facility are guaranteed by each of Acadia's domestic subsidiaries and are secured by a lien on substantially all of the assets of Acadia and its domestic subsidiaries. Borrowings under the Senior Secured Credit Facility bear interest at a rate tied to Acadia's Consolidated Leverage Ratio (defined as Consolidated Funded Indebtedness to Consolidated EBITDA, in each case as defined in the credit agreement

Table of Contents

governing the Senior Secured Credit Facility). The Applicable Rate for borrowings under the Senior Secured Credit Facility was 4.0% and 3.0% for Eurodollar Rate Loans and Base Rate Loans, respectively, as of June 30, 2011. Eurodollar Rate Loans bear interest at the Applicable Rate plus the Eurodollar Rate (based upon the British Bankers Association LIBOR Rate prior to commencement of the interest rate period). Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate and (iii) the Eurodollar rate plus 1.0%. As of June 30, 2011, borrowings under the Senior Secured Credit Facility bore interest at 4.2%. In addition, Acadia is required to pay a commitment fee on undrawn amounts under the revolving line of credit. As of June 30, 2011, undrawn amounts bore interest at a rate of 0.50%.

Acadia is subject to customary affirmative and negative covenants under the Senior Secured Credit Facility, including restrictions on liens, investments, indebtedness and dividends, and Acadia is subject to specified financial covenants, including a maximum Consolidated Leverage Ratio covenant and a minimum Consolidated Fixed Charge Coverage Ratio. As of June 30, 2011, Acadia was in compliance with such covenants.

Following the Merger

Second Amendment to Senior Secured Credit Facility

In connection with the merger, we have entered into a Second Amendment to the Senior Secured Credit Facility, dated July 12, 2011 (the Second Amendment), which will not become effective until consummation of the merger and is conditioned upon the satisfaction of the conditions described in the Second Amendment. The Second Amendment permits Acadia to incur indebtedness pursuant to the Senior Notes and/or the Bridge Facility so long as conditions regarding such indebtedness (including those set forth below) are satisfied:

the aggregate principal amount of indebtedness incurred under the Bridge Facility, the Senior Notes and the Deficit Notes may not exceed \$150 million (plus any accrued interest, fees and premiums in connection with refinancing the Bridge Facility with the Senior Notes);

the Senior Notes must have a maturity 181 days beyond the maturity;

the interest rate (including any OID) shall not exceed the interest rate cap for the Bridge Facility and Senior Notes (plus any default interest and up to 1.00% per annum of liquidated damages in the form of increased interest);

the Bridge Facility may only be subject to mandatory redemptions or prepayments (i) in connection with a change of control, (ii) with proceeds of equity, asset sale dispositions or indebtedness, in each case to the extent not required to prepay amounts owed under the Senior Secured Credit Facility and (iii) excess cash flow after repayment in full of all obligations under the Senior Secured Credit Facility (and any refinancings, renewals or restatements) and termination of any commitment thereunder;

the Senior Notes may only be subject to mandatory prepayments in connection with a change of control or as a result of an asset sale;

unless approved by the administrative agent, the indebtedness may not be subject to covenants or events of default that are materially more restrictive than covenants and events of default that are usual and customary for senior unsecured high yield notes giving due regard to prevailing conditions in the syndicated loan and financial markets and operational requirements of Acadia and its subsidiaries (it being understood and agreed that the covenants of the Bridge Facility will be incurrence based covenants based on those contained in the preliminary offering memorandum used to market customary senior unsecured high yield notes);

the indebtedness may not be subject to any scheduled principal payments (other than on the maturity date); and
delivery of certain financial covenant calculations.

The Second Amendment provides for a change in the interest rate applicable to borrowings under the Senior Secured Credit Facility based upon Acadia's Consolidated Senior Secured Leverage Ratio (defined as Consolidated Funded Indebtedness (other than Funded Indebtedness that is not secured by a lien on any property of Acadia or its

Table of Contents

subsidiaries) to Consolidated EBITDA, in each case as defined in the Senior Secured Credit Facility). Interest rates and the commitment fee on unused commitments will be based upon the following grid:

Pricing Tier	Consolidated Senior Secured Leverage Ratio	Eurodollar Rate Loans	Base Rate Loans	Commitment Fee
1	<2.75:1.0	3.50%	2.50%	0.45%
2	³ 2.75:1.0 but <3.25:1.0	3.75%	2.75%	0.50%
3	³ 3.25:1.0 but <3.75:1.0	4.00%	3.00%	0.50%
4	³ 3.75:1.0 but <5.00:1.0	4.25%	3.25%	0.55%
5	³ 5.00:1.0	4.50%	3.50%	0.55%

The Second Amendment provides that the applicable rate for Eurodollar Rate Loans and Base Rate Loans will be 4.50% and 3.50%, respectively, from the date of consummation of the merger through the date of delivery of a compliance certificate for the first fiscal quarter ending after consummation of the merger.

The Second Amendment will also amend the Consolidated Leverage Ratio covenant and the Consolidated Fixed Charge Coverage Covenant and add a Consolidated Senior Secured Leverage Ratio covenant. Acadia's Consolidated Leverage Ratio for fiscal quarters beginning with the quarter ended September 30, 2011 may not be greater than 6.25:1.0 and for each quarter beginning with the quarter ending December 31, 2011 through September 30, 2012, Acadia's Consolidated Leverage Ratio may not be greater than 6.00:1.0, with the maximum ratio declining further thereafter.

Acadia will be required to maintain a Fixed Charge Coverage Ratio of not less than 1.25:1.0 for the fiscal quarter ending June 30, 2011 and 1.20:1.0 for each fiscal quarter thereafter; provided that if the interest rate on the Senior Notes or the Bridge Facility exceeds 13.00% on the effective date of the Second Amendment, then the Fixed Charge Coverage Ratio may not be less than 1.10:1.00 as of the last day of two fiscal quarters ending after the effective date of the Second Amendment.

Acadia's Consolidated Senior Secured Leverage Ratio covenant requires that such ratio not be greater than 3.50:1.0 for the quarter ending September 30, 2011, 3.00:1.0 for the quarter ending December 31, 2011 through September 30, 2012 and 2.50:1.0 for each quarter beginning December 31, 2012 and thereafter.

Effectiveness of the Second Amendment is conditioned upon satisfaction of conditions (including the following):

the completion of the merger on or prior to December 15, 2011;

consummation of the merger substantially in accordance with the terms of the merger agreement and other material acquisition agreements as in effect on the date of the Second Amendment; provided that if such material acquisition agreements have been amended, modified or supplemented, the administrative agent shall have consented to such amendment, modification or supplement to the extent such amendment, modification or supplement would be material and adverse to the lenders;

absence of an Acadia Material Adverse Effect or a Phoenix Material Adverse Effect each as defined in the merger agreement;

repayment of certain indebtedness, other than agreed upon indebtedness and incurrence of the Senior Notes or Bridge Facility;

receipt of agreed upon financial statements, projections and consents necessary to consummate the transaction contemplated by the merger agreement;

payment of fees and expenses required by the Second Amendment;

compliance with a 5.85:1.00 pro forma closing date total leverage ratio;

compliance with a \$53.5 million pro forma closing date minimum EBITDA condition;

at least \$20.0 million of availability under the revolving line of credit under the Senior Secured Credit Facility; and

Table of Contents

other customary financing conditions more fully set forth in the Second Amendment, including without limitation the absence of a Default four business days prior to the closing date and an Event of Default on the date of closing (and after giving effect to the transaction) (each as defined in the credit agreement governing the Senior Secured Credit Facility).

Debt Commitment Letter

Acadia has entered into the Debt Commitment Letter with Jefferies Finance pursuant to which Jefferies Finance has committed, subject to customary conditions as further described below, to provide the Bridge Facility of up to \$150 million in the event that \$150 million of Senior Notes are not issued by Acadia to finance the merger. Net proceeds from the issuance of \$150 million of Senior Notes or, if the Senior Notes are not issued, drawings under the \$150 million Bridge Facility will be used, in addition to existing cash balances, to pay the \$5 million in cash payable to holders of PHC Class B Common Stock in connection with the merger, pay a dividend to Acadia's existing stockholders, refinance certain existing indebtedness of PHC and pay fees and expenses incurred in connection with the merger.

The Bridge Facility, if drawn, will be guaranteed by Acadia's domestic subsidiaries and will mature initially on the first anniversary of the closing of the merger, at which time (subject to the satisfaction of certain conditions) the maturity of any outstanding loans thereunder will be extended automatically to the sixth anniversary of the closing of the merger and may be exchanged by the lenders for notes due on such sixth anniversary.

The Bridge Facility commitment is subject to:

consummation of the merger in accordance with the terms of the merger agreement as in effect on the date of the Debt Commitment Letter, which merger agreement, if amended, modified or supplemented must be with the consent of Jefferies Finance to the extent such amendment, modification or supplement would be material and adverse to the lenders;

repayment of certain indebtedness, other than agreed upon indebtedness (including the Senior Secured Credit Facility and the Deficit Notes);

receipt of agreed upon financial statements, projections and consents necessary to consummate the transactions contemplated by the merger agreement;

the absence of an Acadia Material Adverse Effect or a Phoenix Material Adverse Effect (each as defined in the merger agreement);

payment of fees and expenses required by the Debt Commitment Letter;

compliance by Acadia with the covenant contained in the Debt Commitment Letter which provides that prior to and during the syndication of the bridge facility, and subject to certain exceptions, there being no offer or sale of any debt facility, debt or preferred equity security by Acadia, PHC or any of subsidiaries;

compliance with a 5.85:1.00 pro forma closing date total leverage ratio;

compliance with a \$53.5 million pro forma closing date minimum EBITDA condition;

the absence of any amendment modification or supplements to the Senior Secured Credit Facility unless approved by Jefferies Finance (such approval not to be unreasonably withheld, delayed or conditioned);

the amount of the loans funded under the Bridge Facility (together with any Senior Notes) is at least \$150.0 million;

a 15 business day period prior to the completion of the merger to market the senior unsecured notes; and

other customary financing conditions more fully set forth in the Debt Commitment Letter.

The commitment for the Bridge Facility will terminate on December 15, 2011 if the closing of the Bridge Facility has not been consummated on or before such date or if the merger agreement has been terminated. Each of Acadia and PHC is obligated under the merger agreement to use its reasonable best efforts to arrange the debt

Table of Contents

financing on the terms contemplated. The receipt of the debt financing on the terms and conditions set forth in the Debt Commitment Letter is a condition to the obligation of both Acadia and PHC to consummate the merger.

Interest on the Bridge Facility, if funded, will initially bear interest at a rate per annum equal to the higher of (i) 1.50% and (ii) the three-month LIBOR, adjusted quarterly plus, in each case, a spread of 7.75%. The Bridge Facility may be repaid at any time at 100% of the principal amount thereof plus accrued interest. The Bridge Facility will be required to be repaid at 100% of the principal amount thereof plus accrued interest (i) with the net cash proceeds of the issuance of debt or equity securities, (ii) the incurrence of other indebtedness for borrowed money, subject to agreed upon exceptions, (iii) sales of assets and (iv) 50% of excess cash flow in fiscal year.

Contractual Obligations

The following table presents a summary of contractual obligations as of March 31, 2011 and does not give effect to the YFCS acquisition or the merger (dollars in thousands):

	Payments Due by Period				Total
	Within 1 Year	During Years 2-3	During Years 4-5	After 5 Years	
Long-term debt	\$ 9,963	\$	\$	\$	\$ 9,963
Operating leases	1,034	2,097	1,877	1,525	6,533
Purchase and other obligations(a)	2,112	316			2,428
Total obligations and commitments	\$ 13,109	\$ 2,413	\$ 1,877	\$ 1,525	\$ 18,924

(a) Amounts relate to future purchase obligations, including commitments to purchase property and equipment or complete existing capital projects in future periods.

Off Balance Sheet Arrangements

Acadia has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations or liquidity.

Quantitative and Qualitative Disclosures About Market Risk

Our interest expense is sensitive to changes in market interest rates. With respect to our interest-bearing liabilities, all of our long-term debt outstanding at March 31, 2011 was at variable rates based on the prime rate plus an applicable margin, subject to an interest rate floor of 6.5%. A hypothetical 10% increase in interest rates would not have an impact on our net income or cash flows due to the excess of the interest rate floor over market interest rates in recent periods.

Table of Contents**YFCS Acquisition**

Acadia completed the acquisition of YFCS on April 1, 2011. The following summary table and discussion describes the historical consolidated condensed results from continuing operations of YFCS for the respective periods shown (dollars in thousands):

	Year Ended December 31,				Three Months Ended March 31,			
	2010		2009		2011		2010	
	\$	%	\$	%	\$	%	\$	%
Revenue	\$ 184,386	100.0%	\$ 186,586	100.0%	\$ 45,686	100.0%	\$ 45,489	100.0%
Salaries and benefits	113,931	61.8%	113,870	61.0%	29,502	64.6%	27,813	61.1%
Other operating expenses	38,146	20.7%	37,607	20.2%	9,907	21.7%	8,944	19.7%
Provision for bad debts	525	0.3%	(309)	(0.2)%	208	0.5%	56	0.1%
Interest	7,514	4.1%	9,572	5.1%	1,726	3.8%	1,954	4.3%
Depreciation and amortization	3,456	1.9%	7,052	3.8%	819	1.8%	914	2.0%
Impairment of goodwill	23,528	12.8%		0.0%		0.0%		0.0%
Total expenses	187,100	101.5%	167,792	89.9%	42,162	92.3%	39,681	87.2%
Income from continuing operations, before income taxes	(2,714)	(1.5)%	18,794	10.1%	3,524	7.7%	5,808	12.8%
Income taxes	5,032	2.7%	7,133	3.8%	1,404	3.1%	2,267	5.0%
Income from continuing operations	\$ (7,746)	(4.2)%	\$ 11,661	6.2%	\$ 2,120	4.6%	\$ 3,541	7.8%

Revenue. Revenue increased \$0.2 million, or 0.4%, to \$45.7 million for the three months ended March 31, 2011 from \$45.5 million for the three months ended March 31, 2010. Revenue decreased \$2.2 million, or 1.2%, to \$184.4 million for the year ended December 31, 2010 from \$186.6 million for the year ended December 31, 2009. The decrease in revenue is attributable to a decline in inpatient volumes related to utilization pressures by referral sources.

Salaries and benefits. Salaries and benefits expense was \$29.5 million for the three months ended March 31, 2011 compared to \$27.8 million for the three months ended March 31, 2010, an increase of \$1.7 million or 6.1%. Salaries and benefits expense represented 64.6% of revenue for the three months ended March 31, 2011 compared to 61.1% of revenue for the three months ended March 31, 2010. The increase in salaries and benefits expense for the three months ended March 31, 2011 relates primarily to the January 1, 2011 release of a pay freeze and mandatory vacation

requirements in place since 2009. Salaries and benefits expense was \$113.9 million for the years ended December 31, 2010 and 2009. Salaries and benefits expense represented 61.8% of revenue for the year ended December 31, 2010 compared to 61.0% of revenue for the year ended December 31, 2009.

Other operating expenses. Other operating expenses were \$9.9 million for the three months ended March 31, 2011, or 21.7% of revenue, compared to \$8.9 million for the three months ended March 31, 2010, or 19.7% of revenue. The increase in other operating expenses is due to increases in purchased services, supplies, and insurance expense related to the conversion of professional liability insurance policies to guaranteed cost programs. Other operating expenses were \$38.1 million for the year ended December 31, 2010, or 20.7% of revenue, compared to \$37.6 million for the year ended December 31, 2009, or 20.2% of revenue.

Provision for bad debts. The provision for bad debts was \$0.2 million for the three months ended March 31, 2011, or 0.5% of revenue, compared to \$0.1 million for the three months ended March 31, 2010, or 0.1% of revenue. The provision for bad debts was \$0.5 million for the year ended December 31, 2010, or 0.3% of revenue, compared to net recoveries of bad debts of \$0.3 million for the year ended December 31, 2009. YFCS facilities experience minimal bad debts given their low volumes of private pay admissions.

Interest expense. Interest expense was \$1.7 million for the three months ended March 31, 2011 compared to \$2.0 million for the three months ended March 31, 2010. Interest expense was \$7.5 million for the year ended December 31, 2010 compared to \$9.6 million for the year ended December 31, 2009. The decrease in interest expense is a result of principal payments during 2010 and 2009.

Table of Contents

Depreciation and amortization. Depreciation and amortization expense was \$0.8 million for the three months ended March 31, 2011, or 1.8% of revenue, compared to \$0.9 million for the three months ended March 31, 2010, or 2.0% of revenue. Depreciation and amortization expense was \$3.5 million for the year ended December 31, 2010, or 1.9% of revenue, compared to \$7.1 million for the year ended December 31, 2009, or 3.8% of revenue. The decrease in depreciation and amortization expense is primarily attributable to certain intangible assets becoming fully amortized in 2009.

Impairment of goodwill. The loss on impairment of goodwill of \$23.5 million for the year ended December 31, 2010 was a result of management's conclusion that the carrying value of goodwill exceeded the fair value implied by the sale of the company.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses included in the financial statements. Estimates are based on historical experience and other available information, the results of which form the basis of such estimates. While we believe our estimation processes are reasonable, actual results could differ from our estimates. The following accounting policies are considered critical to our operating performance and involve highly subjective and complex assumptions and assessments.

Revenue and Contractual Discounts

Net patient service revenue is derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment and includes reimbursement for the treatment of patients covered by Medicare, Medicaid, commercial insurance (in network and out of network), and other programs, as well as uninsured patients. Revenue is recorded in the period in which services are provided.

The Medicare and Medicaid regulations are complex and various managed care contracts may include multiple reimbursement mechanisms for different types of services provided in our inpatient facilities and cost settlement provisions requiring complex calculations and assumptions subject to interpretation. We estimate the allowance for contractual discounts on a payor-specific basis by comparing our established billing rates with the amount we determine to be reimbursable given our interpretation of the applicable regulations or contract terms. Most payments are determined based on negotiated per-diem rates. The services authorized and provided and related reimbursement are often subject to interpretation that could result in payments that differ from our estimates. Additionally, updated regulations and contract renegotiations occur frequently necessitating continual review and assessment of the estimation process by our management. We periodically compare the contractual rates on our patient accounting systems with the Medicare and Medicaid reimbursement rates or the third-party payor contract for accuracy. We also monitor the adequacy of our contractual adjustments using financial measures such as comparing cash receipts to net patient revenue adjusted for bad debt expense.

The following table presents patient service revenue by payor type as a percentage of total patient service revenue for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010	2009
--	---	-------------

Medicare	23%	22%
Medicaid	39	40
Commercial	30	33
Self-pay and other	8	5
Total	100%	100%

Allowance for Doubtful Accounts

Our ability to collect outstanding patient receivables from third-party payors is critical to our operating performance and cash flows. The primary collection risk with regard to patient receivables lies with uninsured

Table of Contents

patient accounts or patient accounts for which primary insurance has paid, but the portion owed by the patient remains outstanding. We estimate the allowance for doubtful accounts based on a number of factors, including the age of the accounts, historical collection experience, current economic conditions and other relevant factors. We continually monitor our accounts receivable balances and utilize retroerspective reviews and cash collection data to support our estimates of the provision for doubtful accounts. Our retrospective reviews have not resulted in significant changes to our allowance for doubtful accounts. Significant changes in payor mix or business office operations could have a significant impact on our results of operations and cash flows.

Long-Lived Assets and Goodwill

Long-lived assets, including property and equipment and finite-lived intangible assets, comprise a significant portion of our total assets. We evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When management believes impairment indicators may exist, projections of the undiscounted future cash flows associated with the use and eventual disposition of long-lived assets are prepared. If the projections indicate that the carrying values of the long-lived assets are not recoverable, we reduce the carrying values to fair value. We test for impairment of long-lived assets at the lowest level for which cash flows are measurable.

Goodwill also represents a significant portion of our total assets. We review goodwill for impairment annually or more frequently if events indicate that goodwill may be impaired. We review goodwill at the reporting level unit, which is one level below an operating segment. We compare the carrying value of the net assets of a reporting unit to the fair value of the reporting unit. If the carrying value exceeds the fair value, an impairment indicator exists and an estimate of the impairment loss is calculated. The fair value calculation includes multiple assumptions and estimates and changes in these assumptions and estimates could result in goodwill impairment that could materially adversely impact our financial position or results of operations.

Income Taxes

Acadia Healthcare Company, LLC was formed as a limited liability company (LLC). Some of Acadia's subsidiaries are organized as LLCs and others as C-corporations. Acadia elected, where applicable, that all such entities be taxed as flow-through entities and as such, the results of operations of the Company related to the flow-through entities are included in the income tax returns of its members. Accordingly, taxable income is the direct obligation of the members.

Some of Acadia's subsidiaries are taxed as C-corporations for federal and state income taxes as the respective subsidiaries are directly liable for taxes on its separate income. A tax provision has been provided for income taxes that are the responsibility of Acadia or its subsidiaries in the consolidated financial statements relating to the entities that are taxed as C-corporations and for any taxing jurisdictions that do not recognize an LLC as a flow-through entity.

Effective April 1, 2011, Acadia Healthcare Company, LLC elected to be treated as a corporation for federal income tax purposes and, on May 13, 2011, converted to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

Insurance

We are subject to medical malpractice and other lawsuits due to the nature of the services we provide. We maintain commercial insurance coverage on a claims-made basis for general and professional liability claims with a \$50,000 deductible and \$1 million per claim limit and an aggregate limit of \$3 million with excess umbrella coverage for an

additional \$7 million. The accrued insurance liabilities included in the consolidated balance sheets include estimates of the ultimate costs for both reported claims and claims incurred but not reported. The recorded liabilities for professional and general liability risks are estimated based on historical claims, demographic factors, industry trends, severity factors, and other actuarial assumptions calculated by an independent third-party actuary. The estimated liability for professional and general liability claims could be significantly affected should current and future occurrences differ from historical claim trends and expectations

Table of Contents**ACADIA PRINCIPAL STOCKHOLDERS**

As of June 30, 2011, all of the outstanding common stock of Acadia was held by Acadia Holdings, a holding company. Acadia Holdings will be dissolved prior to the merger and the common stock of Acadia will be distributed to the members of Acadia Holdings in accordance with their respective ownership interests. The following table sets forth certain information regarding the number of shares of Acadia's common stock that would have been beneficially owned assuming that Acadia Holdings had been dissolved as of June 30, 2011. Based on the foregoing assumption, the table sets forth the number of shares that would have been held by each person who would have owned more than 5% of Acadia common stock, each director of Acadia, each of the named executive officers of Acadia and all directors and named executive officers of Acadia as a group.

Unless otherwise indicated below, to the knowledge of Acadia, all persons listed below would have had sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. In preparing the following table, Acadia has relied on the information furnished by the persons listed below.

Beneficial Owners 5% (Common Stock)

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Waud Capital Partners 300 North LaSalle Street, Suite 4900 Chicago, IL 60654(2)	8,023,295	80.2%
Joey A. Jacobs(3)	757,564	7.6%

Beneficial Ownership of Named Executive Officers and Directors

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Joey A. Jacobs(3)	757,564	7.6%
Trey Carter(4)	179,184	1.8%
Reeve B. Waud(2)	8,023,295	80.2%
Charles E. Edwards(2)		0%
Matthew A. London(2)		0%
Gary A. Mecklenburg(2)	3,356	*
<i>All Directors and Named Executive Officers as a Group</i>	8,963,399	89.7%

* Represents negligible amount

- (1) Based on 10,000,000 shares of Acadia common stock outstanding as of June 30, 2011.
- (2) The reported shares of Acadia common stock are owned of record as follows: (i) 1,496,995 shares by Waud Capital Partners II, L.P. (WCP II), (ii) 2,736,744 shares by Waud Capital Partners QP II, L.P. (Waud QP II), (iii) 476,326 shares by the Reeve B. Waud 2011 Family Trust, (iv) 52,925 shares by Waud Family Partners, L.P. (WFP LP), (v) 417,675 shares by WCP FIF II (Acadia), L.P. (WCP FIF II), (vi) 427,771 shares by Waud Capital Affiliates II, L.L.C. (Waud Affiliates II), (vii) 219,533 shares by Waud Capital Affiliates III, L.L.C. (Waud Affiliates III), (viii) 596,311 shares by WCP FIF III (Acadia), L.P. (WCP FIF III), (ix) 1,358,737 shares by Waud Capital Partners QP III, L.P. (Waud QP III) and (x) 240,278 shares by Waud Capital Partners III, L.P. (WCP III). Waud Capital Partners Management II, L.P. (WCPM II), as the general partner of WCP II, Waud QP II, WCP FIF II and the Manager of Waud Affiliates II and Waud Capital Partners II, L.L.C. (Waud II LLC), as the general partner of WCPM III, may be deemed to share beneficial ownership of the shares held of record by such entities. Waud Capital Partners Management III, L.P. (WCPM III), as the general partner of WCP FIF III, Waud QP III and WCP III and the Manager of Waud Affiliates III, and Waud Capital Partners III, L.L.C. (Waud III LLC), as the general partner of WCPM III, may be deemed to

Table of Contents

share beneficial ownership of the shares held of record by such entities. Reeve Waud may be deemed to beneficially own the units held by each of the above entities by virtue of his (A) making decisions for the Limited Partner Committee of each of WCPM II and WCPM III, (B) being the manager of Waud II LLC and Waud III LLC and WFP LP and (iii) being the investment advisor of the Reeve B. Waud 2011 Family Trust. The address for Messrs. Edwards, London and Mecklenburg is c/o Waud Capital Partners, LLC, 300 North LaSalle Street, Suite 4900, Chicago, IL 60654.

- (3) The reported shares of Acadia common stock are owned of record by the Joey A. Jacobs 2011 Grantor Retained Annuity Trust (Acadia). The address for Mr. Jacobs is c/o Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.
- (4) The address for Mr. Carter is c/o Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.

ACADIA INTERESTED TRANSACTIONS

Professional Services Agreement

Acadia and Waud Capital Partners are parties to a professional services agreement dated April 1, 2011, pursuant to which Waud Capital Partners renders general advisory and management services with respect to financial and operating matters, including advice on corporate strategy, budgeting of future corporate investment, acquisition and divestiture strategy and debt and equity financing. The parties entered into the professional services agreement in connection with entering into the second amended and restated limited liability company agreement of Acadia Holdings on April 1, 2011 (the Acadia Holdings LLC Agreement), which amended and restated Acadia Holdings prior limited liability company agreement dated August 31, 2009 (the Prior LLC Agreement).

Pursuant to the professional services agreement, Acadia is obligated to pay the following fees to Waud Capital Partners: (i) upon consummation of any credit facility (including any amendments to existing credit facilities which have the effect of increasing the committed amount under such facility, but excluding any credit facility entered into after April 1, 2011 with any affiliate of Waud Capital Partners if such affiliate is receiving a closing or similar fee in connection with such facility), financing fees in cash in an aggregate amount to equal 1.5% of the aggregate principal amount of all such loans (or 1.0% of the aggregate amount of all public bond issuances); (ii) advisory fees in connection with the negotiation and consummation of any acquisitions and/or dispositions by Acadia or any of its subsidiaries in an aggregate amount equal to 2.0% of the gross purchase price of any such acquisition or disposition (including any debt or other liabilities assumed or otherwise included in the transaction(s)), as compensation for the negotiation, arranging and structuring services Waud Capital Partners has agreed to provide Acadia with respect thereto; and (iii) upon consummation of Sale of Acadia (as defined below), a sale fee in cash in an amount equal to 1.5% of the enterprise value assigned to Acadia Holdings and its subsidiaries in connection with or implied by such Sale of Acadia, as compensation for the negotiation, structuring and other services Waud Capital Partners has agreed to provide Acadia with respect to Sale of Acadia.

Waud Capital Partners currently charges Acadia a management fee for ongoing advisory and management services of \$2.0 million per year. The fee for the period from and including April 1, 2011 to and including June 30, 2011 was paid on April 1, 2011. Thereafter, the advisory fee is payable on July 1st and January 1st of each year in advance. Effective January 1, 2012 and each January 1st thereafter, such advisory fee shall be increased to an amount equal to the greater of (i) 5.0% of Acadia's EBITDA (as defined below) for the immediately preceding year (as determined by the Acadia board of directors in good faith) and (ii) 110% of the prior year's advisory fee. For purposes of the professional services agreement, EBITDA means, for any period, the result of (i) the consolidated net income (or loss) of Acadia Holdings and its subsidiaries for such period, plus (ii) to the extent deducted in any such period in determining such

net income or loss: (A) all federal, state and local taxes, (B) interest expense, (C) amortization and depreciation expense, and (D) extraordinary losses, minus (iii) to the extent included in any such period in determining net income or loss, extraordinary gains, in each case determined in accordance with GAAP.

The professional services agreement also provides that Waud Capital Partners will be reimbursed for their reasonable travel expenses, legal fees and other out-of-pocket fees and expenses in connection with activities undertaken pursuant to such agreement. Additionally, Waud Capital Partners and its affiliates (other than Acadia

Table of Contents

and its subsidiaries) shall be indemnified for liabilities incurred in connection with their role under the professional services agreement, other than for liabilities resulting from their gross negligence or willful misconduct, as determined by a court of competent jurisdiction in a final non-appealable order.

In connection with entry into the professional services agreement, the amendment and restatement of the Prior LLC Agreement and the consummation of Acadia's acquisition of YFCS, Waud Capital Partners received \$6.15 million in fees from Acadia on April 1, 2011, which consisted of a \$3.6 million transaction fee, a \$450,000 commitment fee and a \$2.1 million financing fee.

Waud Capital Partners and Acadia will terminate the professional services agreement in connection with consummation of the merger and upon payment of \$20,559,000 in aggregate transaction fees to Waud Capital Partners pursuant to the terms of the related termination agreement. Under the merger agreement, \$15,559,000 of such transaction fees will be subtracted from the \$90.0 million dividend to be made by Acadia to holders of Acadia capital stock immediately prior to consummation of the merger.

Prior to entry into the professional services agreement, Waud Capital Partners was entitled to receive the following fees from Acadia Holdings pursuant to the Prior LLC Agreement: (i) an annual advisory fee, payable on a semi-annual basis, as compensation for the financial and management consulting services Waud Capital Partners had agreed to provide Acadia Holdings and its subsidiaries with respect to their business and financial management generally and its financial affairs; and (ii) upon consummation of any credit facility (including amendments to existing credit facilities which have the effect of increasing the amount to be drawn under such facility by Acadia Holdings or its subsidiaries, but excluding any credit facility entered into after December 30, 2005 with any affiliate of Waud Capital Partners if such affiliate is receiving a closing or similar fee in connection with such facility) entered into by Acadia Holdings or its subsidiaries after December 30, 2005, financing fees in an aggregate amount to equal 2.0% of the aggregate principal amount of all such loans (or 1.0% of the aggregate amount of all public bond issuances), as compensation for the negotiation, arranging and structuring services Waud Capital Partners had agreed to provide to Acadia Holdings or its subsidiaries. Waud Capital Partners was also entitled to receive an annual advisory fee, payable semi-annually, under the Prior LLC Agreement (and its predecessor). Such fee was initially set at \$350,000 per annum, subject to annual increases of \$50,000, up to \$600,000, effective January 1st of each year beginning January 1, 2007. Waud Capital Partners deferred the payment of all such management fees in accordance with the terms of the Prior LLC Agreement.

On April 1, 2011 in connection with entry into the Acadia Holdings LLC Agreement, Waud Capital Partners received approximately \$7.9 million of Acadia Holdings equity in exchange for fees it had previously deferred in accordance with the Prior LLC Agreement.

True Partners Engagement Agreement

Acadia and True Partners Consulting LLC ("True Partners"), an affiliate of Waud Capital Partners, are parties to an engagement agreement dated January 7, 2011, pursuant to which True Partners renders tax consulting and compliance services to Acadia and its affiliated entities. As of July 1, 2011, Waud Capital Partners and its affiliates indirectly own a majority of the True Partners membership interests. The engagement agreement will automatically terminate upon the completion of the services to be rendered by True Partners thereunder. Either party may terminate the engagement agreement upon at least 30 days' prior written notice to the other party. Upon such termination, True Partners shall be entitled to receive payment for services performed and expenses incurred through the date of termination. Pursuant to the engagement agreement, Acadia pays certain fixed fees to True Partners for various tax consulting and compliance services, which are billed monthly as incurred. Acadia paid \$73,200, \$116,365 and \$62,065 to True Partners for such services in 2008, 2009 and 2010, respectively. In the event of a large transaction or other activity not otherwise covered under the engagement agreement for which True Partners provide services to Acadia, True Partners will

provide consulting services to Acadia at its standard hourly rates, plus reimbursement of out-of-pocket expenses.

Acadia Holdings LLC Agreement

The Acadia Holdings LLC Agreement grants certain rights to the affiliates of Waud Capital Partners that are designated as the WCP Investors in the Acadia Holdings LLC Agreement (the WCP Holdings Investors). For so long as any WCP Holdings Investor holds any Class A Units of Acadia Holdings, the WCP Holdings Investors

Table of Contents

holding a majority of the Class A Units then held by all WCP Investors constitute the Majority WCP Holdings Investors under the Acadia Holdings LLC Agreement. If no WCP Holdings Investor holds any Class A Units of Acadia Holdings, the Majority WCP Holdings Investors (for purpose of the Acadia Holdings LLC Agreement) shall be the WCP Holdings Investors holding a majority of the Class B, Class C and Class D Units of Acadia Holdings held by all WCP Holdings Investors.

The board of managers of Acadia Holdings currently consists of five (5) managers, four of which are designated by the Majority WCP Holdings Investors (the WCP Managers). Except as provided in the Acadia Holdings LLC Agreement and for cases in which the approval of the Acadia Holdings members is expressly provided by the Acadia Holdings LLC Agreement or by non-waivable provisions of applicable law, the powers of Acadia Holders are exercised by or under the authority of, and the business and affairs of Acadia Holdings are managed, under the direction of its board of managers. Under the terms of the Acadia Holdings LLC Agreement, each of WCP FIF III, Waud QP II, Waud QP III and WCP III is able to designate one WCP Manager; provided, that Reeve Waud is entitled to serve as one of the WCP Managers at all times. Unless otherwise specified in the Acadia Holdings LLC Agreement or required by applicable law, any determination or action required to be taken by the board of managers shall be taken by a majority of the voting power of the managers then in office; provided that each WCP Manager is entitled to a number of votes on all matters coming before the board of managers in an amount equal to the quotient obtained by dividing (i) the number of WCP Managers which the WCP Holdings Investors are entitled to appoint under the Acadia Holdings LLC Agreement by (ii) the number of WCP Managers then serving on the board of managers.

The Acadia Holdings LLC Agreement grants certain drag along rights to the WCP Holdings Investors in connection with any of the following transactions (each a Sale of Acadia): (i) the sale, lease, transfer, conveyance or other disposition, in one transaction or a series of related transactions, of all or substantially all of the assets of Acadia; or (ii) a transaction (including by way of merger, consolidation, recapitalization, reorganization or sale of stock) the result of which the unitholders of Acadia Holdings immediately prior to such transaction are, after giving effect to such transaction, no longer in the aggregate beneficial owners (as such term is defined in Rules 13d-3 and 13d-5 promulgated under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding voting securities of Acadia Holdings. If the Majority WCP Holdings Investors approve a Sale of Acadia (an Approved Sale), each unitholder of Acadia Holdings and each person that retains voting control over any transferred units is obligated to, subject to the satisfaction of certain conditions, vote for, consent to and raise no objections against such Approved Sale. If the Approved Sale is structured as (A) a merger or consolidation, each unitholder is obligated to waive any dissenters' rights, appraisal rights or similar rights in connection with such merger or consolidation or (B) a sale of units, each holder is obligated to take all necessary or desirable actions in connection with the consummation of the Approved Sale as requested by Acadia Holdings' board of managers (with the approval of the Majority WCP Holdings Investors) or the Majority WCP Holdings Investors. Furthermore, each Acadia Holdings unitholder shall take all necessary or desirable actions in connection with the consummation of the Approved Sale as requested Acadia Holdings' board of managers (with the approval of the Majority WCP Holdings Investors) or the Majority WCP Holdings Investors. The Acadia Holdings LLC Agreement also provides that each unitholder is obligated to vote for, consent to (to the extent it has any voting or consent right) and raise no objections against an initial public offering of Acadia Holdings or any of its subsidiaries approved by Acadia Holdings' board of managers.

The Acadia Holdings LLC Agreement requires that each Management Investor named therein bring, and cause each of its affiliates to bring, all investment or business opportunities to Acadia Holdings of which any of them become aware and which are within the scope and investment objectives of Acadia Holdings or its subsidiaries. Notwithstanding the foregoing, the Acadia Holdings LLC Agreement excludes holders of Class A Units and Class B Units held by the WCP Holdings Investors and their affiliates from all such restrictions, subject only to confidentiality restrictions contained in such agreement.

Except as provided in the Acadia Holdings LLC Agreement (including with respect to matters that must be approved by a majority of the Management Investors), such agreement may amended, modified, or waived in any respect with the written consent of the Majority WCP Holdings Investors. The Majority WCP Holdings Investors, by resolution, may also elect to dissolve Acadia Holdings.

Table of Contents

Registration Rights Agreement

Acadia Holdings entered into an amended and restated registration rights agreement with the holders of substantially all of its equity securities pursuant to which such holders have the right to demand the registration of all or a portion of their securities and have certain piggy back registration rights, subject to certain limitations. Waud Capital Partners and the other members of Acadia Holdings intend to cause the dissolution of Acadia Holdings prior to the consummation of the merger and to distribute the Acadia common stock held by Acadia Holdings to its members. In connection with such dissolution and distribution, Acadia will assume Acadia Holdings' rights and obligations under the amended and restated registration rights agreement. The right to sell shares of common stock pursuant to the amended and restated registration rights agreement will be made subject to a lock-up agreement between those stockholders with registration rights and Acadia's underwriters in connection with Acadia's initial public offering which, unless waived, will prevent such holders from exercising this right until 180 days after the date of the prospectus associated with such initial public offering.

Affiliate Transactions

In August 2009, January 2010 and January 2011, Acadia Holdings entered into management agreements, manager unit agreements, executive purchase agreements and/or executive unit agreements with certain executives and managers pursuant to which such executives or managers purchased or otherwise were issued units of Acadia Holdings. See Acadia Management After the Merger Compensation Discussion and Analysis Elements of Compensation Equity Purchase Agreements for a more detailed description of these agreements.

In connection with the purchase of Class A Common Units and Class A Preferred Units of Acadia Holdings by Messrs. Carpenter, Carter, Dodd and Swinson and Ms. Karen Prince in January 2010, each named executive issued a promissory note to Acadia Holdings to satisfy its obligations to make a capital contribution to Acadia Holdings in accordance with the terms of the related management agreement. Each of Messrs. Carpenter, Carter, Dodd and Swinson and Ms. Prince issued a promissory note to Acadia Holdings on January 4, 2010 in the aggregate principal amount of \$65,000, \$120,000, \$42,000, \$42,000 and \$96,000, respectively. Interest on each promissory note accrues at the lesser of 8.00% per annum and the highest rate permitted by applicable law. Default interest on each promissory note accrues at a rate per annum equal to the base rate (determined in accordance with the prior sentence) plus 3.00%. Amounts due under each promissory note are secured by certain Acadia Holdings units owned by the related executive as set forth in such promissory note and the related pledge agreement.

Each executive is obligated to pay all accrued and unpaid interest on his/her promissory note on the last day of each March, June, September and December. Each executive is required to repay amounts borrowed under his/her promissory note in three equal installments on each April 30th. The first two scheduled principal payments under each promissory note were made on April 30, 2010 and April 30, 2011, respectively. Each of Messrs. Carpenter, Carter, Dodd and Swinson and Ms. Prince repaid his or her promissory note in full on July 7, 2011 and the related pledge agreement was terminated effective as of such date.

Procedure for Approval of Transactions with Related Parties

Acadia does not have a formal written related-party approval policy for transactions to be disclosed pursuant to Item 404(a) of Regulation S-K. We expect that the Acadia board of directors will adopt such a policy prior to the completion of the merger.

Table of Contents

PHC BUSINESS DESCRIPTION

Introduction

PHC is a national healthcare company, which, through wholly-owned subsidiaries, provides psychiatric services to individuals who have behavioral health disorders including alcohol and drug dependency and to individuals in the gaming and transportation industries. PHC's subsidiaries operate substance abuse treatment facilities in Michigan, Utah and Virginia, four outpatient psychiatric facilities in Michigan, three outpatient psychiatric facilities in Nevada, one outpatient psychiatric facility in Pennsylvania and two psychiatric hospitals, one in Michigan and one in Nevada and a residential treatment facility in Michigan. PHC provides management, administrative and help line services through contracts with major railroads and a call center contract with Wayne County, Michigan. PHC also operates a website, Wellplace.com, which provides education and training for the behavioral health professional and internet support services to all of PHC's subsidiaries. In fiscal 2009, PHC sold the assets of its pharmaceutical research company and is no longer providing research services.

PHC provides behavioral health services through inpatient and outpatient facilities. PHC's substance abuse facilities provide specialized treatment services to patients who typically have poor recovery prognoses and who are prone to relapse. These services are offered in small specialty care facilities, which permit PHC to provide its clients with efficient and customized treatment without the significant costs associated with the management and operation of general acute care hospitals. PHC tailors these programs and services to safety-sensitive industries and concentrate its marketing efforts on the transportation, oil and gas exploration, heavy equipment, manufacturing, law enforcement, gaming and health services industries. PHC's psychiatric facilities provide inpatient psychiatric care, intensive outpatient treatment and partial hospitalization programs to children, adolescents and adults. PHC's outpatient mental health clinics provide services to employees of major employers, as well as to managed care companies and Medicare and Medicaid clients. The psychiatric services are offered in a larger, more traditional setting than PHC's substance abuse facilities, enabling PHC to take advantage of economies of scale to provide cost-effective treatment alternatives.

PHC treats employees who have been referred for treatment as a result of compliance with Subchapter D of the Anti-Drug Abuse Act of 1988 (commonly known as the Drug Free Workplace Act), which requires employers who are Federal contractors or Federal grant recipients to establish drug-free awareness programs which, among other things, inform employees about available drug counseling, rehabilitation and employee assistance programs. PHC also provides treatment under the Department of Transportation implemented regulations, which broaden the coverage and scope of alcohol and drug testing for employees in safety-sensitive positions in the transportation industry.

PHC was incorporated in 1976 and is a Massachusetts corporation. PHC's corporate offices are located at 200 Lake Street, Suite 102, Peabody, MA 01960 and PHC's telephone number is (978) 536-2777.

Psychiatric Services Industry

Substance Abuse Facilities

Industry Background

The demand for substance abuse treatment services has increased rapidly over the last decade. PHC believes that the increased demand is related to clinical advances in the treatment of substance abuse, greater societal willingness to acknowledge the underlying problems as treatable illnesses, improved health insurance coverage for addictive disorders and chemical dependencies and governmental regulation which requires certain employers to provide

information to employees about drug counseling and employee assistance programs.

To contain costs associated with behavioral health issues in the 1980s, many private payors instituted managed care programs for reimbursement, which included pre-admission certification, case management or utilization review and limits on financial coverage or length of stay. These cost containment measures have encouraged outpatient care for behavioral problems, resulting in a shortening of the length of stay and revenue per day in inpatient chemical abuse facilities. PHC believes that it has addressed these cost containment measures by specializing in treating relapse-prone patients with poor prognoses who have failed in other treatment settings.

Table of Contents

These patients require longer lengths of stay and come from a wide geographic area. PHC continues to develop alternatives to inpatient care including residential programs, partial day and evening programs in addition to onsite and offsite outpatient programs.

PHC believes that because of the apparent unmet need for certain clinical and medical services, and its continued expansion into various modalities of care for the chemically dependant, that its strategy has been successful despite national trends towards shorter inpatient stays and rigorous scrutiny by managed care organizations.

PHC Operations

PHC has been able to secure insurance reimbursement for longer-term inpatient treatment as a result of its success with poor prognosis patients. PHC's two substance abuse facilities work together to refer patients to the center that best meets the patient's clinical and medical needs. Each facility caters to a slightly different patient population including high-risk, relapse-prone chronic alcoholics, drug addicts and dual diagnosis patients (those suffering from both substance abuse and psychiatric disorders). The programs are sensitive to the special behavioral health problems of children, women and Native Americans. PHC concentrates on providing services to insurers, managed care networks and health maintenance organizations for both adults and adolescents. PHC's clinicians often work directly with managers of employee assistance programs to select the best treatment facility possible for their clients.

Each of PHC's facilities operates a case management program for each patient including a clinical and financial evaluation of a patient's circumstances to determine the most cost-effective modality of care from among detoxification, inpatient, residential, day care, specialized relapse treatment, outpatient treatment, and others. In addition to any care provided at one of PHC's facilities, the case management program for each patient includes aftercare. Aftercare may be provided through the outpatient services provided by a facility. Alternatively, PHC may arrange for outpatient aftercare, as well as family and mental health services, through its numerous affiliations with clinicians located across the country once the patient is discharged.

In general, PHC does not accept patients who do not have either insurance coverage or adequate financial resources to pay for treatment. Each of PHC's substance abuse facilities does, however, provide treatment free of charge to a small number of patients each year who are unable to pay for treatment but who meet certain clinical criteria and who are believed by PHC to have the requisite degree of motivation for treatment to be successful. In addition, PHC provides follow-up treatment free of charge to relapse patients who satisfy certain criteria. The number of patient days attributable to all patients who receive treatment free of charge in any given fiscal year is less than 5% of the total patient days.

PHC believes that it has benefited from an increased awareness of the need to make substance abuse treatment services accessible to the nation's workforce. For example, The Drug Free Workplace Act of 1988 requires employers who are Federal contractors or Federal grant recipients to establish drug free awareness programs to inform employees about available drug counseling, rehabilitation and employee assistance programs and the consequences of drug abuse violations. In response to the Drug Free Workplace Act, many companies, including many major national corporations and transportation companies, have adopted policies that provide for treatment options as an alternative to termination of employment.

Although PHC does not directly provide federally approved mandated drug testing, PHC treats employees who have been referred to PHC as a result of compliance with the Drug Free Workplace Act, particularly from companies that are part of the gaming industry as well as safety-sensitive industries such as railroads, airlines, trucking firms, oil and gas exploration companies, heavy equipment companies, manufacturing companies and health services.

HIGHLAND RIDGE Highland Ridge is a 41-bed, freestanding alcohol and drug treatment hospital, which PHC has been operating since 1984. The hospital increased its bed capacity to 41 from 32 in November 2003 and expanded medical staff to include psychiatric care in its treatment plans. Its focus remains substance abuse and it is the oldest facility dedicated to substance abuse in Utah. Highland Ridge is accredited by The Joint Commission on

Table of Contents

Accreditation of Healthcare Organizations (The Joint Commission) and is licensed by the Utah Department of Health. Highland Ridge is recognized nationally for its excellence in treating substance abuse disorders.

Although Highland Ridge does provide services to individuals from all of the States through contracts with the railroads and other major employers, most patients at this facility are from Utah and surrounding states. Individuals typically access Highland Ridge's services through professional referrals, family members, employers, employee assistance programs or contracts between PHC and health maintenance organizations located in Utah.

Highland Ridge was the first private for-profit hospital to address specifically the special needs of chemically dependent women in Salt Lake County. In addition, Highland Ridge has contracted with Salt Lake County to provide medical detoxification services targeted to women. The hospital also operates a specialized continuing care support group to address the unique needs of women and minorities.

A pre-admission evaluation, which involves an evaluation of psychological, cognitive and situational factors, is completed for each prospective patient. In addition, each prospective patient is given a physical examination upon admission. Diagnostic tools, including those developed by the American Psychological Association, the American Society of Addiction Medicine and the Substance Abuse Subtle Screening Inventory are used to develop an individualized treatment plan for each client. The treatment regimen involves an interdisciplinary team which integrates the twelve-step principles of self-help organizations, medical detoxification, individual and group counseling, family therapy, psychological assessment, psychiatric support, stress management, dietary planning, vocational counseling and pastoral support. Highland Ridge also offers extensive aftercare assistance at programs strategically located in areas of client concentration throughout the United States. Highland Ridge maintains a comprehensive array of professional affiliations to meet the needs of discharged patients and other individuals not admitted to the hospital for treatment.

Highland Ridge periodically conducts or participates in research projects. Highland Ridge was the site of a research project conducted by the University of Utah Medical School. The research explored the relationship between individual motivation and treatment outcomes. The research was regulated and reviewed by the Human Subjects Review Board of the University of Utah and was subject to federal standards that delineated the nature and scope of research involving human subjects. Highland Ridge benefited from this research by expanding its professional relationships within the medical school community and by applying the findings of the research to improve the quality of services PHC delivers.

MOUNT REGIS Mount Regis is a 25-bed, freestanding alcohol and drug treatment center located in Salem, Virginia, near Roanoke. PHC acquired the center in 1987. It is the oldest of its kind in the Roanoke Valley. Mount Regis is accredited by The Joint Commission and licensed by the Virginia Department of Behavioral Health and Developmental Services. Mount Regis also operates Right Track, which is a residential program designed to provide individuals with the tools they need to make a smooth transition from inpatient treatment back into their everyday routine. In addition, Mount Regis operates Changes, an outpatient clinic, at its Salem, Virginia location. The Changes clinic provides structured intensive outpatient treatment for patients who have been discharged from Mount Regis and for patients who do not need the formal structure of a residential treatment program. The program is licensed by the Commonwealth of Virginia and approved for reimbursement by major insurance carriers.

Similar to Highland Ridge, the programs at Mount Regis Center are sensitive to the needs of women and minorities. The majority of Mount Regis clients are from Virginia and surrounding states. In addition, because of its relatively close proximity and accessibility to New York, Mount Regis has been able to attract an increasing number of referrals from New York-based labor unions. Mount Regis has also been able to attract a growing number of clients through the Internet. Mount Regis has established programs that allow PHC to better treat dual diagnosis patients (those suffering from both substance abuse and psychiatric disorders), cocaine addiction and relapse-prone patients. The

multi-disciplinary case management, aftercare and family programs are key factors to the prevention of relapse.

RENAISSANCE RECOVERY Renaissance Recovery is a 24-bed alcohol and drug treatment facility located in Detroit, Michigan which opened in April 2011. Renaissance Recovery treats boys and girls between the ages of 12 and 17, in need of behavioral health treatment due to chemical impairment.

Table of Contents

The program incorporates a co-occurring based assessment model to identify and treat both substance abuse and mental health disorders, combining substance abuse therapy, educational services, medication therapy, group therapy and peer support and family counseling (parent(s), guardians and extended family and care givers). Techniques to recognize and manage internal emotional triggers that lead to substance or psychiatric relapse are taught as a feature of the therapy each child receives, individually and within a group.

Multi-disciplinary teams of licensed, certified and boarded professional staff utilize an eclectic therapy approach which includes cognitive behavioral therapy.

The resident program is case dependent, and length of stay may be from a period of minimally 5 – 7 days or up to a full program of thirty days or more as warranted. Step down from this program is continued through other Pioneer facilities for in-patient or out-patient treatment as appropriate to the treatment plan developed upon discharging.

The program accepts most insurance plans and is licensed by the State of Michigan as a Substance Abuse provider and as a Child Caring Institution and accredited by the Council on Accreditation.

General Psychiatric Facilities

PHC believes that its proven ability to provide high quality, cost-effective care in the treatment of substance abuse has enabled it to grow in the related behavioral health field of psychiatric treatment. PHC's main advantage is its ability to provide an integrated delivery system of inpatient and outpatient care. As a result of integration, PHC is better able to manage and track patients.

PHC offers inpatient and partial hospitalization and psychiatric services. PHC provides inpatient psychiatric services through Seven Hills Hospital located in Las Vegas, Nevada and MeadowWood located in New Castle, Delaware and residential treatment to adjudicated juveniles through Detroit Behavioral Institute, Inc. located in Detroit Michigan. In addition, PHC currently operates seven outpatient psychiatric facilities.

PHC's philosophy at these facilities is to provide the most appropriate and efficacious care with the least restrictive modality of care possible. An attending physician, a case manager and a clinical team work together to manage the care plan. The integrated delivery system allows for better patient tracking and follow-up and fewer repeat procedures and therapeutic or diagnostic errors. Qualified, dedicated staff members take a full history on each new patient, and through test and evaluation procedures, they provide a thorough diagnostic write-up of the patient's condition. In addition, a physician does a complete physical examination for each new patient. This information allows the caregivers to determine which treatment alternative is best suited for the patient and to design an individualized recovery program for the patient.

Managed health care organizations, state agencies, physicians and patients themselves refer patients to PHC's facilities. These facilities have a patient population ranging from children as young as five years of age to senior citizens. Compared to the substance abuse facilities, the psychiatric facilities treat a larger percentage of female patients.

HARBOR OAKS PHC acquired Harbor Oaks Hospital, a 71-bed psychiatric hospital located in New Baltimore, Michigan, approximately 20 miles northeast of Detroit, in September 1994. Harbor Oaks Hospital is licensed by the Michigan Department of Community Health, Medicare certified and accredited by The Joint Commission. Harbor Oaks provides inpatient psychiatric care, partial hospitalization and outpatient treatment to children, adolescents and adults. Harbor Oaks Hospital has treated clients from Macomb, Oakland and St. Clair counties and has expanded its coverage area to include Wayne, Sanilac and Livingston counties.

Harbor Oaks has become a primary provider for Medicaid patients from Wayne, Macomb and St. Clair counties. Utilization of a short-term crisis management model in conjunction with strong case management has allowed Harbor Oaks to successfully enter this segment of the market. Reimbursement for these services is comparable to traditional managed care payors. Given the current climate of public sector treatment availability, Harbor Oaks anticipates continued growth in this sector of the business.

Until June 2009, Harbor Oaks Hospital also operated a 26-bed residential unit serving adolescents with substance abuse problems and co-existing mental disorders, who were referred or required to undergo psychiatric

Table of Contents

treatment by a court or family service agency. In May 2009, PHC discontinued admissions and closed this unit in June 2009, to utilize the space occupied by the program for a much needed specialty unit for the treatment of chemical dependency which was opened in September 2009. Harbor Oaks also operates an outpatient site near New Baltimore, Michigan. Its close proximity to the hospital allows for a continuum of care for patients after discharge.

DETROIT BEHAVIORAL INSTITUTE Detroit Behavioral Institute operates a 66-bed residential treatment facility licensed as Capstone Academy. It is located in midtown Detroit and serves adjudicated adolescents diagnosed as seriously emotionally disturbed. These adolescents are placed in Capstone Academy by court order.

Prior to January of 2009, this program was operated in a setting on the campus of the Detroit Medical Center, and was licensed for fifty residents (30 boys/20 girls). In early 2009, all residents were moved to the Capstone Academy. Pursuant to licensing guidelines and the review and approval of sound and therapeutic programming, the State of Michigan Department of Human Services allowed PHC to increase the number of beds by 16. This became effective in June 2009.

In its present configuration, the facility includes twelve designated beds for a special program for girls requiring a more intensive and comprehensive treatment model, while the remaining fifty-four beds, which can be allocated for either boys or girls as referrals dictate, offer a more traditional treatment model. In all programs, however, intensive treatment models address and treat residents as appropriate to their needs with individual, group and family counseling.

The residents in the programs range from 12 to 17 years of age, with a minimum IQ of 70. Each program provides individual, group and family therapy sessions for medication orientation, anger management, impulse control, grief and loss, family interactions, coping skills, stress management, substance abuse, discharge and aftercare planning (home visits and community reintegration), recreation therapy and sexual/physical abuse counseling as required.

As a part of the treatment model, each resident learns life skills (didactics) and receives education, in accordance with Michigan's required educational curriculum, from state certified teachers, who are members of PHC's staff. Typically, a resident is placed for treatment for an initial period of 30 days to six months, case dependent.

Periodic case review and psychiatric evaluations are conducted to evaluate progress or areas requiring improvement in accordance with goals and planning for discharge and eventual transition back to the community. The treatment teams that provide therapy and review each resident for progress include licensed counselors, nursing staff, certified teachers, psychiatrists, youth specialists and other program personnel.

PHC is approved by the local school district, in accordance with state law to operate as a school under its auspices, for the education of program residents. Consequently, when residents transition back to the community they do so without losing school credits. Transcripts, testing scores and related items are readily accepted by the new education environment. PHC has successfully fulfilled this obligation for four years, with improved success. This allows PHC's programs to integrate the residents' education with their individual treatment model and provide the best education possible without transporting the individuals to another site.

SEVEN HILLS HOSPITAL PHC participated in the construction of the Seven Hills Hospital through its relationship with Seven Hills Psych Center, LLC. The construction was completed and the facility was opened in the fourth quarter of fiscal 2008. Seven Hills Hospital, a 55-bed psychiatric hospital located in Las Vegas, Nevada, began admitting patients on May 14, 2008. Seven Hills Hospital is licensed by the State of Nevada, accredited by The Joint Commission and received Medicare certification in July 2010. Seven Hills provides services to clients covered under the at risk contracts of PHC's other subsidiary, Harmony Healthcare. Seven Hills has provided inpatient psychiatric care to adults since its opening in 2008 and began providing psychiatric care to adolescents in the third quarter of this

fiscal year. Its treatment programs were expanded in fiscal 2009 to include detoxification and residential treatment of chemical dependency.

HARMONY HEALTHCARE Harmony Healthcare, which consists of three psychiatric clinics in Nevada, provides outpatient psychiatric care to children, adolescents and adults in the local area. Harmony also operates employee assistance programs for railroads, health care companies and several large gaming companies including

Table of Contents

Boyd Gaming Corporation, the MGM Grand and the Venetian with a rapid response program to provide immediate assistance 24 hours a day and seven days a week. Harmony also provides outpatient psychiatric care and inpatient psychiatric case management through capitated rate behavioral health carve-outs with Behavioral Health Options and PacifiCare Insurance. The agreement with Behavioral Health Options is a significant contract which began in January 2007 and caused a major expansion of Harmony to better serve the contract population.

NORTH POINT-PIONEER, INC. North Point consists of three outpatient clinical offices strategically and geographically located to serve a large and populous region in Michigan. The clinics provide outpatient psychiatric and substance abuse treatment to children, adolescents and adults operating under the name Pioneer Counseling Center. The three clinics are located in close proximity to the Harbor Oaks facility, which allows for more efficient integration of inpatient and outpatient services and provides for a larger coverage area and the ability to share personnel which results in cost savings. Since 2005, North Point has provided services under a contract with Macomb County Office of Substance Abuse to provide behavioral health outpatient and intensive outpatient services for indigent and Medicaid clients residing in Macomb County. The contract is renewable annually with an estimated value of \$55,000.

MEADOWWOOD BEHAVIORAL HEALTH. MeadowWood, located in New Castle, Delaware, was acquired by PHC on July 1, 2011. The facility is a acute care psychiatric hospital with 58 beds providing services to adults suffering with mental illness and substance abuse. MeadowWood is licensed by the Delaware Department of Health and Social Services, Medicare certified and accredited by The Joint Commission. MeadowWood has both inpatient and partial hospitalization services focused on geriatric, co-occurring and acute mental disorders. MeadowWood anticipates seeking approval for additional beds to expand the facility during the next 12 months. The acquisition was made in connection with the divestiture requirements imposed on Universal Health Services following its acquisition of PSI.

Call Center Operations

WELLPLACE, INC. In 1994, PHC began to operate a crisis hotline service under contract with a major transportation client. The hotline, Wellplace, shown as contract support services on the accompanying Consolidated Statements of Operations, is a national, 24-hour telephone service, which supplements the services provided by the client's Employee Assistance Programs. The services provided include information, crisis intervention, critical incidents coordination, employee counselor support, client monitoring, case management and health promotion. The hotline is staffed by counselors who refer callers to the appropriate professional resources for assistance with personal problems. Three major transportation companies subscribed to these services as of March 31, 2011. This operation is physically located in Highland Ridge hospital, but a staff dedicated to Wellplace provides the services from a separate designated area of the Hospital. Wellplace also contracts with Wayne County Michigan to operate its call center. This call center is located in mid-town Detroit on the campus of the Detroit Medical Center and provides 24-hour crisis, eligibility and enrollment services for the Detroit-Wayne County Community Mental Health Agency which oversees 56,000 lives or consumers for mental health services in Wayne County Michigan. Until December 2008, Wellplace also operated a smaller contract to provide services for transportation and identification reimbursement for consumers. During fiscal 2006, Wellplace signed an agreement with a major government contractor to operate a smoking cessation quit line with Internet access. Wellplace provided services under the agreement until September 2008. Wellplace's primary focus is now on growing its operations to take advantage of current opportunities and capitalize on the economies of scale in providing similar services to other companies and government units.

Research Operations

PIVOTAL RESEARCH CENTERS, INC. In February 2009, PHC sold the assets of its research division to Premier Research International, LLC, (Premier), a Delaware limited liability company. The results of operations for the pharmaceutical operations through February 2009 are shown on the PHC audited and unaudited consolidated financial

statements, included elsewhere in this proxy/prospectus, as discontinued operations.

Table of Contents**Internet Operations**

BEHAVIORAL HEALTH ONLINE, INC. Behavioral Health Online designs, develops and maintains PHC's web site, Wellplace.com, in addition to providing Internet support services and maintaining the web sites of all of the other subsidiaries of PHC.. PHC's web sites provide behavioral health professionals with the educational tools required to keep them abreast of behavioral health breakthroughs and keep individuals informed of current issues in behavioral health.

Operating Statistics

The following table reflects selected financial and statistical information for all services.

	2010	2009	Year Ended June 30, 2008 (Unaudited)	2007	2006
<i>Inpatient</i>					
Net patient service revenues	\$ 29,743,377	\$ 23,634,602	\$ 22,327,159	\$ 21,508,417	\$ 18,775,198
Net revenues per patient day(1)	\$ 477	\$ 438	\$ 383	\$ 395	\$ 382
Average occupancy rate(2)	75.7%	69.7%	85.0%	83.0%	77.7%
Total number of beds at the end of the period	260	260	244	180	180
Source of Revenues:					
Private(3)	56.2%	54.9%	48.2%	50.2%	54.3%
Government(4)	43.8%	45.1%	51.8%	49.8%	45.7%
<i>Partial Hospitalization and Outpatient</i>					
Net Revenues:					
Individual	\$ 7,325,916	\$ 5,800,090	\$ 6,603,002	\$ 6,518,115	\$ 6,734,627
Contract	\$ 12,578,102	\$ 13,165,271	\$ 11,925,916	\$ 7,995,997	\$ 2,351,876
Sources of revenues:					
Private	98.9%	99.1%	99.1%	98.6%	98.0%
Government	1.1%	0.9%	0.9%	1.4%	2.0%
<i>Other Services:</i>					
Contract Services (Wellplace)(5)	\$ 3,429,831	\$ 3,811,056	\$ 4,541,260	\$ 4,540,634	\$ 4,351,576

(1) Net revenues per patient day equals net patient service revenues *divided by* total patient days excluding bed days provided by the Seven Hills subsidiary under the Harmony capitated contract.

(2) Average occupancy rates were obtained by dividing the total number of patient days in each period including capitated contract bed days by the number of beds available in such period.

- (3) Private pay percentage is the percentage of total patient revenue derived from all payors other than Medicare and Medicaid and county programs.
- (4) Government pay percentage is the percentage of total patient revenue derived from the Medicare and Medicaid and county programs.
- (5) Wellplace provides contract support services including clinical support, referrals management and professional services for a number of PHC's national contracts and operates the Wayne County Michigan call center.

Marketing and Customers

PHC markets its substance abuse, inpatient and outpatient psychiatric health services both locally and nationally, primarily to safety-sensitive industries, including transportation, manufacturing and healthcare services. Additionally, PHC markets its services in the gaming industry both in Nevada and nationally and its help line services nationally.

Table of Contents

PHC employs four individuals dedicated to marketing PHC's facilities. Each facility performs marketing activities in its local region. The Senior Vice President of PHC coordinates PHC's national marketing efforts. In addition, employees at certain facilities perform local marketing activities independent of the Senior Vice President. PHC, with the support of its owned integrated outpatient systems and management services, continues to pursue more at-risk contracts and outpatient, managed health care fee-for-service contracts. At-risk contracts require that PHC provides all the clinically necessary behavioral health services for a group of people for a set fee per person per month. PHC currently has two at-risk contracts with large insurance carriers, which require PHC to provide behavioral health services to a large number of its insured for a fixed fee. These at-risk contracts represent less than 15% of PHC's total gross revenues. In addition to providing excellent services and treatment outcomes, PHC will continue to negotiate pricing policies to attract patients for long-term intensive treatment which meet length of stay and clinical requirements established by insurers, managed health care organizations and PHC's internal professional standards.

PHC's integrated systems of comprehensive outpatient mental health programs complement PHC's inpatient facilities. These outpatient programs are strategically located in Nevada, Virginia, Michigan, and Utah. They make it possible for PHC to offer wholly integrated, comprehensive, mental health services for corporations and managed care organizations on an at-risk or exclusive fee-for-service basis. Additionally, PHC operates Wellplace located in the Highland Ridge facility in Salt Lake City, Utah and in Detroit, Michigan. Wellplace provides clinical support, referrals, management and professional services for a number of PHC's national contracts. It gives PHC the capacity to provide a complete range of fully integrated mental health services.

PHC provides services to employees of a variety of corporations including: Boyd Gaming Corporation, CSX Corporation, MGM Mirage, Union Pacific Railroad, Union Pacific Railroad Hospital Association and others.

In addition to its direct patient care services, PHC maintains its web site, Wellplace.com, which provides articles and information of interest to the general public as well as the behavioral health professional. PHC's internet company also provides the added benefit of web availability of information for various Employee Assistance Program contracts held and serviced by those subsidiaries providing direct treatment services.

Competition

PHC's substance abuse programs compete nationally with other health care providers, including general and chronic care hospitals, both non-profit and for-profit, other substance abuse facilities and short-term detoxification centers. Some competitors have substantially greater financial resources than PHC. PHC believes, however, that it can compete successfully with such institutions because of its success in treating poor prognosis patients. PHC will compete through its focus on such patients, its willingness to negotiate appropriate rates and its capacity to build and service corporate relationships.

PHC's psychiatric facilities and programs compete primarily within the respective geographic area serviced by them. PHC competes with private doctors, hospital-based clinics, hospital-based outpatient services and other comparable facilities. The main reasons that PHC competes well are its integrated delivery and dual diagnosis programming. Integrated delivery provides for more efficient follow-up procedures and reductions in length of stay. Dual diagnosis programming provides a niche service for clients with a primary mental health and a secondary substance abuse diagnosis. PHC developed its dual diagnosis service in response to demand from insurers, employers and treatment facilities. PHC's internet subsidiary provides the competitive edge for service information and delivery for PHC's direct patient care programs.

Revenue Sources and Contracts

PHC has entered into relationships with numerous employers, labor unions and third-party payors to provide services to their employees and members for the treatment of substance abuse and psychiatric disorders. In addition, PHC admits patients who seek treatment directly without the intervention of third parties and whose insurance does not cover these conditions in circumstances where the patient either has adequate financial resources to pay for treatment directly or is eligible to receive free care at one of PHC's facilities. PHC's psychiatric patients either have insurance or pay at least a portion of treatment costs based on their ability to pay. Most of PHC's patients are covered by insurance. Free treatment provided each year amounts to less than 5% of PHC's total patient days.

Table of Contents

Each contract is negotiated separately, taking into account the insurance coverage provided to employees and members, and, depending on such coverage, may provide for differing amounts of compensation to PHC for different subsets of employees and members. The charges may be capitated, or fixed with a maximum charge per patient day, and, in the case of larger clients, frequently result in a negotiated discount from PHC's published charges. PHC believes that such discounts are appropriate as they are effective in producing a larger volume of patient admissions. PHC treats non-contract patients and bills them on the basis of PHC's standard per diem rates and for any additional ancillary services provided to them by PHC.

With Meditech, the billing software in use by the company, the charges are contractually adjusted at the time of billing using adjustment factors based on agreements or contracts with the insurance carriers and the specific plans held by the individuals as outlined above. This method may still require additional adjustment based on ancillary services provided and deductibles and copays due from the individuals, which are estimated at the time of admission based on information received from the individual. Adjustments to these estimates are recognized as adjustments to revenue in the period they are identified, usually when payment is received, and are not material to the financial statements.

PHC's policy is to collect estimated co-payments and deductibles at the time of admission in the form of an admission deposit. Payments are made by way of cash, check or credit card. For inpatient services, if the patient does not have sufficient resources to pay the estimated co-payment in advance, PHC's policy is to allow payment to be made in three installments, one third due upon admission, one third due upon discharge and the balance due 30 days after discharge. At times, the patient is not physically or mentally stable enough to comprehend or agree to any financial arrangement. In this case, PHC will make arrangements with the patient once his or her condition is stabilized. At times, this situation will require PHC to extend payment arrangements beyond the three payment method previously outlined. Whenever extended payment arrangements are made, the patient, or the individual who is financially responsible for the patient, is required to sign a promissory note to PHC, which includes interest on the balance due. For outpatient services, PHC's policy is to charge a \$5.00 billing/statement fee for any accounts still outstanding at month end.

PHC's days sales outstanding (DSO) are significantly different for each type of service and each facility based on the payors for each service. Overall, the DSO for the combined operations of PHC was 64 days at March 31, 2011 and 61 days at June 30, 2010. The table below shows the DSO by segment for the same periods:

Nine Months Ended	Treatment Services	Contract Services
03/31/2011	62	74
06/30/2010	61	53

Amounts pending approval from Medicare or Medicaid, as with all other third party payors, are maintained as receivables based on the discharge date of the patient, while appeals are made for payment. If accounts remain unpaid, when all levels of appeal have been exhausted, accounts are written off. Where possible, PHC will turn to the patient or the responsible party to seek reimbursement and send the account to collections before writing the account off.

Insurance companies and managed care organizations are entering into sole source contracts with healthcare providers, which could limit PHC's ability to obtain patients. Private insurers, managed care organizations and, to a lesser extent, Medicaid and Medicare, are beginning to carve-out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. PHC is not aware of any lost business as a result of sole source contracts to date, as PHC has not been advised by any payor that PHC has been eliminated as a provider from their system based on an exclusivity contract with another provider. Continued growth in the use of carve-out systems could materially adversely affect

PHC's business to the extent it is not selected to participate in such smaller specialized networks or if the reimbursement rate is not adequate to cover the cost of providing the service.

Quality Assurance and Utilization Review

PHC has established comprehensive quality assurance programs at all of its facilities. These programs are designed to ensure that each facility maintains standards that meet or exceed requirements imposed upon PHC with

Table of Contents

the objective of providing high-quality specialized treatment services to its patients. To this end, the Joint Commission surveys and accredits PHC's inpatient facilities, except Detroit Behavioral Institute which is accredited through the Council on Accreditation (COA). PHC's outpatient facilities comply with the standards of National Commission on Quality Assurance (NCQA) although the facilities are not NCQA certified. PHC's outpatient facilities in Michigan are certified by the American Osteopathic Association (AOA), which is a nationally accepted accrediting body, recognized by payors as the measure of quality in outpatient treatment and the only accrediting body whose standards are recognized by CMS. PHC's professional staff, including physicians, social workers, psychologists, nurses, dietitians, therapists and counselors, must meet the minimum requirements of licensure related to their specific discipline, in addition to each facility's own internal quality assurance criteria as adopted by the facility for operational purposes and approved by the Executive Committee. PHC participates in the federally mandated National Practitioners Data Bank, which monitors professional accreditation nationally. In each facility, continuing quality improvement (CQI) activity is reviewed quarterly by PHC's corporate compliance unit and quality assurance activities are approved by the executive committee.

In response to the increasing reliance of insurers and managed care organizations upon utilization review methodologies, PHC has adopted a comprehensive documentation policy to satisfy relevant reimbursement criteria. Additionally, PHC has developed an internal case management system, which provides assurance that services rendered to individual patients are medically appropriate and reimbursable. Implementation of these internal policies has been integral to the success of PHC's strategy of providing services to relapse-prone, higher acuity patients.

Government Regulation

PHC's business and the development and operation of PHC's facilities are subject to extensive federal, state and local government regulation. In recent years, an increasing number of legislative proposals have been introduced at both the national and state levels that would affect major reforms of the health care system if adopted. Among the proposals under consideration are reforms to increase the availability of group health insurance, to increase reliance upon managed care, to bolster competition and to require that all businesses offer health insurance coverage to their employees. Some states have already instituted laws that mandate employers offer health insurance plans to their employees. PHC cannot predict whether additional legislative proposals will be adopted and, if adopted, what effect, if any, such proposals would have on PHC's business.

In addition, both the Medicare and Medicaid programs are subject to statutory and regulatory changes, administrative rulings and interpretations of policy, intermediary determinations and governmental funding restrictions, all of which may materially increase or decrease the rate of program payments to health care facilities. Since 1983, Congress has consistently attempted to limit the growth of federal spending under the Medicare and Medicaid programs and will likely continue to do so. Additionally, congressional spending reductions for the Medicaid program involving the issuance of block grants to states is likely to hasten the reliance upon managed care as a potential savings mechanism of the Medicaid program. As a result of this reform activity, PHC can give no assurance that payments under such programs will in the future remain at a level comparable to the present level or be sufficient to cover the costs allocable to such patients.

Control of the healthcare industry exercised by federal, state and local regulatory agencies can increase costs, establish maximum reimbursement levels and limit expansion. PHC and the health care industry are subject to rapid regulatory change with respect to licensure and conduct of operations at existing facilities, construction of new facilities, acquisition of existing facilities, the addition of new services, compliance with physical plant safety and land use requirements, implementation of certain capital expenditures, reimbursement for services rendered and periodic government inspections. Governmental budgetary restrictions have resulted in limited reimbursement rates in the healthcare industry including PHC. As a result of these restrictions, PHC cannot be certain that payments under government programs will remain at a level comparable to the present level or be sufficient to cover the costs

allocable to such patients. In addition, many states, including the State of Michigan, where the majority of PHC s Medicaid revenue is generated, are considering reductions in state Medicaid budgets.

Table of Contents

Health Planning Requirements

Most of the states in which PHC operates have health planning statutes which require that prior to the addition or construction of new beds, the addition of new services, the acquisition of certain medical equipment or certain capital expenditures in excess of defined levels, a state health planning agency must determine that a need exists for such new or additional beds, new services, equipment or capital expenditures. These state determinations of need or certificate of need (DoN) programs are designed to enable states to participate in certain federal and state health related programs and to avoid duplication of health services. DoN s typically are issued for a specified maximum expenditure, must be implemented within a specified time frame and often include elaborate compliance procedures for amendment or modification, if needed.

Licensure and Certification

All of PHC s facilities must be licensed by state regulatory authorities. PHC s Harbor Oaks facility is certified for participation as a provider in the Medicare and Medicaid programs and, as of July 8, 2010, PHC s Seven Hills Hospital in Las Vegas is also certified for participation in these programs.

PHC s initial and continued licensure of its facilities, and certification to participate in the Medicare and Medicaid programs, depends upon many factors, including accommodations, equipment, services, patient care, safety, personnel, physical environment, the existence of adequate policies, procedures and controls and the regulatory process regarding the facility s initial licensure. Federal, state and local agencies survey facilities on a regular basis to determine whether such facilities are in compliance with governmental operating and health standards and conditions for participating in government programs. Such surveys include review of patient utilization and inspection of standards of patient care. PHC has procedures in place to ensure that its facilities are operated in compliance with all such standards and conditions. To the extent these standards are not met, however, the license of a facility could be restricted, suspended or revoked, or a facility could be decertified from the Medicare or Medicaid programs.

Environmental Matters

PHC is subject to various federal, state and local environmental laws that (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the handling, storage, transportation, treatment and disposal of medical waste products generated at its facilities; the identification and warning of the presence of asbestos-containing materials in buildings, as well as the removal of such materials; the presence of other hazardous substances in the indoor environment; and protection of the environment and natural resources in connection with the development or construction of our facilities; (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (iii) regulate workplace safety. Some of PHC s facilities generate infectious or other hazardous medical waste due to the illness or physical condition of our patients. The management of infectious medical waste is subject to regulation under various federal, state and local environmental laws, which establish management requirements for such waste. These requirements include record-keeping, notice and reporting obligations. Each of PHC s in-patient facilities has an agreement with a waste management company for the disposal of medical waste. The use of such companies, however, does not completely protect us from alleged violations of medical waste laws or from related third-party claims for clean-up costs.

From time to time, PHC s operations have resulted in, or may result in, non-compliance with, or liability pursuant to, environmental or health and safety laws or regulations. We believe that PHC s operations are generally in compliance with environmental and health and safety regulatory requirements or that any non-compliance will not result in a material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws and regulations have not been material. However, we cannot assure you that future costs and

expenses required for PHC to comply with any new or changes in existing environmental and health and safety laws and regulations or new or discovered environmental conditions will not have a material adverse effect on its business.

PHC has not been notified of and is otherwise currently not aware of any contamination at its currently or formerly operated facilities for which it could be liable under environmental laws or regulations for the

Table of Contents

investigation and remediation of such contamination and PHC currently is not undertaking any remediation or investigation activities in connection with any contamination conditions. There may however be environmental conditions currently unknown to us relating to PHC's prior, existing or future sites or operations or those of predecessor companies whose liabilities PHC may have assumed or acquired which could have a material adverse effect on its business.

New laws, regulations or policies or changes in existing laws, regulations or policies or their enforcement, future spills or accidents or the discovery of currently unknown conditions or non-compliances may give rise to investigation and remediation liabilities, compliance costs, fines and penalties, or liability and claims for alleged personal injury or property damage due to substances or materials used in PHC's operations; any of which may have a material adverse effect on PHC's business, financial condition, operating results or cash flow.

Medicare Reimbursement

The only facility of PHC that received Medicare reimbursement in fiscal 2010 was Harbor Oaks. For the nine months ended March 31, 2011, 28.4% of revenues for Harbor Oaks and Seven Hills were derived from Medicare programs. Total revenue from Harbor Oaks and Seven Hills accounted for 39.0% of PHC's total net patient care revenues for the nine months ended March 31, 2011.

Effective for fiscal years beginning after January 1, 2005, the prospective payment system (PPS) was brought into effect for all psychiatric services paid through the Medicare program. For the nine months ended March 31, 2011, Medicare reimbursement rates were based 100% on the prospective payment rates. PHC will continue to file cost reports annually as required by Medicare to determine ongoing rates. These cost reports are routinely audited on an annual basis. Activity and cost report expense differences are reviewed on an interim basis and adjustments are made to the net expected collectable revenue accordingly. PHC believes that adequate provision has been made in the financial statements for any adjustments that might result from the outcome of Medicare audits. Approximately 25.2% and 27.6% of PHC's total revenue is derived from Medicare and Medicaid payors for the nine months ended March 31, 2011 and 2010, respectively. Differences between the amounts provided and subsequent settlements are recorded in operations in the year of the settlement. To date, settlement adjustments have not been material.

In order to receive Medicare reimbursement, each participating facility must meet the applicable conditions of participation set forth by the federal government relating to the type of facility, its equipment, its personnel and its standards of medical care, as well as compliance with all state and local laws and regulations. In addition, Medicare regulations generally require that entry into such facilities be through physician referral. PHC must offer services to Medicare recipients on a non-discriminatory basis and may not preferentially accept private pay or commercially insured patients. PHC currently meets all of these conditions and requirements and has systems in place to assure compliance in the future.

Medicaid Reimbursement

Currently, the only facilities of PHC that receive reimbursement under any state Medicaid program are Harbor Oaks and Detroit Behavioral Institute. A portion of Medicaid costs is paid by states under the Medicaid program and the federal matching payments are not made unless the state's portion is made. Accordingly, the timely receipt of Medicaid payments by a facility may be affected by the financial condition of the relevant state. For the nine months ended March 31, 2011, 16% of total net patient revenues of PHC were derived from Medicaid programs.

Harbor Oaks and Detroit Behavioral Institute are both participants in the Medicaid programs administered by the State of Michigan. PHC receives reimbursement on a per diem basis, inclusive of ancillary costs. The state determines the rate and adjusts it annually based on cost reports filed by PHC.

Fraud and Abuse Laws

Various federal and state laws regulate the business relationships and payment arrangements between providers and suppliers of health care services, including employment or service contracts, and investment relationships. These laws include the fraud and abuse provisions of the Medicare and Medicaid statutes as well

Table of Contents

as similar state statutes (collectively, the Fraud and Abuse Laws), which prohibit the payment, receipt, solicitation or offering of any direct or indirect remuneration intended to induce the referral of patients, and the ordering, arranging, or providing of covered services, items or equipment. Violations of these provisions may result in civil and criminal penalties and/or exclusion from participation in the Medicare, Medicaid and other government-sponsored programs. The federal government has issued regulations that set forth certain safe harbors, representing business relationships and payment arrangements that can safely be undertaken without violation of the federal Fraud and Abuse Laws. Failure to fall within a safe harbor does not constitute a per se violation of the federal Fraud and Abuse Laws. PHC believes that its business relationships and payment arrangements either fall within the safe harbors or otherwise comply with the Fraud and Abuse Laws.

PHC has an active compliance program in place with a corporate compliance officer and compliance liaisons at each facility and a toll free compliance hotline. Compliance in-services and trainings are conducted on a regular basis. Information on PHC's compliance program and its hot line number is available to its employees on PHC's intranet and to the public on PHC's website at www.phc-inc.com.

Employees

As of June 27, 2011, PHC had 775 employees of which four were dedicated to marketing, 39 (149 part time and three seasonal) to finance and administration and 209 (324 part time and 47 contingent) to patient care.

PHC believes that it has been successful in attracting skilled and experienced personnel. Competition for such employees is intense, however, and there can be no assurance that PHC will be able to attract and retain necessary qualified employees in the future. On July 31, 2003, PHC's largest facility, Harbor Oaks Hospital, with approximately 125 union eligible nursing and administrative employees, voted for union (UAW) representation. PHC and the UAW reached their first collective bargaining agreement in December 2004. The current agreement was negotiated in 2010 and will expire in December 2014. As of March 31, 2011, approximately 88% of the total number of employees of that subsidiary were covered by the collective bargaining agreement. In addition, in January, 2007, PHC's largest out-patient facility, Harmony Healthcare, with approximately 43 union eligible employees, voted for union (Teamsters) representation. In April, 2007, PHC and Teamsters reached a collective bargaining Agreement, which was signed by Teamsters on April 26, 2007 and PHC on April 30, 2007 to be effective January 1, 2007 and expiring on January 1, 2010. This agreement was extended while the new contract was being negotiated. PHC and Teamsters reached a new agreement which was ratified on July 11, 2010, and expires on January 1, 2013. As of March 31, 2011, approximately 25% of the total number of employees of that subsidiary were covered by the collective bargaining agreement.

The limited number of healthcare professionals in the areas in which PHC operates may create staffing shortages. PHC's success depends, in large part, on its ability to attract and retain highly qualified personnel, particularly skilled health care personnel, which are in short supply. PHC faces competition for such personnel from governmental agencies, health care providers and other companies and is constantly increasing its employee benefit programs, and related costs, to maintain required levels of skilled professionals. As a result of staffing shortages, PHC uses professional placement services to supply it with a pool of professionals from which to choose. These individuals generally are higher skilled, seasoned individuals who require higher salaries, richer benefit plans, and in some instances, require relocation. PHC has also entered into contracts with agencies to provide short-term interim staffing in addition to placement services. These additional costs impact PHC's profitability.

Insurance

Each of PHC's subsidiaries maintains professional liability insurance policies with coverage of \$1,000,000 per claim and \$3,000,000 in the aggregate. In addition to this coverage, all of the subsidiaries collectively maintain a

\$20,000,000 umbrella policy shared by all facilities. In addition, each of these entities maintains general liability insurance coverage, which includes business owner's liability insurance coverage, in similar amounts, as well as property insurance coverage.

PHC maintains \$1,000,000 of directors' and officers' liability insurance coverage. PHC believes, based on its experience, that its insurance coverage is adequate for its business and, although cost has escalated in recent years, that it will continue to be able to obtain adequate coverage.

Table of Contents

Legal Proceedings

In addition to the litigation described in *The Merger Litigation Relating to the Merger*, PHC is subject to various claims and legal action that arise in the ordinary course of business. In the opinion of management, PHC is not currently a party to any proceeding that would have a material adverse effect on its financial condition or results of operations.

Table of Contents

PHC MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the financial condition and results of operations of PHC for the nine months ended March 31, 2011 and 2010 and the years ended June 30, 2010 and 2009. You should read the following discussion of PHC's financial condition and results of operations in conjunction with PHC's consolidated financial statements and the related notes included elsewhere in this proxy statement/prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, including those set forth under the section entitled "Risk Factors - Risks Affecting Acadia, PHC and the Combined Company" and elsewhere in this proxy statement/prospectus, PHC's actual results may differ materially from those anticipated in these forward-looking statements.

Overview

PHC presently provides behavioral health care services through two substance abuse treatment centers, two psychiatric hospitals, a residential treatment facility and eight outpatient psychiatric centers (collectively called "treatment facilities"). PHC's revenue for providing behavioral health services through these facilities is derived from contracts with managed care companies, Medicare, Medicaid, state agencies, railroads, gaming industry corporations and individual clients. The profitability of PHC is largely dependent on the level of patient census and the payer mix at these treatment facilities. Patient census is measured by the number of days a client remains overnight at an inpatient facility or the number of visits or encounters with clients at outpatient clinics. Payer mix is determined by the source of payment to be received for each client being provided billable services. PHC's administrative expenses do not vary greatly as a percentage of total revenue but the percentage tends to decrease slightly as revenue increases. PHC's internet operation, Behavioral Health Online, Inc., continues to provide behavioral health information through its web site at Wellplace.com but its primary function is Internet technology support for the subsidiaries and their contracts. As such, the expenses related to Behavioral Health Online, Inc. are included as corporate expenses.

The healthcare industry is subject to extensive federal, state and local regulation governing, among other things, licensure and certification, conduct of operations, audit and retroactive adjustment of prior government billings and reimbursement. In addition, there are on-going debates and initiatives regarding the restructuring of the health care system in its entirety. The extent of any regulatory changes and their impact on PHC's business is unknown. The previous administration put forth proposals to mandate equality in the benefits available to those individuals suffering from mental illness (the "Parity Act"). The Parity Act is now law and its full implementation started January 1, 2011. This legislation has improved access to PHC's programs but its total effect on behavioral health providers cannot yet be assessed at this early stage. Managed care has had a profound impact on PHC's operations, in the form of shorter lengths of stay, extensive certification of benefits requirements and, in some cases, reduced payment for services. The current economic conditions continue to challenge PHC's profitability through increased uninsured patients in our fee for service business and increased utilization in our capitated business.

Critical Accounting Policies

The preparation of our financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including but not limited to those related to revenue recognition, accounts receivable reserves, income tax valuation allowances, and the impairment of goodwill and other intangible assets. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying

values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue recognition and accounts receivable:

Patient care revenues and accounts receivable are recorded at established billing rates or at the amount realizable under agreements with third-party payors, including Medicaid and Medicare. Revenues under third-party

Table of Contents

payor agreements are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated third party payor settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. Amounts due as a result of cost report settlements are recorded and listed separately on the consolidated balance sheets as Other receivables. The provision for contractual allowances is deducted directly from revenue and the net revenue amount is recorded as accounts receivable. The allowance for doubtful accounts does not include the contractual allowances.

PHC currently has two at-risk contracts. The contracts call for PHC to provide for all of the inpatient and outpatient behavioral health needs of the insurance carrier's enrollees in a specified area for a fixed monthly fee per member per month. Revenues are recorded monthly based on this formula and the expenses related to providing the services under these contracts are recorded as incurred. PHC provides as much of the care directly and, through utilization review, monitors closely, all inpatient and outpatient services not provided directly. The contracts are considered at-risk because the cost of providing the services, including payments to third-party providers for services rendered, could equal or exceed the total amount of the revenue recorded.

All revenues reported by PHC are shown net of estimated contractual adjustment and charity care provided. When payment is made, if the contractual adjustment is found to have been understated or overstated, appropriate adjustments are made in the period the payment is received in accordance with the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations. Net contractual adjustments recorded in the nine months ended March 31, 2011 for revenue booked in prior years resulted in a decrease in net revenue of approximately \$261,000. Net contractual adjustments recorded in the nine months ended March 31, 2010 for revenue booked in prior years resulted in a decrease in net revenue of approximately \$83,500.

For the nine months ended March 31, 2011, a Medicare cost report settlement in the amount of \$65,143 was recorded. For the nine months ended March 31, 2010, a total of \$92,267 in cost report settlements was recorded.

	Net Revenue by Payor					
	For the Nine Months Ended March,				For the Fiscal Year	
	2011		2010		Ended June 30	
	\$	%	\$	%	\$	%
	(In thousands)					
Private Pay	\$ 3,441	8	\$ 2,474	7	\$ 3,495	7
Commercial	27,130	65	24,195	66	32,915	66
Medicare*	4,656	11	2,099	6	3,237	7
Medicaid	6,744	16	7,685	21	10,000	20
Net Revenue	\$ 41,971		\$ 36,453		\$ 49,647	

* Includes Medicare settlement revenue as noted above.

Accounts Receivable Aging (Net of allowance for bad debts)

As of March 31, 2011 (in thousands)

Payor	Current	Over 30	Over 60	Over 90	Over 120	Over 150	Over 270	Over 360	Total
Private Pay	\$ 66	\$ 268	\$ 253	\$ 219	\$ 169	\$ 140	\$ 212	\$ 30	\$ 1,357
Commercial	3,420	870	301	204	125	88	146	16	5,170
Medicare	511	185	101	40	38	42	37	3	957
Medicaid	1,643	188	91	67	30	29	20	7	2,075
Total	\$ 5,640	\$ 1,511	\$ 746	\$ 530	\$ 362	\$ 299	\$ 415	\$ 56	\$ 9,559

Table of Contents**As of June 30, 2010**

Payor	Current	Over 30	Over 60	Over 90	Over 120	Over 150	Over 270	Over 360	Payor
Private Pay	\$	\$ 62	\$ 45	\$ 50	\$ 60	\$ 137	\$ 13	\$ 151	\$ 518
Commercial	3,074	795	529	364	285	374	27	52	5,500
Medicare	349	82	19	4	7	23			484
Medicaid	1,537	145	46	57	35	20	5	4	1,849
Total	\$ 4,960	\$ 1,084	\$ 639	\$ 475	\$ 387	\$ 554	\$ 45	\$ 207	\$ 8,351

PHC's days sales outstanding (DSO) are significantly different for each type of service and each facility based on the payors for each service. Overall, the DSO for the combined operations of PHC were 64 days at March 31, 2011 and 61 days at June 30, 2010. The table below shows the DSO by segment for the same periods.

Period End	Treatment Services	Contract Services
03/31/2011	62	74
6/30/2010	61	53

Contract support service revenue is a result of fixed fee contracts to provide telephone support. Revenue for these services is recognized ratably over the service period. Revenues and receivables from our contract services division are based on a prorated monthly allocation of the total contract amount and usually paid within 30 days of the end of the month. A recent large rate increase under one of these contracts artificially inflated the days outstanding calculation for the nine month period ended March 31, 2011.

Allowance for doubtful accounts:

The provision for bad debts is calculated based on a percentage of each aged accounts receivable category beginning at 0-5% on current accounts and increasing incrementally for each additional 30 days the account remains outstanding until the account is over 300 days outstanding, at which time the provision is 100% of the outstanding balance. These percentages vary by facility based on each facility's experience in and expectations for collecting older receivables. PHC compares this required reserve amount to the current Allowance for doubtful accounts to determine the required bad debt expense for the period. This method of determining the required Allowance for doubtful accounts has historically resulted in an allowance for doubtful accounts of 20% or greater of the total outstanding receivables balance.

Income Taxes:

PHC follows the liability method of accounting for income taxes, as set forth in ASC 740. ASC 740 prescribes an asset and liability approach, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of the assets and liabilities. PHC's policy is to record a valuation allowance against deferred tax assets unless it is more likely than not that such assets will be realized in future periods. During fiscal year 2010, PHC recorded a tax expense of \$1,106,100. For the

quarter and nine months ended March 31, 2011, PHC recorded estimated tax expense of \$299,266 and \$1,107,563, respectively, based on net income recorded to date and projected net income for the fiscal year.

In accordance with Accounting Standards Codification (ASC) 740, PHC may establish reserves for tax uncertainties that reflect the use of the comprehensive model for the recognition and measurement of uncertain tax positions. As of June 30, 2010 and March 31, 2011, PHC recorded a valuation allowance of \$150,103 against its deferred tax asset. This amount relates to Arizona state net operating loss carryovers. Tax authorities periodically challenge certain transactions and deductions reported on our income tax returns. We do not expect the outcome of these examinations, either individually or in the aggregate, to have a material adverse effect on our financial position, results of operations, or cash flows.

Table of Contents**Valuation of Goodwill and Other Intangible Assets:**

Goodwill and other intangible assets are initially created as a result of business combinations or acquisitions. PHC makes significant estimates and assumptions, which are derived from information obtained from the management of the acquired businesses and PHC's business plans for the acquired businesses in determining the value ascribed to the assets acquired. Critical estimates and assumptions used in the initial valuation of goodwill and other intangible assets include, but are not limited to: (i) future expected cash flows from services to be provided, (ii) customer contracts and relationships, and (iii) the acquired market position. These estimates and assumptions may be incomplete or inaccurate because unanticipated events and circumstances may occur. If estimates and assumptions used to initially value goodwill and intangible assets prove to be inaccurate, ongoing reviews of the carrying values of such goodwill and intangible assets may indicate impairment which will require PHC to record an impairment charge in the period in which PHC identifies the impairment.

Results of Operations**Nine months ended March 31, 2011 as compared to nine months ended March 31, 2010**

The following table illustrates our consolidated results of operations for the nine months ended March 31, 2011 and 2010:

Statement of Operations Data	For the Nine Months Ended March 31,			
	2011		2010	
	Amount	%	Amount	%
	(In thousands)			
Revenue	\$ 45,159	100.0	\$ 39,044	100.0
Cost and expenses:				
Patient care expenses	22,099	48.9	19,454	49.8
Contract expenses	2,543	5.6	2,203	5.7
Provision for bad debts	2,348	5.2	1,476	3.8
Administrative expenses	15,228	33.8	14,260	36.5
Legal settlement	446	1.0		
Interest expense	235	0.5	242	0.6
Other (income) expenses, net	(94)	(0.2)	(243)	(0.6)
Total costs and expenses	42,805	94.8	37,392	95.8
Income before income taxes	2,354	5.2	1,652	4.2
Income tax provision	1,108	2.4	671	1.7
Net income	\$ 1,246	2.8	\$ 981	2.5

Total net revenues from operations increased 15.7% to \$45,158,993 for the nine months ended March 31, 2011 from \$39,044,165 for the nine months ended March 31, 2010. This increase is due to increases in census at our in-patient facilities and a significant increase in contract support service revenue.

Net patient care revenue increased 15.1% to \$41,971,221 for the nine months ended March 31, 2011 from \$36,452,909 for the nine months ended March 31, 2010. This increase is primarily due to an overall increase in census at our inpatient facilities, including Seven Hills Hospital, Highland Ridge and Harbor Oaks. Census at our inpatient facilities increased 6.2% for the nine months ended March 31, 2011 compared to the same nine months last year. Included in the census are patients admitted to or being seen at our own facilities under capitated agreements held by sister companies. The revenues associated with these intercompany admissions and visits are eliminated in the consolidation, which may result in higher census and lower net revenue depending on the payor mix of other admissions.

Two key indicators of profitability of inpatient facilities are patient days, or census, and payor mix. Patient days is the product of the number of patients times length of stay. Increases in the number of patient days result in

Table of Contents

higher census, which coupled with a more favorable payor mix (more patients with higher paying insurance contracts or paying privately) will usually result in higher profitability. Therefore, patient census and payor mix are monitored very closely.

Contract support services revenue provided by Wellplace increased 23.0% to \$3,187,772 for the nine months ended March 31, 2011 from \$2,591,256 for the nine months ended March 31, 2010. This increase is due to expansion of the Wayne County call center contract in December 2010, which increased services provided and payment under the contract.

Patient care expenses in our treatment centers increased 13.6% to \$22,098,067 for the nine months ended March 31, 2011 from \$19,454,431 for the nine months ended March 31, 2010. This increase in expenses is due to increased census as noted above and higher utilization under the capitated contracts. The majority of the increases in expenses relate to direct care expenses such as payroll, taxes, consultant services and contract expenses which includes payment to unrelated facilities for bed days under the contract that we are unable to provide internally. Payroll and service related expenses increased 16.0% to \$17,114,884 for the nine months ended March 31, 2011 as compared to \$14,747,943 for the same period a year ago. Payroll tax expense increased 17.3% to \$1,229,478 for the nine months ended March 31, 2011 from \$1,048,122 for the same period last year. Contract expenses related to the capitated contracts remained relatively stable at \$3,998,876 for the nine months ended March 31, 2011 compared to \$3,997,514 for the same period a year ago. Medical records expense increased to \$225,076 for the nine months ended March 31, 2011 from \$840 for the same period a year ago. These expenses were included in consulting fees expenses in previous years when most facilities began outsourcing this service. Lab fees increased 23.9% to \$284,443 for the nine months ended March 31, 2011 from \$229,498 for the same period a year ago. Patient transportation expense decreased 11.8% to \$165,129 for the nine months ended March 31, 2011 from \$187,239 for the same period a year ago. Pharmacy expense decreased 2.7% to \$589,001 for the nine months ended March 31, 2011 from \$605,464 for the same period a year ago.

Contract support services expenses increased 15.5% to \$2,543,115 for the nine months ended March 31, 2011 from \$2,202,584 for the nine months ended March 31, 2010. This increase is due to expansion of the Wayne County call center contract in December 2010, which increased services provided and payment under the contract. The contract change not only required additional staff to support but an increase in the required level of education of the support staff.

Provision for bad debts increased 59.1% to \$2,348,205 for the nine months ended March 31, 2011 from \$1,476,128 for the nine months ended March 31, 2010. This bad debt expense is less than PHC's projected cost of 5% of net revenues and is largely attributable to the overall increase in receivables as a result of increased patient care revenue. PHC's policy is to maintain reserves based on the age of its receivables.

Administrative expenses increased 6.8% to \$15,228,490 for the nine months ended March 31, 2011 from \$14,259,979 for the nine months ended March 31, 2010. This includes approximately \$250,000 in start up expenses related to Renaissance Recovery, the new 24 bed adolescent Chemical Dependency facility which opened subsequent to quarter end. Administrative payroll increased 10.2% for the nine months ended March 31, 2011, respectively, compared to the same period a year ago. Marketing expense increased 35.8% for the nine months ended March 31, 2011, compared to the same period a year ago. Advertising expense increased 9.1% for the nine months ended March 31, 2011 as compared to the same period a year ago, as we advertised new programs and facilities. Employee benefits increased 30.1% for the nine months ended March 31, 2011 as compared to the same period a year ago.

A legal settlement expense of \$446,320 was recorded in the quarter ended March 31, 2011 relating to the ruling by the Michigan Supreme Court in favor of a terminated employee, upholding the 2008 decision of the Arbitrator. Since, prior to the ruling of the Michigan Supreme Court, PHC believed the decision of the Arbitrator was reached in error,

no charge was taken against income for the award until the final ruling of the Supreme Court in March 2011.

Interest income increased 83.6% to \$185,626 for the nine months ended March 31, 2011 from \$101,130 for the nine months ended March 31, 2010. This change is due to the interest paid and accrued related to the notes acquired from Bank of America in November 2010, which notes are secured by the property leased by Capstone Academy.

Table of Contents

Other income/expense decreased to an expense of \$91,821 for the nine months ended March 31, 2011 from income of \$141,921 for the nine months ended March 31, 2010. This decrease is due to approximately \$185,000 recorded as an expense that is estimated by PHC to be required as a non-voluntary contribution to the 401(k) plan as a result of prior year compliance test failures. With the assistance of counsel, PHC has filed the IRS Employee Plans Compliance Resolution Program (Rev Proc 2008-50) and is awaiting their response before taking further action toward resolution. The administration of PHC's 401(k) plan is outsourced to an independent third party provider, who has the responsibility to assure timely completion of the compliance testing of the plan.

Interest expense decreased 2.9% to \$234,912 for the nine months ended March 31, 2011 from \$241,998 for the nine months ended March 31, 2010. This decrease is primarily due to minor decreases in long-term debt.

PHC's income tax expense of \$1,107,563 for the nine months ended March 31, 2011 is based on an estimated combined tax rate of approximately 47% for both Federal and State taxes calculated using income before taxes for the nine months and projected net income for the fiscal year. If this estimate is found to be high or low, adjustments will be made in the period of the determination.

There are no trends that PHC expects will have a material impact on PHC's revenues or net income.

Year ended June 30, 2010 as compared to year ended June 30, 2009

During the fiscal year ended June 30, 2010, PHC experienced continued increases in census and patient treatment revenue while contract Services revenue decreased with changes in contracts.

The following table illustrates our consolidated results of operations for the years ended June 30, 2010 and 2009 (in thousands):

	2010		2009	
	Amount	%	Amount	%
	(\$ in thousands)			
Statements of Operations Data:				
Revenues	\$ 53,077	100.0	\$ 46,411	100.0
Cost and Expenses:				
Patient care expenses	26,307	49.5	23,835	51.4
Contract expenses	2,965	5.6	3,016	6.5
Provision for doubtful accounts	2,131	4.0	1,638	3.5
Administrative expenses	19,111	36.0	18,721	40.3
Interest expense	326	0.6	452	1.0
Other income including interest income, net	(289)	(0.5)	(275)	(0.6)
Total costs and expenses	50,551	95.2	47,387	102.1
Income (loss) before income taxes	2,526	4.8	(976)	(2.1)
Provision for income taxes	1,106	2.1	65	0.2
Net income (loss) from continuing operations	1,420	2.7	(1,041)	(2.3)
Net income (loss) from discontinued operations			(1,413)	(3.0)

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

Net income (loss) applicable to common shareholders	\$ 1,420	2.7	\$ (2,454)	(5.3)
---	----------	-----	------------	-------

PHC experienced continued profit from operations during fiscal 2010 with increases in census and revenue at Seven Hills and Capstone Academy and the shift in Harbor Oaks adjudicated unit to a chemical dependency and rehabilitation unit. PHC's income from continuing operations increased to income of \$1,419,662 for the fiscal year ended June 30, 2010 from a loss of \$1,041,375 for the fiscal year ended June 30, 2009. Net income increased to a net income of \$1,419,662 for the fiscal year ended June 30, 2010 compared to a net loss of \$2,454,008 for the fiscal year ended June 30, 2009. Income from continuing operations before taxes increased to an income of \$2,525,762 for the fiscal year ended June 30, 2010 from a loss of \$975,611 for the fiscal year ended June 30, 2009. This increase in profit is primarily a result of continued increases in census and revenue at Seven Hills Hospital, increased beds and

Table of Contents

census at Detroit Behavioral Institute's Capstone Academy and increased census at the chemical dependency unit at Harbor Oaks. General economic conditions continue to result in very high utilization of services under our capitated contracts resulting in higher than anticipated costs under the contracts. New rates under these contracts were negotiated and implemented in the third quarter of the fiscal year as utilization continued to be higher than anticipated. This continued high utilization is being reviewed and analyzed at this time to determine if additional rate increases are warranted under the contracts.

Total revenues increased 14.4% to \$53,077,226 for the year ended June 30, 2010 from \$46,411,019 for the year ended June 30, 2009.

Total net patient care revenue from all facilities increased 16.5% to \$49,647,395 for the year ended June 30, 2010 as compared to \$42,599,963 for the year ended June 30, 2009. Patient days increased 9,787 days for the fiscal year ending June 30, 2010 over the fiscal year ended June 30, 2009, which includes a 1,528 increase in bed days provided by Seven Hills Hospital for clients covered under the Harmony capitated contracts, which is recorded as intercompany revenue and eliminated in consolidation. In the last quarter of fiscal 2009, PHC added residential beds at Detroit Behavioral Institute, which accounted for 60% of the increase in patient days for the fiscal year ended June 30, 2010. The contracted rate for the residential beds is lower than that of our other facilities, which would negatively impact our revenue per patient day without positive changes in our census and payor mix at our other facilities.

Net inpatient care revenue from inpatient psychiatric services increased 25.8% to \$29,743,377 for the fiscal year ended June 30, 2010 from \$23,634,602 the fiscal year ended June 30, 2009. This increase is due to a change in payor mix to payors with more favorable approved rates and from the increase in residential treatment beds. Net partial hospitalization and outpatient care revenue increased 4.9% to \$19,904,018 for the fiscal year ended June 30, 2010 from \$18,965,362 for the year ended June 30, 2009. This increase is primarily due to a more favorable payor mix. Managed care continues to utilize these step-down programs as a treatment alternative to inpatient care. Wellplace revenues decreased 10.0% to \$3,429,831 for the fiscal year ended June 30, 2010 from \$3,811,056 for the year ended June 30, 2009 due to the expiration of the smoking cessation contract in the first quarter of fiscal 2009 and decreases in membership under the administrative contracts. All revenues reported in the accompanying consolidated statements of operations are shown net of estimated contractual adjustments and charity care provided. When payment is made, if the contractual adjustment is found to have been understated or overstated, appropriate adjustments are made in the period the payment is received in accordance with the AICPA Audit and Accounting Guide for Health Care Organizations.

Patient care expenses increased by \$2,471,987, or 10.4%, to \$26,306,828 for the year ended June 30, 2010 from \$23,834,841 for the year ended June 30, 2009 due to the increase in available beds contributing to the increase in patient census at our inpatient facilities and increased utilization under our capitated contracts. Inpatient census increased by 9,787 patient days, 16.5%, for the year ended June 30, 2010 compared to the year ended June 30, 2009. Contract expense, which includes the cost of outside service providers for our capitated contracts, increased 12.2% to \$5,300,747 for the year ended June 30, 2010 from \$4,723,122 for the year ended June 30, 2009 due to high utilization under the capitated contracts. Payroll and service related consulting expenses, including agency nursing, increased 13.7% to \$21,533,585 for the year ended June 30, 2010 from \$18,946,118 for the year ended June 30, 2009. Food and dietary expense increased 16.1% to \$1,108,691 for the year ended June 30, 2010 from \$954,654 for the year ended June 30, 2009. Hospital supplies expense increased 32.4% to \$125,367 for the year ended June 30, 2010 from \$94,707 for the year ended June 30, 2009. Housekeeping expense increased 11.9% to \$154,013 for the year ended June 30, 2010 from \$137,649 for the year ended June 30, 2009. Lab fees increased 11.1% to \$298,068 for the year ended June 30, 2010 from \$268,373 for the year ended June 30, 2009. All of these increases were a result of increased patient census. We continue to closely monitor the ordering of all hospital supplies, food and pharmaceutical supplies, but these expenses all relate directly to the number of days of inpatient services we provide and are expected to increase with higher patient census and outpatient visits.

Cost of contract support services related to Wellplace decreased 1.7% to \$2,964,621 for the year ended June 30, 2010 from \$3,015,782 for the year ended June 30, 2009. Payroll tax expense increased 16.7% to \$143,767 for the year ended June 30, 2010 from \$123,203 for the year ended June 30, 2009 primarily due to increased unemployment taxes. Employee benefits increased to \$133,292 for the fiscal year ended June 30, 2010 from

Table of Contents

\$119,564 for the fiscal year ended June 30, 2009 due to increased health insurance premiums with some reductions in employee contributions. Office expense increased 62.6% to \$39,091 for the year ended June 30, 2010 from \$24,040 for the year ended June 30, 2009. These increases in expense are partially the result of increased contract requirements. Maintenance decreased 29.9% to \$52,418 for the fiscal year ended June 30, 2010 from \$74,788 for the year ended June 30, 2009 due to the elimination of maintenance on the Smoking Cessation software. This decrease in maintenance services offset the increases in expenses listed above with only minor decreases in other expense categories.

Provision for bad debts increased 30.1% to \$2,131,392 for the fiscal year ended June 30, 2010 from \$1,637,738 for the fiscal year ended June 30, 2009. This increase is a result of increases in accounts receivable stemming from increases in revenue and the increase in aged accounts as the economic situation makes co-payments more difficult to collect timely. The policy of PHC is to provide an allowance for doubtful accounts based on the age of receivables resulting in higher bad debt expense as receivables age. The goal of PHC, given this policy, is to keep any changes in the provision for doubtful accounts at a rate lower than changes in aged accounts receivable.

The environment PHC operates in today makes collection of receivables, particularly older receivables, more difficult than in previous years. Accordingly, PHC has increased staff, standardized some procedures for collecting receivables and instituted a more aggressive collection policy, which has for the most part resulted in an overall decrease in the age of its accounts receivable. PHC's gross receivables from direct patient care increased 31.4% to \$11,536,637 for the year ended June 30, 2010 from \$8,781,311 for the year ended June 30, 2009. PHC believes bad debt expense of less than 5% is acceptable and its reserve of approximately 26% of accounts receivable is sufficient based on the age of the receivables. We continue to reserve for bad debt based on managed care denials and past difficulty in collections. The growth of managed care has negatively impacted reimbursement for behavioral health services with higher contractual adjustments and a higher rate of denials creating slower payment requiring higher reserves and write offs.

Total administrative expenses increased 2.1% to \$19,110,638 for the year ended June 30, 2010 from \$18,721,491 for the year ended June 30, 2009. Payroll and consultant expense increased 12.7% to \$7,623,957 for the year ended June 30, 2010 from \$6,760,875 for the year ended June 30, 2009. Employee benefits increased 16.4% to \$1,107,740 for the year ended June 30, 2010 from \$951,413 for the year ended June 30, 2009. All of these increases in payroll and employee related expenses are a result of an increase in staff to facilitate increased operations. Maintenance expense increased 11.9% to \$674,129 for the year ended June 30, 2010 from \$602,596 for the year ended June 30, 2009 as Seven Hills moved to an outside provider for this service and several older buildings had higher maintenance costs during the year. Marketing expense increased 40.5% to \$189,727 for the year ended June 30, 2010 from \$135,000 for the year ended June 30, 2009 as we increased marketing activities surrounding Seven Hills and increased internet marketing.

Interest expense decreased 27.8% to \$326,582 for the year ended June 30, 2010 from \$452,207 for the year ended June 30, 2009. This decrease is primarily due to expensive short-term borrowings required during the March 31, 2009 quarter prior to the sale of the research division. This short term borrowing carried with it high origination fees and high interest expense. PHC recorded income tax expense of \$1,106,100 for the year ended June 30, 2010 based on an estimated combined tax rate of approximately 44% for both Federal and State taxes. PHC recorded a tax expense on continuing operations of \$65,764 on a loss of approximately \$976,000 for the fiscal year ended June 30, 2009. PHC expects the combined effective income tax rate to remain consistent as our highest revenue producing facilities are located in States with higher tax rates.

Liquidity and Capital Resources Nine months ended March 31, 2011

PHC's net cash provided by operating activities was \$641,917 for the nine months ended March 31, 2011 compared to \$641,405 for the nine months ended March 31, 2010. Cash flow provided by operations in the nine months ended

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

March 31, 2011 consists of net income of \$1,246,126, non-cash activity including depreciation and amortization of \$832,789, non cash interest expense of \$109,898, non-cash share based compensation charges of \$144,213, provision for doubtful accounts of \$2,348,205, offset by earnings from unconsolidated subsidiaries of \$26,210. Cash was also provided by a \$260,037 decrease in other assets and a \$229,016 increase in accrued

Table of Contents

expenses and other liabilities offset by a \$64,740 increase in accounts payable, a \$4,188,180 increase in accounts receivable and a \$249,237 increase in prepaid expenses.

Cash used in investing activities of \$1,790,532 in the nine months ended March 31, 2011 consisted of \$892,951 in capital expenditures, \$28,360 used in the purchase of licenses and \$1,001,934 used to acquire Notes receivable, offset by \$72,980 received from PHC's investment in unconsolidated subsidiaries and \$59,733 received in payment of notes receivable, compared to \$627,556 in capital expenditures, \$22,210 used in the purchase of licenses offset by \$33,528 received from PHC's investment in unconsolidated subsidiaries during the same period last year. PHC expects similar capital expenditures going forward.

Cash used in financing activities of \$587,811 in the nine months ended March 31, 2011 consisted of net proceeds from borrowings of \$137,532 and proceeds from the issuance of common stock of \$58,568, offset by payments on long term debt of \$568,584 and the acquisition of treasury stock of \$215,327.

A significant factor in the liquidity and cash flow of PHC is the timely collection of its accounts receivable. As of March 31, 2011, accounts receivable from patient care, net of allowance for doubtful accounts, increased 14.5% to \$9,559,280 from \$8,351,314 on June 30, 2010. This increase is a result of increased revenue from Seven Hills Hospital and Highland Ridge. PHC monitors increases in accounts receivable closely and, based on the aging of the receivables outstanding, is confident that the increase is not indicative of a payor problem. Over the years, we have increased staff, standardized some procedures for determining insurance eligibility and collecting receivables and established a more aggressive collection policy. The increased staff has allowed PHC to concentrate on current accounts receivable and resolve any issues before they become uncollectible. PHC's collection policy calls for earlier contact with insurance carriers with regard to payment, use of fax and registered mail to follow-up or resubmit claims and earlier employment of collection agencies to assist in the collection process. Our collectors will also seek assistance through every legal means, including the State Insurance Commissioner's office, when appropriate, to collect claims. In light of the current economy PHC has redoubled its efforts to collect accounts early. PHC will continue to closely monitor reserves for bad debt based on potential insurance denials and past difficulty in collections.

Contractual Obligations

PHC's future minimum payments under contractual obligations related to capital leases, operating leases and term notes as of March 31, 2011 are as follows (in thousands):

Year Ending March 31,	Term Notes		Capital Leases		Operating Leases	Total*
	Principal	Interest	Principal	Interest		
2012	\$ 534	\$ 9	\$ 48	\$ 2	\$ 3,469	\$ 4,062
2013	54	4			3,166	3,224
2014	16				2,911	2,927
2015					2,605	2,605
2016					2,358	2,358
Thereafter					5,877	5,877
Total	\$ 604	\$ 13	\$ 48	\$ 2	\$ 20,386	\$ 21,053

* Total does not include the amount due under the revolving credit note of \$1,473,557. This amount represents amounts advanced on the accounts receivable funding described below and is shown as a current note payable in the accompanying financial statements.

In October 2004, PHC entered into a revolving credit, term loan and security agreement with CapitalSource Finance, LLC to replace PHC's primary lender and provide additional liquidity. Each of PHC's material subsidiaries is a co-borrower under the agreement. This agreement was amended on June 13, 2007 to increase the amount available under the term loan, extend the term, decrease the interest rates and modify the covenants based on PHC's current financial position. The agreement now includes a term loan in the amount of \$3,000,000, with a balance of \$1,473,557 at March 31, 2011, and an accounts receivable funding revolving credit agreement with a maximum

Table of Contents

loan amount of \$3,500,000 and a current balance of \$485,000. In conjunction with this refinancing, PHC paid \$32,500 in commitment fees and approximately \$53,000 in legal fees and issued a warrant to purchase 250,000 shares of Class A Common Stock at \$3.09 per share valued at \$456,880. The relative fair value of the warrants was recorded as deferred financing costs and is being amortized over the period of the loan as additional interest.

The term loan note carries interest at prime plus .75%, but not less than 6.25%, with twelve monthly reductions in available credit of \$50,000 beginning July 1, 2007 and increasing to \$62,500 on July 1, 2009 until the expiration of the loan. As of March 31, 2011, there were no funds available under the term loan. PHC believes refinancing of this term loan would be available if required for acquisitions.

The revolving credit note carries interest at prime (3.25% at March 31, 2011) plus 0.25%, but not less than 4.75% paid through lockbox payments of third party accounts receivable. The revolving credit term is three years, renewable for two additional one-year terms. The balance on the revolving credit agreement as of March 31, 2011 was \$1,473,557. The balance outstanding as of March 31, 2011 for the revolving credit note is not included in the above table. The average interest rate paid on the revolving credit loan, which includes the amortization of deferred financing costs related to the financing of the debt, was 8.58%.

This agreement was amended on June 13, 2007 to modify the terms of the agreement. Advances are available based on a percentage of accounts receivable and the payment of principal is payable upon receipt of proceeds of the accounts receivable. The amended term of the agreement is for two years, automatically renewable for two additional one year terms. Upon expiration, all remaining principal and interest are due. The revolving credit note is collateralized by substantially all of the assets of PHC's subsidiaries and guaranteed by PHC. Availability under this agreement is based on eligible accounts receivable and fluctuates with the accounts receivable balance and aging.

Liquidity and Capital Resources Year ended June 30, 2010

As of June 30, 2010, PHC had working capital of \$8,197,234, including cash and cash equivalents of \$4,540,278, compared to working capital of \$6,081,980, including cash and cash equivalents of \$3,199,344 at June 30, 2009.

Cash provided by operating activities was \$2,193,930 for the year ended June 30, 2010, compared to cash used in operating activities of \$507,805 for the year ended June 30, 2009. Cash flow used in operations in fiscal 2010 consists of net income of \$1,419,662, increased by non-cash activity including depreciation and amortization of \$1,156,569, non-cash interest expense of \$146,531, change in deferred tax asset of \$185,093, non-cash share based charges of \$221,404, provision for doubtful accounts of \$2,131,392, offset by a non-cash gain on investments in unconsolidated subsidiaries of \$17,562. Further offset by an increase in accounts receivable of \$4,033,019, and an increase in other assets of \$12,910, an increase in prepaid expenses of \$15,136, offset by an increase in accounts payable of \$214,238, an increase in accrued expenses and other liabilities of \$744,026 and an increase in income taxes payable of \$23,991.

Cash used in investing activities in fiscal 2010 consisted of \$751,843 used for capital expenditures for the acquisition of property and equipment and \$22,208 used in the purchase of software licenses offset by \$33,528 in distributions from the equity investments in unconsolidated subsidiaries.

Cash used in financing activities in fiscal 2010 consisted of \$316,422 in net borrowings under PHC's debt facilities and \$467,700 used in the repurchase of 414,057 shares of PHC's Class A Common Stock, offset by \$38,805 received from the issuance of stock as a result of the exercise of options and the issue of shares under the employee stock purchase plan.

A significant factor in the liquidity and cash flow of PHC is the timely collection of its accounts receivable. As of June 30, 2010, accounts receivable from patient care, net of allowance for doubtful accounts, increased approximately

31.5% to \$8,351,314 from \$6,350,693 on June 30, 2009. This increase is due to increased revenue and slower payments from insurance payors. PHC's goal is to maintain or improve the aging of its accounts receivable. Better accounts receivable management due to increased staff, standardization of some procedures for collecting receivables and a more aggressive collection policy has made this possible in behavioral health, which is typically a difficult collection environment. Increased staff has allowed PHC to concentrate on current accounts

Table of Contents

receivable and resolve any problem issues before they become uncollectible. PHC's collection policy calls for early contact with insurance carriers with regard to payment, use of fax and registered mail to follow-up or resubmit claims and earlier employment of collection agencies to assist in the collection process. PHC's collectors will also seek assistance through every legal means, including the State Insurance Commissioner's office, when appropriate, to collect claims. At the same time, PHC continues to closely monitor allowance for bad debt based on potential insurance denials and past difficulty in collections.

On June 30, 2010, the term loan balance was \$935,000 and the revolving credit agreement balance was \$1,336,025.

On February 5, 2009, PHC signed the first amendment to the amended and restated revolving credit term loan and security agreement as outlined above, to increase availability under its revolving credit line for six months or until the Pivotal sale was complete (the overline). The interest rate on the overline was prime plus 3.25% with an origination fee of \$25,000. In addition to increasing the availability for borrowing as noted above, it provided for additional availability of \$200,000 as part of this short-term borrowing. This overline was paid in full from operations prior to the closing of Pivotal.

Restricted Cash

During the quarter ended December 31, 2008, certain litigation involving PHC and a terminated employee reached binding arbitration. As a result of this arbitration, the arbitrator awarded the employee approximately \$410,000 plus costs. In the calculation of the amount awarded, PHC believed the arbitrator erroneously took into consideration an employment agreement that was not in question and not terminated by PHC. Based on this miscalculation, PHC's attorney recommended an appeal, which PHC initiated. During the quarter ended March 31, 2010, the Michigan Court of Appeals denied the appeal. PHC then filed an appeal with the Michigan Supreme Court. Since PHC and its attorney expected a favorable outcome, no provision was made for this judgment in the financial statements for the period ended June 30, 2010; however, PHC placed \$512,197 in escrow as required by the courts. This amount is shown as restricted cash on PHC's balance sheet as of June 30, 2010. Subsequent to June 30, 2010, the Michigan Supreme Court found in favor of the terminated employee requiring PHC to pay \$446,320, which includes accrued interest, to the terminated employee to satisfy this judgment. This amount is shown as a legal settlement expense in the statement of operations for the nine months ended March 31, 2011.

Off Balance Sheet Arrangements

PHC has no off-balance-sheet arrangements that have or are reasonably likely to have a current or future effect on PHC's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to PHC.

Financing in connection with MeadowWood Acquisition

On July 1, 2011, concurrent with the closing on the purchase of MeadowWood, PHC and its subsidiaries entered into a Credit Agreement with the lenders party thereto (the Lenders), Jefferies Finance LLC, as administrative agent, arranger, book manager, collateral agent, and documentation agent for the Lenders, and as syndication agent and swingline lender, and Jefferies Group, Inc., as issuing bank (the Credit Agreement). The terms of the Credit Agreement provide for (i) a \$23,500,000 senior secured term loan facility (the Term Loan Facility) and (ii) up to \$3,000,000 senior secured revolving credit facility (the Revolving Credit Facility), both of which were fully borrowed upon the closing in order to finance the MeadowWood purchase, to pay off PHC's existing loan facility with CapitalSource Finance LLC, for miscellaneous costs, fees and expenses related to the Credit Agreement and the MeadowWood purchase, and for general working capital purposes. The Term Loan Facility and Revolving Credit Facility mature on July 1, 2014, and 0.25% of the principal amount of the Term Loan Facility will be required to be

repaid each quarter during the term. PHC's current and future subsidiaries are required to jointly and severally guarantee PHC's obligations under the Credit Agreement, and PHC and its subsidiaries' obligations under the Credit Agreement are secured by substantially all of their assets.

The Term Loan Facility and the Revolving Credit Facility bear interest, at the option of PHC, at (a) the Adjusted LIBOR Rate (will in no event be less than 1.75%) plus the Applicable Margin (as defined below) or (b) the highest of (x) the U.S. prime rate, (y) the Federal Funds Effective Rate plus 0.50% and (z) the Adjusted LIBOR Rate plus 1% per annum (the Alternate Base Rate), plus the Applicable Margin. The Applicable Margin shall mean

Table of Contents

5.5% per annum, in the case of Eurodollar loans, and 4.5% per annum, in the case of Alternate Base Rate loans. The Credit Agreement permits optional prepayments of the Term Loan Facility and the Revolving Credit Facility at any time without premium or penalty. PHC is required to make mandatory prepayments of amounts outstanding under the Credit Agreement with: (i) 100% of the net proceeds received from certain sales or other dispositions of all or any part of PHC's and its subsidiaries' assets, (ii) 100% of the net proceeds received by PHC or any of its subsidiaries from the issuance of certain debt or preferred stock, (iii) 100% of the net proceeds of the sale of certain equity, (iv) 100% of extraordinary receipts, (v) 100% of certain casualty and condemnation proceeds received by PHC or any of its subsidiaries, and (vi) 75% of PHC's consolidated excess cash flow.

The Credit Agreement contains affirmative and negative covenants reasonably customary for similar credit facilities, including a capital expenditures limitation of \$3,800,000 for each fiscal year during the term and a requirement for PHC to maintain a minimum consolidated EBITDA, which increases during the term. In addition, PHC must maintain (i) a maximum total leverage ratio, which decreases during the term from 4.00 to 1.0 for the period ended September 30, 2011 to 1.50 to 1.0 for the period ended September 30, 2014 and (ii) a minimum consolidated fixed cover charge ratio, which increases during the term from 1.25 to 1.0 for the period ended September 30, 2011 to 2.25 to 1.0 for the period ended June 30, 2014 and 2.00 to 1.0 for the period ended September 30, 2014. In addition, no later than the 180th day after the Closing Date, PHC must enter into, and for a minimum of 18 months thereafter maintain, hedging agreements that result in at least 50% of the aggregate principal amount of the Term Loan Facility being effectively subject to a fixed or maximum interest rate acceptable to the administrative agent.

The Credit Agreement contains customary events of default, including payment defaults, making of a materially false or misleading representation or warranty, covenant defaults, cross defaults to certain material indebtedness, certain events of bankruptcy and insolvency, certain material events under ERISA, material judgments, loss of Lenders' lien priority, exclusion from a medical reimbursement program and a change of control. Upon an event of default, the administrative agent, at the request of the Lenders, is entitled to take various actions, including terminate the commitments to make the Term Loan Facility and Revolving Credit Facility available to PHC, accelerate the amounts due under the Credit Agreement and the other loan documents, and pursue any other rights or remedies available under applicable law.

The applicable interest rates will be subject to increase in certain circumstances. PHC paid certain fees in connection with the closing and will be required to pay certain additional fees in connection with the maintenance and administration of the loans, including a \$100,000 per year administration fee, a duration fee that increases the longer the Term Loan Facility and the Revolving Credit Facility remain outstanding, and all reasonable costs and expenses incurred by the arranger, administrative agent, collateral agent, issuing bank and swingline lender with respect to the Term Loan Facility and the Revolving Credit Facility.

Table of Contents**PHC PRINCIPAL STOCKHOLDERS**

The following table sets forth certain information regarding the ownership of shares of PHC's Class A Common Stock and Class B Common Stock (the only classes of common stock of PHC currently outstanding) as of June 30, 2011 by each person known by PHC to beneficially own more than 5% of any class of PHC's voting securities, each director of PHC, each of the named executive officers of PHC and all directors and officers of PHC. Shares of common stock subject to stock options vesting on or before August 29, 2011 (within 60 days of June 30, 2011) are deemed to be outstanding and beneficially owned for purposes of computing the percentage ownership of such person but are not treated as outstanding for purposes of computing the percentage ownership of others.

Unless otherwise indicated below, to the knowledge of PHC, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. In preparing the following table, PHC has relied on the information furnished by the persons listed below:

Beneficial Owners 5% (Class A Common Stock)

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(11)	Percent of Class
Marathon Capital Mgmt, LLC 4 North Park Drive, Suite 106 Hunt Valley, MD 21030	2,022,700	10.8%
Camden Partners Capital Management LLC 500 East Pratt Street, Suite 1200 Baltimore, MD 21202	1,365,428	7.3%
RENN Capital Group 8080 N. Central Expy, Suite 210 LB 59 Dallas, TX 75206	1,049,900	5.6%

Beneficial Ownership of Named Executive Officers and Directors

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(12)	Percent of Class
<i>Class A Common Stock</i>		
Bruce A. Shear	744,995(1)	3.9%
Robert H. Boswell	276,682(2)	1.4%
Paula C. Wurts	225,816(3)	1.2%
Howard W. Phillips	243,750(4)	1.3%
Donald E. Robar	229,167(5)	1.2%

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

William F. Grieco	324,500(6)	1.7%
David E. Dangerfield	144,940(7)	*
Douglas J. Smith	5,000(8)	*
All Directors and Officers as a Group (8 persons)	2,194,850(9)	11.2%
<i>Class B Common Stock (10)</i>		
Bruce A. Shear	721,259	93.2%
All Directors and Officers as a Group (8 persons)	721,259	93.2%

(1) Includes 150,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price range of \$1.08 to \$2.95 per share.

(2) Includes 70,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options at an exercise price range of \$1.08 to \$2.95 per share.

Table of Contents

- (3) Includes 70,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price range of \$1.08 to \$2.95 per share.
- (4) Includes 90,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options having an exercise price range of \$1.08 to \$3.18 per share.
- (5) Includes 125,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options having an exercise price range of \$1.08 to \$3.18 per share.
- (6) Includes 162,500 shares of Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price range of \$.55 to \$3.18 per share.
- (7) Includes 115,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price range of \$1.08 to \$3.18 per share.
- (8) Includes 5,000 shares of Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price of \$1.65 per share.
- (9) Includes an aggregate of 787,500 shares of Class A Common Stock issuable pursuant to currently exercisable stock options. Of those options, 80,000 have an exercise price of \$3.18 per share, 30,000 have an exercise price of \$2.95 per share, 40,000 have an exercise price of \$2.90 per share, 80,000 have an exercise price of \$2.84 per share, 30,000 have an exercise price of \$2.83 per share, 40,000 have an exercise price of \$2.75 per share, 60,000 have an exercise price of \$2.11 per share, 30,000 have an exercise price of \$2.06 per share, 25,000 have an exercise price of \$1.65 per share, 60,000 have an exercise price of \$1.50 per share, 30,000 have an exercise price of \$1.48 per share, 20,000 have an exercise price of \$1.33 per share, 80,000 have an exercise price of \$1.25 per share, 60,000 have an exercise price of \$1.20 per share, 85,000 have an exercise price of \$1.08 per share, 10,000 have an exercise price of \$.75 per share, 10,000 have an exercise price of \$0.74 per share and 17,500 have an exercise price of \$0.55 per share.
- (10) Each share of Class B Common Stock is convertible into one share of Class A Common Stock automatically upon any sale or transfer or at any time at the option of the holder.
- (11) Amount and Nature of Beneficial Ownership . Each share of Class A Common Stock is entitled to one vote per share and each share of Class B Common Stock is entitled to five votes per share on all matters on which stockholders may vote (except that the holders of the Class A Common Stock are entitled to elect two members of the PHC board of directors and holders of the Class B Common Stock are entitled to elect all the remaining members of the PHC board of directors).

By virtue of the fact that Mr. Shear owns 93% of the Class B shares and the Class B shareholders have the right to elect all of the directors except the two directors elected by the Class A shareholders, Mr. Shear has the right to elect the majority of the members of the PHC board of directors and may be deemed to be in control of PHC.

Based on the number of shares listed under the column headed Amount and Nature of Beneficial Ownership, the following persons or groups held the following percentages of voting rights for all shares of common stock combined as of June 30, 2011:

Bruce A. Shear

19.10%

All Directors and Officers as a Group (8 persons)

24.77%

PHC INTERESTED TRANSACTIONS

During the quarter ended March 31, 2009, the PHC board of directors voted by unanimous written consent to allow short-term borrowing from related parties up to a maximum of \$500,000, with an annual interest rate of 12% and a 2% origination fee. PHC utilized this funding during the March 31, 2009 quarter for a total of \$275,000 as follows:

Related Party	Amount
Eric E. Shear	\$ 200,000
Stephen J. Shear	75,000

Table of Contents

Both individuals are brothers of Bruce A. Shear, PHC's Chief Executive Officer and President of the PHC board of directors. This amount was paid in full in March 2009.

In addition, during fiscal year ended June 30, 2009, PHC repurchased shares from beneficial owners of PHC as shown below:

Related Party	Number of Shares	Amount
Camden Partners Limited Partnership, Camden Partners II Limited Partnership and Camden Partners Capital Management, LLC	146,024	\$ 235,099
First Quadrant Mercury, L.P.	53,976	\$ 86,901
Total	200,000	322,000

There were no related party transactions in PHC's fiscal years ended June 30, 2008 or June 30, 2010 or from July 1, 2010 through June 30, 2011.

Before entering into any contract or agreement involving a related party the PHC board of directors reviews and approves the transaction. In the event one of the related parties is a member of the PHC board of directors, that member of the board recuses himself from participation in the discussion or approval of the transaction.

DESCRIPTION OF ACADIA CAPITAL STOCK

General

As of the closing of the merger, the amended and restated certificate of incorporation of Acadia will authorize 90,000,000 shares of common stock, \$0.01 par value, and 10,000,000 shares of preferred stock, \$0.01 par value. The following description of Acadia's capital stock is subject to and qualified by Acadia's amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this proxy statement/prospectus forms a part, and by the applicable provisions of Delaware law.

Common Stock

Voting Rights

Each share of common stock entitles the holder to one vote with respect to each matter presented to Acadia's stockholders on which the holders of common stock are entitled to vote. Acadia's common stock will vote as a single class on all matters relating to the election and removal of directors on the Acadia board of directors and as provided by law. Holders of Acadia's common stock will not have cumulative voting rights. Except in respect of matters relating to the election of directors, or as otherwise provided in Acadia's amended and restated certificate of incorporation or required by law, all matters to be voted on by Acadia's stockholders must be approved by a majority of the shares present in person or by proxy at the meeting at which a quorum is present and entitled to vote on the subject matter. The holders of a majority of the outstanding voting power of all shares of capital stock entitled to vote, present in person or represented by proxy, will constitute a quorum at all meetings of the Acadia stockholders. In the case of the election of directors, all matters to be voted on by Acadia's stockholders must be approved by a plurality of the shares present in person or by proxy at the meeting and entitled to vote on the election of directors.

Dividend Rights

The holders of Acadia's outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by the Acadia board of directors out of legally available funds. Acadia's ability to pay dividends on its common stock will be limited by restrictions on the ability of its subsidiaries to pay dividends or make distributions to it, including restrictions under the terms of the agreements governing Acadia's indebtedness. See The Merger Acadia's Financing for the Merger.

Table of Contents

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Acadia's affairs, holders of Acadia's common stock would be entitled to share ratably in Acadia's assets that are legally available for distribution to stockholders after payment of Acadia's debts and other liabilities. If Acadia has any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences. In either such case, Acadia must pay the applicable distribution to the holders of its preferred stock, if any, before Acadia may pay distributions to the holders of its common stock.

Other Rights

Acadia's stockholders will have no preemptive, conversion or other rights to subscribe for additional shares. All outstanding shares are, and all shares offered by this proxy statement/prospectus will be, when sold, validly issued fully paid and nonassessable. The rights, preferences and privileges of the holders of Acadia's common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Acadia's preferred stock that the Acadia board of directors may designate and issue in the future.

Listing

Acadia intends to apply to have its common stock approved for listing on NASDAQ under the symbol _____.

Transfer Agent and Registrar

The transfer agent and registrar for Acadia's common stock will be _____.

Preferred Stock

Acadia's amended and restated certificate of incorporation will authorize the Acadia board of directors to provide for the issuance of shares of preferred stock in one or more series and to fix the preferences, powers and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference, and to fix the number of shares to be included in any such series without any further vote or action by Acadia's stockholders. Any preferred stock so issued may rank senior to Acadia's common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up, or both. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Acadia without further action by its stockholders and may adversely affect the voting and other rights of the holders of its common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of Acadia common stock, including the loss of voting control to others. At present, Acadia has no plans to issue any preferred stock.

Stock Options

In accordance with the terms of the merger agreement, as of the effective time of the merger, each then outstanding option to purchase shares of PHC common stock, whether vested or unvested, issued pursuant to PHC's 1995 Non-Employee Director Stock Option Plan (as amended December 2002), PHC's 1995 Employee Stock Purchase Plan (as amended December 2002), PHC's 1993 Stock Purchase and Option Plan (as amended December 2002), PHC's 2004 Non-Employee Director Stock Option Plan, PHC's 2005 Employee Stock Purchase Plan or PHC's 2003 Stock Purchase and Option Plan (as amended December 2007) will be assumed by Acadia and will, by virtue of the merger and without any action on the part of the holder thereof, be converted into an option to purchase one-quarter (1/4) of one share of Acadia common stock for each share of PHC common stock subject to such stock option and the per share

exercise price for Acadia common stock issuable upon the exercise of such assumed stock option will be equal to (i) the exercise price per share of PHC common stock at which such PHC stock option was exercisable immediately prior to the effective time of the merger *multiplied by* (ii) four (4) (rounded up to the nearest whole cent and as adjusted so as to comply with the regulations under Section 409A of the Code).

Table of Contents

Except with respect to options held by the PHC directors (other than Mr. Shear), the assumed stock options will be subject to the same terms and conditions (including expiration date and exercise provisions as contemplated by the related PHC stock option plans) as were applicable to such PHC stock options immediately prior to the effective time of the merger. See The Merger Assumption of Stock Options.

As of May 23, 2011, vested and unvested stock options exercisable for 1,287,250 shares of PHC's Class A Common Stock remained outstanding.

Warrants

In accordance with the terms of the merger agreement, as of the effective time of the merger, each outstanding warrant to purchase shares of PHC common stock will be assumed by Acadia and will, by virtue of the merger and without any action on the part of the holder thereof, be converted into a warrant to purchase one-quarter of one share of Acadia common stock for each share of PHC common stock subject to such PHC warrant and the per share exercise price for Acadia common stock issuable upon the exercise of such assumed warrant will be equal to (i) the exercise price per share of PHC common stock at which such PHC warrant was exercisable immediately prior to the effective time of the merger *multiplied by* (ii) four (4) (rounded up to the nearest whole cent and as adjusted so as to comply with the regulations under Section 409A of the Code). Except as otherwise provided herein, the assumed warrants will be subject to the same terms and conditions (including expiration date and exercise provisions as contemplated by the applicable award agreement) as were applicable to the corresponding PHC warrant immediately prior to the effective time of the merger.

As of May 23, 2011, warrants exercisable for 343,000 shares of PHC's Class A Common Stock were issued and outstanding. These warrants consist of one warrant to purchase 250,000 shares of PHC's Class A Common Stock at a price of \$3.09 per share which expires in June 2017. The remaining warrants have an exercise price of \$3.50 and expiration dates ranging from September 2012 to February 2014.

Board of Directors Composition

The stockholders agreement to be entered into among Acadia and the Stockholders named therein in connection with the closing of the merger will provide that so long as the WCP Investors (as defined therein) retain voting control over at least 50% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate seven (7) representatives to the Acadia board of directors, four (4) of which will be designated as Class I directors and three (3) of which will be designated as Class II directors. From and after the date on which the WCP Investors cease to have voting control over at least 50% of the outstanding voting securities of Acadia and for so long as the WCP Investors hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate at least such number of directors to the Acadia board of directors that, when compared to the authorized number of directors on the Acadia board of directors, is not less than proportional (which, for the avoidance of doubt, will mean that the number of representatives will be rounded up to the next whole number in all cases) to the total number of shares of Acadia common stock and other equity securities of Acadia and its subsidiaries over which the WCP Investors retain voting control relative to the total number of shares of Acadia common stock and other equity securities of Acadia and its subsidiaries then issued and outstanding. From and after such time as the WCP Investors cease to hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will have no right to designate any representative to the Acadia board of directors. Notwithstanding the foregoing, the stockholders agreement will provide that no reduction in the number of shares of Acadia common stock and other equity securities of Acadia and its subsidiaries over which the WCP Investors retain voting control will shorten the term of any incumbent director on the Acadia board of directors.

For so long as the WCP Investors have the right to designate a majority of the Acadia board of directors, the directors designated by affiliates of Waud Capital Partners are expected to constitute a majority of each committee of the Acadia board of directors (other than the Audit Committee) and the chairman of each of the committees (other than the Audit Committee) is expected to be a director serving on such committee who is selected by affiliates of Waud Capital Partners, provided that, at such time as Acadia is not a controlled company under NASDAQ corporate governance standards, Acadia's committee membership will comply with all applicable requirements of

Table of Contents

those standards and a majority of its board of directors will be independent directors, as defined under the rules of NASDAQ. See Acadia Management After the Merger – Controlled Company.

Corporate Opportunity

Acadia's amended and restated certificate of incorporation will provide that the doctrine of corporate opportunity will not apply against Waud Capital Partners, its affiliates, any investment fund managed by Waud Capital Partners or any of their respective portfolio companies or their respective partners, members, directors, employees, stockholders, agents or successors, in a manner that would prohibit them from investing in competing businesses or doing business with Acadia's clients or customers. See Risk Factors – Risks Affecting Acadia, PHC and the Combined Company – If the ownership of Acadia common stock following the completion of the merger continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause Acadia's stock price to decline.

Antitakeover Effects of Delaware Law and Acadia's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

The amended and restated certificate of incorporation and amended and restated bylaws for Acadia will also contain provisions that may delay, defer or discourage another party from acquiring control of Acadia. Acadia expects that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of Acadia to first negotiate with the Acadia board of directors, which Acadia believes may result in an improvement of the terms of any such acquisition in favor of its stockholders. However, they also give the Acadia board of directors the power to discourage acquisitions that some stockholders may favor.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock will make it possible for the Acadia board of directors to issue preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire it. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of Acadia.

Classified Board of Directors

Acadia's amended and restated certificate of incorporation will provide that its board of directors will be divided into three classes, with each class serving three-year staggered terms. In addition, under the DGCL, directors serving on a classified board of directors may only be removed from the board of directors with cause and by an affirmative vote of the majority of Acadia's common stock. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of Acadia.

Requirements for Advance Notification of Stockholder Meetings

Acadia's amended and restated certificate of incorporation will provide that special meetings of the stockholders may be called only upon a resolution approved by a majority of the Acadia board of directors then in office.

Requirements for Nominations and Proposals at Stockholder Meetings

Acadia's amended and restated bylaws will prohibit the conduct of any business at a special meeting other than as brought by or at the direction of the Acadia board of directors. Acadia's amended and restated bylaws will also provide

that nominations of persons for election to its board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the notice of meeting (1) by or at the direction of the Acadia board of directors or (2) provided that the Acadia board of directors has determined that directors will be elected at such special meeting, by any Acadia stockholder who (i) is a stockholder of record both at the time the notice is delivered and on the record date for the determination of stockholders entitled to vote at such meeting, (ii) is entitled to vote at the meeting and upon such election, and (iii) complies with the notice procedures set forth in

Table of Contents

Acadia's amended and restated bylaws. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of Acadia.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the Acadia stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of Acadia stock entitled to vote thereon were present and voted, unless the related certificate of incorporation provides otherwise. Acadia's amended and restated certificate of incorporation will provide that until such time as the WCP Investors no longer beneficially own at least a majority of the outstanding Acadia common stock, the Acadia stockholders may take any action by written consent in lieu of a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken and bearing the dates of signature of the stockholders who signed the consent or consents, will be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. From and after such time as the WCP Investors no longer beneficially own at least a majority of the outstanding Acadia common stock, Acadia's amended and restated certificate of incorporation will provide that any action required or permitted to be taken by its stockholders may be effected at a duly called annual or special meeting of its stockholders and may not be effected by consent in writing by such stockholders.

Business Combinations with Interested Stockholders

Acadia will elect in its amended and restated certificate of incorporation not to be subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, Acadia will not be subject to any anti-takeover effects of Section 203 of the DGCL. However, Acadia's amended and restated certificate of incorporation will contain provisions that have the same effect as Section 203, except that they will provide that both Waud Capital Partners, any investment fund managed by Waud Capital Partners and any of their respective Affiliates and Associates (each as defined in the amended and restated certificate of incorporation) with whom any of the foregoing are acting as a group or in concert for the purpose of acquiring, holding, voting or disposing shares of Acadia stock and any persons to whom Waud Capital Partners sells at least five percent (5%) of outstanding voting stock of Acadia will be deemed to have been approved by the Acadia board of directors, and thereby not subject to the restrictions set forth in Acadia's amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL.

Poison Pill Restrictions

Acadia's amended and restated certificate of incorporation will provide that on or prior to the effective date of the merger, neither Acadia nor any of its direct or indirect subsidiaries will adopt or otherwise implement any poison pill stockholder rights plan, or issue, sell or otherwise distribute any rights or securities to any person pursuant to such a plan, without first obtaining the approval of the holders of a majority of the voting power of the capital stock of Acadia then outstanding.

Requirements for Amendments to Acadia's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Acadia's amended and restated certificate of incorporation will provide that Acadia reserves the right to amend, alter, change or repeal any provision contained therein, in the manner now or hereafter prescribed therein and by the laws of the State of Delaware. Furthermore, Acadia's amended and restated certificate of incorporation will provide that the articles relating to the following topics may only be amended, altered, changed or repealed by the affirmative vote of the holders of at least a majority of the voting power of all of Acadia's outstanding shares of capital stock entitled to vote

Table of Contents

generally in the election of directors, other than shares of any Interested Stockholder (as defined in Acadia's amended and restated certificate of incorporation: Board of Directors (Article Six); Limitation of Director Liability (Article Seven); Limitations on Written Consent/Special Meetings (Article Eight); Business Combinations (Article Ten); Poison Pill (Article Eleven); Amendments (Article Twelve); Forum Selection (Article Thirteen); and Severability (Article Fourteen). Acadia's amended and restated certificate of incorporation will also provide that Article Nine, which deals with corporate opportunity, may only be amended, altered or repealed by a vote of 80% of the voting power of all of Acadia's shares of common stock then outstanding, voting together as a single class. See Corporate Opportunity.

BENEFICIAL OWNERSHIP OF ACADIA COMMON STOCK AFTER THE MERGER

The following table sets forth the expected beneficial ownership of Acadia common stock following the merger by:

each person or group who is expected to own beneficially more than 5% of Acadia's outstanding common stock (after giving effect to the merger);

each person who is expected to be an executive officer following the merger;

each person who is expected to be a director following the merger; and

all of our executive officers and directors as a group following the merger.

The percentages below are based upon an estimated 22,560,560 shares of Acadia common stock expected to be outstanding following the merger and each of the forgoing persons' ownership interest in Acadia Holdings or PHC, as applicable, as of June 30, 2011.

As of June 30, 2011, all of the outstanding common stock of Acadia is held by Acadia Holdings. Acadia Holdings will be dissolved prior to the merger and the common stock of Acadia will be distributed to the members of Acadia Holdings in accordance with their respective ownership interests. The information in the table sets forth the number of shares of Acadia common stock that would have been held by each holder of Acadia Holdings' equity assuming that Acadia Holdings had been dissolved as of June 30, 2011.

The only executive officers and directors who will hold options as of the closing of the merger are Mr. Shear and Mr. Grieco. Mr. Grieco's options will vest upon the closing of the merger and the shares of Acadia common stock that will be issuable upon exercise of such options are assumed to be outstanding for purposes of computing the percentage ownership of Mr. Grieco below. Mr. Shear's ownership includes any options exercisable within 60 days of June 30, 2011. These options are treated as beneficially owned by Mr. Shear for purposes of computing his beneficial ownership below. Mr. Grieco and Mr. Shear's options are not treated as outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise indicated below, to the knowledge of Acadia, all persons listed below would have had sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared

Table of Contents

by spouses under applicable law. In preparing the following table, Acadia has relied on the information furnished by the persons listed below.

Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned after the Merger
5% Stockholders:		
Waud Capital Partners(1) 300 North LaSalle Street, Suite 4900 Chicago, IL 60654(1)	14,182,057	62.9%
Joey A. Jacobs(2)	1,398,107(2)	6.2%
Executive Officers and Directors:		
Joey A. Jacobs(2)	1,398,107(2)	6.2%
Bruce A. Shear(3)(4)	366,564(3)	1.6%
Brent Turner(5)	358,325	1.6%
Trey Carter(6)	316,728	1.4%
Ron Fincher(6)	303,876	1.3%
Jack E. Polson(6)	299,112	1.3%
Chris Howard(6)	299,112	1.3%
Reeve B. Waud(1)	14,182,057	62.9%
Charles E. Edwards(1)		0%
Matthew A. London(1)		0%
Gary A. Mecklenburg(1)	5,932	*
William F. Grieco(4)	81,125	0.4%
All executive officers and directors as a group (12 persons)	17,610,938	76.4%

* Represents beneficial ownership of less than 1% of our outstanding common stock.

- (1) The reported shares of Acadia common stock are owned of record as follows: (i) 2,646,103 shares by WCP II, (ii) 4,837,497 shares by Waud QP II, (iii) 841,959 shares by the Reeve B. Waud 2011 Family Trust, (iv) 93,551 shares by WFP LP, (v) 738,287 shares by WCP FIF II, (vi) 756,133 shares by Waud Affiliates II, (vii) 388,048 shares by Waud Affiliates III (viii) 1,054,045 shares by WCP FIF III, (ix) 2,401,717 shares by Waud QP III and (x) 424,718 shares by WCP III. WCPM II as the general partner of WCP II, Waud QP II, WCP FIF II and the Manager of Waud Affiliates II and Waud II LLC, as the general partner of WCPM III, may be deemed to share beneficial ownership of the shares held of record by such entities. WCPM III, as the general partner of WCP FIF III, Waud QP III and WCP III and the Manager of Waud Affiliates III, and Waud III LLC, as the general partner of WCPM III, may be deemed to share beneficial ownership of the shares held of record by such entities. Reeve Waud may be deemed to beneficially own the shares of common stock held by each of the above entities by virtue of his (A) making decisions for the Limited Partner Committee of each of WCPM II and WCPM III, (B) being the manager of Waud II LLC and Waud III LLC and WFP LP and (iii) being the investment advisor of the Reeve B. Waud 2011 Family Trust. The address for Messrs. Edwards, London and Mecklenburg is c/o Waud Capital Partners, LLC, 300 North LaSalle Street, Suite 4900, Chicago, IL 60654. As described under *Stockholders Agreement*, in connection with the merger, Waud Capital Partners and certain of its affiliates will enter into a stockholders agreement with Acadia's and certain members of Acadia's management.

The members of Acadia's management party to the Stockholders Agreement will grant Waud Capital Partners II, L.P. a proxy to vote their shares in connection with the election and removal of directors and certain other matters in the manner directed by the holders of a majority of the stock held by Waud Capital Partners. As a result of the foregoing, Waud Capital Partners and Mr. Waud may be deemed to share beneficial ownership of the 17,676,101 shares held by the members of Acadia's management that have granted Waud Capital Partners a proxy pursuant to the Stockholders Agreement.

- (2) The reported shares of Acadia common stock are owned of record by the Joey A. Jacobs 2011 Grantor Retained Annuity Trust (Acadia). Includes 1,339,079 shares of Acadia common stock that would have been held by Mr. Jacobs as of June 30, 2011 assuming the dissolution of Acadia Holdings. The remaining 59,028 shares represent shares of Acadia common stock issuable to the Joey A. Jacobs 2011 Grantor Retained Annuity Trust (Acadia) (the Jacobs Trust) in connection with the merger in exchange for 236,115 shares of PHC Class A

Table of Contents

Common Stock held by the Jacobs Trust as of June 30, 2011. The address for Mr. Jacobs is c/o Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.

- (3) Represents 744,995 shares of PHC Class A Common Stock and 721,259 of PHC Class B Common Stock held by Mr. Shear as of June 30, 2011, which will be exchangeable into shares of Acadia common stock in connection with the merger. This amount also includes 150,000 shares of PHC Class A Common Stock issuable pursuant to currently exercisable stock options, having an exercise price range of \$1.08 to \$2.95 per share.
- (4) The address for Messrs. Shear and Grieco is c/o PHC, Inc., 200 Lake Street, Suite 102, Peabody, MA 01960.
- (5) The reported shares of Acadia common stock are owned of record by the William Brent Turner 2011 Grantor Retained Annuity Trust. The address for Mr. Turner is c/o Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.
- (6) The address for Messrs. Carter, Fincher, Polson and Howard is c/o Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067.

STOCKHOLDERS AGREEMENT

In connection with consummation of the merger, Acadia, certain members of Acadia management (the Management Investors) and Waud Capital Partners and certain of its affiliates will enter into a stockholders agreement. The following summary of the stockholders agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the stockholders agreement which is filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part.

Management Rights. As discussed above in Description of Acadia's Capital Stock Board of Directors Composition, for so long as the WCP Investors retain voting control over at least 50% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate seven (7) representatives to the Acadia board of directors, four (4) of which will be designated as Class I directors and three (3) of which will be designated as Class II directors. From and after the date on which the WCP Investors cease to have voting control over at least 50% of the outstanding voting securities of Acadia and for so long as the WCP Investors hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate at least such number of directors to the Acadia board of directors that, when compared to the authorized number of directors on the Acadia board of directors, is not less than proportional to the total number of Stockholder Shares (as defined below) over which the WCP Investors retain voting control relative to the total number of Stockholder Shares then issued and outstanding (with the number of representatives rounded up to the next whole number in all cases). From and after such time as the WCP Investors cease to hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will have no right to designate any representative to the Acadia board of directors. Notwithstanding the foregoing, the stockholders agreement will provide that no reduction in the number of shares of Acadia common stock and other equity securities of Acadia and its subsidiaries over which the WCP Investors retain voting control will shorten the term of any incumbent director on the Acadia board of directors.

The stockholders agreement provides that the Acadia board of directors will appoint Messrs. Jacobs and Shear to the Acadia board of directors, as Class III directors. Mr. Jacob's appointment shall last as long as he continues to serve as the chief executive officer of Acadia or any of its subsidiaries. Mr. Shear's appointment will terminate after the expiration of the three-year term following his initial term.

Stockholder Shares is defined as (i) any shares of Acadia common stock or other equity securities of Acadia or its subsidiaries from time to time purchased or otherwise acquired or held by any party to the stockholders agreement,

(ii) any Acadia common stock or other equity securities of Acadia or its subsidiaries from time to time issued or issuable directly or indirectly upon the conversion, exercise or exchange of any securities purchased or otherwise acquired by any party to the stockholders agreement (excluding options to purchase Acadia common stock granted by Acadia unless and until such options are exercised), and (iii) any other capital stock or other equity securities of Acadia or its subsidiaries from time to time issued or issuable directly or indirectly with respect to the securities referred to in clauses (i) or (ii) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization.

Voting Agreement. Under the stockholders agreement, in the event the approval of Acadia's stockholders is required in connection with any election or removal of directors, merger, consolidation, business combination,

Table of Contents

recapitalization, conversion, sale, lease or exchange of all or substantially all of its property or assets, authorization or issuance of capital stock or other securities (including the adoption of any equity incentive plan), executive compensation, stockholder proposal, amendment to or restatement of the Acadia certificate of incorporation or bylaws or pursuant to any contractual agreement to which a Management Investor is a party or is bound, each Management Investor will vote all of his or her Stockholder Shares and any other voting securities over which such Management Investor has voting control, and will take all other necessary or desirable actions within his, her or its control so that all such Stockholder Shares and other Acadia voting securities are voted as directed by the WCP Investors holding a majority of the outstanding shares of Acadia common stock held by all WCP Investors as of such date (the Majority WCP Investors). In furtherance of the foregoing, each Management Investor will appoint Waud Capital Partners II, L.P. as such Management Investor's true and lawful proxy and attorney-in fact, with full power and authority to vote such Management Investor's Stockholder Shares and any other voting securities of Acadia over which such Management Investor has voting control for the election and/or removal of directors (in accordance with the provisions described above in Management Rights) and all such matters as described in this Voting Agreement section. The stockholders agreement will provide that the voting agreements and proxy described in this paragraph will terminate from and after such time as the WCP Investors cease to hold 17.5% of Acadia's outstanding voting securities.

Transfer Restrictions. The stockholders agreement will provide that no Management Investor may transfer any interest in any Stockholder Shares, except as described in the following sentence, without first obtaining the consent of the Majority WCP Investors; provided, that the Management Investors may transfer Stockholder Shares to their Permitted Transferees (as defined in the stockholders agreement) as long as the transferring Management Investor retains voting control over the transferred Stockholder Shares. The aforementioned restrictions on transfer do not apply to the following Stockholder Shares: (i) Stockholder Shares received as consideration in the merger; (ii) Stockholder Shares purchased or otherwise acquired by any Management Investor after the effective time of the merger (excluding, for the avoidance of doubt, Stockholder Shares received in the dissolution of Acadia Holdings to be consummated prior to the merger); and (iii) a percentage of Stockholder Shares held by each Management Investor and designated as Unrestricted Shares in accordance with the terms of the stockholders agreement. The stockholders agreement defines Unrestricted Shares, with respect to any Management Investor, as the number of such Management Investor's Subject Shares determined by multiplying (x) the total number of Subject Shares held by such Management Investor as of the date of the stockholder agreement (as appropriately adjusted for stock splits, stock dividends, stock combinations, recapitalizations and the like), by (y) the result of 100% minus the WCP Liquidity Percentage; provided, that (i) from and after the third anniversary of the date of the stockholders agreement, no fewer than 33% of the Subject Shares held by such Management Investor as of the date of the stockholders agreement shall be Unrestricted Shares, (ii) from and after the fourth anniversary of the stockholders agreement, no fewer than 67% of the Subject Shares held by such Management Investor as of the date of the stockholders agreement shall be Unrestricted Shares, and (iii) from and after the fifth anniversary of the date of the stockholders agreement, 100% of such Management Investor's Subject Shares shall be Unrestricted Shares. The stockholders agreement also defines Subject Shares, with respect to any Management Investor, as all Stockholder Shares purchased or otherwise acquired or held by such Management Investor other than (A) any Stockholder Shares received by such Management Investor as consideration in the merger, and (B) any Stockholder Shares purchased or otherwise acquired by such Management Investor after the effective time of the merger (which, for purposes of clarity, shall not include any Stockholder Shares received by such Management Investor in connection with the dissolution of Acadia Holdings or otherwise in connection with the liquidation and dissolution of Acadia Holdings) and WCP Liquidity Percentage as the percentage obtained by dividing (i) the total number of Stockholder Shares constituting WCP Equity as of the date of determination, by (ii) the total number of Stockholder Shares constituting WCP Equity as of the date of the stockholders agreement (as appropriately adjusted for stock splits, stock dividends, stock combinations, recapitalizations and the like). The stockholders agreement defines WCP Equity as (i) the Acadia common stock held by the WCP Investors on the date of the stockholders agreement and any other Stockholder Shares from time to time issued to or otherwise acquired by the WCP Investors (other than pursuant to purchases made on the open market and

not in connection with any private placement by Acadia), and (ii) any securities issued with respect to the securities referred to in clause (i) by way of a stock split, stock dividend, or other division of securities, or in connection with a combination of securities, recapitalization, merger, consolidation, or other reorganization. As to any particular securities constituting WCP Equity, such securities shall cease to be WCP Equity when they have been (A) effectively registered under the Securities Act and disposed of for cash in accordance with the registration statement covering them, (B) purchased or otherwise acquired for cash by any person other than a WCP Investor, or

Table of Contents

(C) redeemed or repurchased for cash by Acadia or any of its subsidiaries or any designee thereof. The Stockholder Shares not described in clauses (i), (ii) and (iii) of the prior sentence are referred to in the stockholders agreement as Restricted Shares.

Lock-Ups. The stockholders agreement will provide that no Management Investor or other holder of Restricted Shares will take any of the following actions from the date Acadia gives notice to the Management Investors that a preliminary or final prospectus has been circulated for a public offering and during the 90 days following the date of the final prospectus for such public offering: (i) offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any equity securities of Acadia or any of its subsidiaries or any securities convertible into or exchangeable or exercisable for such securities; (ii) enter into any transaction which would have the same effect as described in clause (i); (iii) enter into any swap, hedge or other arrangement that transfers, in whole or part, any of the economic consequences or ownership of any of the securities described in clause (i); or (iv) publicly disclose the intention to enter into any transaction described in clauses (i), (ii) or (iii). The foregoing restrictions do not apply to transactions made in the subject public offering and those to which the underwriters managing such public offering agree in writing. As used in this Stockholders Agreement section, public offering refers to any offering by Acadia of its capital stock or other equity securities of Acadia or any of its subsidiaries to the public pursuant to an effective registration statement under the Securities Act or any comparable statement under any similar federal statute then in force.

Certain Covenants. Under the stockholders agreement, Acadia will be obligated, for so long as the WCP Investors continue to hold 17.5% of the outstanding voting securities of Acadia, to deliver to the WCP Investors certain audited and unaudited financial statements, annual budgets and operating plans and other information and financial data concerning Acadia and its subsidiaries as reasonably requested by the WCP Investors. Acadia will also be obligated during such period to permit any representative designated by any WCP Investor, upon reasonable notice and execution of a customary confidentiality agreement, to visit and inspect any of the Acadia properties, to examine the corporate, financial and other records of Acadia and its subsidiaries and to consult with the directors, officers, managers, key employees and independent accountants of Acadia and its subsidiaries.

For so long as the WCP Investors continue to hold 17.5% of the outstanding voting securities of Acadia, Acadia will not be permitted to take (or permitted to cause its subsidiaries to take) any of the following actions, subject to certain limited exceptions, without the prior written consent of the Majority WCP Investors: (i) pay dividends, redeem stock or make other distributions; (ii) authorize, issue or enter into any agreement providing for the issuance of any debt or equity securities; (iii) make loans, advances, guarantees or Investments (as defined in the stockholders agreement); (iv) engage in mergers or consolidations; (v) make or fail to make certain capital expenditures; (vi) sell, lease, license or dispose of any assets; (vii) liquidate, dissolve or wind up or effect a recapitalization, reclassification or reorganization; (viii) acquire any interest in any company or business; (ix) materially change its business activities; (x) enter into, amend, modify or supplement or waive any provisions of any agreement, transaction, commitment or arrangement with any affiliate; (xi) incur additional indebtedness exceeding \$10.0 million in aggregate principal amount outstanding at any time on a consolidated basis; or (xii) make an assignment for the benefit of creditors or admit in writing its inability to pay its debts generally as they become due. Furthermore, so long as the WCP Investors continue to hold 17.5% of the outstanding voting securities of Acadia will (and will cause each of its subsidiaries to) take the following actions (subject to certain limited exceptions), unless it has received the prior written consent of the Majority WCP Investors: (A) maintain and keep its tangible assets in good repair, working order and condition; (B) maintain all material intellectual property rights necessary to the conduct of its business and maintain agreements providing for the confidentiality and protection of its intellectual property rights; (C) comply in all material respects with all applicable laws, rules and regulations of all governmental entities; (D) cause to be done all things reasonably necessary to maintain, preserve and renew all licenses, permits and other approvals necessary for the conduct of the Acadia business and the consummation of the transactions contemplated by the merger agreement; (E) pay and discharge when payable all material taxes, assessments and governmental charges imposed upon its properties or the income or profits therefrom; (F) use commercially reasonable efforts to continue in force adequate insurance;

(G) maintain proper books of record and account which present fairly in all material respects its financial conditions and results of operations and make provisions on its financial statements for all proper reserves, each in accordance with GAAP.

Company Name. For a period of two years following the effective time of the merger, Acadia will file a dba in Delaware and such other jurisdictions as it deems necessary to enable it to conduct business as Pioneer Behavioral Health and will conduct business under such name.

Table of Contents

COMPARISON OF STOCKHOLDERS RIGHTS

PHC is incorporated in Massachusetts and Acadia is incorporated in Delaware. The rights of a PHC stockholder are governed by the MBCA, the PHC articles of organization and the PHC bylaws. Upon completion of the merger, PHC stockholders will receive shares of Acadia common stock in exchange for their shares of PHC common stock, and as Acadia stockholders their rights will be governed by the DGCL, Acadia's amended and restated certificate of incorporation and Acadia's amended and restated bylaws.

The following is a summary of the material differences between the rights of PHC stockholders and the rights of Acadia stockholders, but does not purport to be a complete description of those differences. These differences may be determined in full by reference to the Massachusetts Business Corporation Act, which we refer to as the MBCA, the DGCL, the PHC articles of organization, Acadia's amended and restated certificate of incorporation, the PHC bylaws and Acadia's amended and restated bylaws. The PHC articles of organization, Acadia's amended and restated certificate of incorporation, the PHC bylaws and Acadia's amended and restated bylaws are subject to amendment in accordance with their terms. Copies of the governing corporate instruments are available, without charge, to any person, including any beneficial owner to whom this document is delivered, by following the instructions listed under "Where You Can Find More Information" on page 197.

Table of Contents

AUTHORIZED STOCK

Acadia

PHC

Authorized Shares

Acadia is authorized to issue 90,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per.

PHC is authorized to issue 20,000,000 shares of Class A Common Stock, par value \$0.01 per share, 2,000,000 shares of Class B Common Stock, par value \$0.01 per share, 200,000 shares of Class C Common Stock, par value \$0.01 per share and 1,000,000 shares of preferred stock, par value \$0.01 per share.

Board Authority to Issue Capital Stock

The board of directors is authorized, without stockholder approval, to issue shares of common stock. The board of directors is also authorized, without stockholder approval, to create and issue preferred stock in one or more new series and to determine the preferences, voting powers, qualifications, and special or relative rights or privileges of any such series.

The board of directors is authorized, without stockholder approval, to issue shares of its authorized common or preferred stock for such purposes, in such amounts, to such persons, for such consideration, and in the case of preferred stock, in one or more series or classes, all as the board of directors in its discretion may determine.

Dividends

Dividends may be declared by the board of directors upon shares of capital stock of Acadia in accordance with applicable law and subject to the right of any preferred stock then outstanding. Such dividends may be payable in cash, in property or in shares of capital stock of Acadia. Before payment of any dividend, there may be set aside out of any funds of Acadia available for dividends such sum or sums as the board of directors from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of Acadia or for such other purpose as the board of directors may think conducive to the interests of Acadia. The board of directors may modify or abolish any such reserves in the manner in which they were created.

Under PHC's articles of organization, when, as, and if dividends are declared by the board of directors on the Common Stock, whether payable in cash, in property, or in securities of the corporation, the holders of Common Stock shall be entitled to share equally in and to receive, in accordance with the number of shares of Common Stock held by each such holder, all such dividends, except that if dividends are declared that are payable in Common Stock, such stock dividends shall be payable at the same rate on each class of Common Stock and shall be payable only in shares of Class A Common Stock to holders of Class A Common Stock and only in shares of Class B Common Stock to holders of Class B Common Stock.

Liquidation

The DGCL provides that upon the dissolution or liquidation of Acadia, whether voluntary or involuntary, holders of common stock will be entitled to share ratably, and receive equal and substantially identical distributions of, all assets of the Acadia available for distribution to its stockholders, subject to any preferential or other rights of any then outstanding preferred stock.

Under PHC's articles of organization, if the corporation is liquidated, dissolved or wound up, whether voluntarily or involuntarily, after there shall have been paid or set aside for the holders of all shares of the preferred stock then outstanding the full preferential amounts to which they may be entitled, if any, under the resolutions authorizing the issuance of such preferred stock, the net assets of the corporation remaining

thereafter shall be distributed equally to each share of
Class A Common Stock and Class B Common Stock.

Table of Contents

Acadia

PHC

STOCKHOLDERS

Voting Rights

Acadia's certificate of incorporation and bylaws provide that, except as otherwise provided by the DGCL, the certificate of incorporation and bylaws, and the certificate of designation relating to any outstanding class or series of preferred stock, every stockholder shall at every meeting of the stockholders of Acadia be entitled to one vote in person or by proxy for each share of capital stock held by such stockholder. When holders of a majority of the voting power of all outstanding shares of capital stock of Acadia entitled to vote is present in person or represented by proxy, the affirmative vote of the majority of voting power of capital stock of Acadia present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of its stockholders, unless by express provisions of an applicable law, the rules of any stock exchange upon which the Acadia's securities are listed, or other voting thresholds for certain actions as specifically set forth in the certificate of incorporation, in which case such express provision shall govern and control the decision of such question.

The stockholders agreement to be entered into among Acadia and the stockholders named therein in connection with the closing of the merger will provide that so long as the WCP Investors (as defined therein) retain voting control over at least 50% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate seven representatives to the board of directors, four of which will be designated as Class I directors and three of which will be designated as Class II directors. From and after the date on which the WCP Investors cease to have voting control over at least 50% of the outstanding voting securities of Acadia and for so long as the WCP Investors hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will have the right to designate at least such number of directors to the board of directors that, when compared to the authorized number of directors on the board of directors, is not less than proportional to the total number of shares of common stock and other equity securities of Acadia and its subsidiaries over which the WCP Investors retain voting control relative to the total number of shares of common

PHC's articles of organization provide that the corporation shall have a board of directors with not less than five members, of which two shall be elected by the holders of Class A Common Stock voting as a class and the remainder shall be elected by the holders of Class B Common Stock voting as a class.

On all other matters, except as required by the MBCA, the holders of the Class A Common Stock and the Class B Common Stock vote together as a single class, with each Class A share entitled to one vote per share and each Class B share entitled to five votes per share.

stock and other equity securities of Acadia and its subsidiaries then issued and outstanding.

From and after such time as the WCP Investors cease to hold at least 17.5% of the outstanding voting securities of Acadia, the WCP Investors will

Table of Contents**Acadia**

have no right to designate any representative to the board of directors. Notwithstanding the foregoing, the stockholders agreement will provide that no reduction in the number of shares of common stock and other equity securities of Acadia and its subsidiaries over which the WCP Investors retain voting control will shorten the term of any incumbent director on the board of directors.

Voting Rights in Extraordinary Transactions

The DGCL requires approval of a consolidation, merger, dissolution or sale, lease or exchange of all or substantially all of the assets of Acadia by the affirmative vote of a majority of all votes entitled to be cast on the matter. Approval by a surviving corporation's stockholders of a plan of merger is not required if: (1) the agreement of merger does not amend in any respect the certificate of incorporation; (2) each share of stock of such constituent corporation outstanding immediately prior to the effective date of the merger is to be an identical outstanding or treasury share of the surviving corporation after the effective date of the merger; and (3) the number of shares of common stock to be issued in connection with the merger does not exceed 20% of the shares of common stock of the corporation outstanding prior to the merger.

The DGCL provides that in order to amend the certificate of incorporation, the board of directors must adopt a resolution that then must be approved by the affirmative vote of a majority of the voting power of the outstanding stock entitled to vote thereon, unless a greater vote is specified in the certificate of incorporation, and subject to any additional vote required by any series of preferred stock. The Acadia certificate of incorporation does not currently specify or require a greater level of approval for

PHC

Pursuant to the MBCA, a plan of merger or share exchange requires adoption by the board of directors and the affirmative vote of two-thirds of all the shares entitled to vote generally on the matter. Additionally, in certain cases, the plan of merger or share exchange may require the affirmative vote of two-thirds of all of the shares of a class or series of shares voting as a separate voting group. Approval by a corporation's stockholders of a plan of merger or share exchange is not required if: (1) the corporation will survive the merger or is the acquiring corporation in a share exchange; (2) its articles of organization will not be changed except for amendments by the board of directors that do not require stockholder approval; (3) each stockholder of the corporation whose shares were outstanding immediately before the effective date of the merger or share exchange will hold the same number of shares, with identical preferences, limitations, and relative rights, immediately after the effective date of the merger or share exchange; (4) the number of shares to be issued in connection with the merger does not exceed 20% of the shares of the corporation of the same class or series outstanding prior to the merger; and (5) a domestic parent corporation that owns at least 90% of the voting power of the outstanding shares entitled to vote on the matter of a subsidiary merges with such subsidiary.

Amendment to Charter

Under the MBCA, most amendments to a corporation's articles of organization require approval of the board of directors and the affirmative vote of two-thirds of all the shares entitled to vote generally. Additionally, in certain cases, an amendment to the corporation's articles of organization may require the affirmative vote of two-thirds of all of the shares of a class or series of shares voting as a separate voting group. Amendments to a corporation's articles of organization may be made

amendments to the certificate of incorporation.

with the approval of a majority of the corporation's
outstanding shares in connection with (1) an increase or
reduction in the

Table of Contents

Acadia

Under the DGCL, holders of a majority of the voting power of a corporation and, when provided in the certificate of incorporation, the directors of the corporation, have the power to adopt, amend and repeal the bylaws of a corporation. Acadia's certificate of incorporation authorizes the board of directors to amend Acadia's bylaws.

Delaware law permits special meetings of stockholders to be called by the board of directors and any other persons specified by the certificate of incorporation or bylaws. Delaware law permits but does not require that stockholders be given the right to call special meetings. The Acadia bylaws provide that special meetings of stockholders may be called by the Acadia President on his own behalf or at the request of a majority of the Acadia board of directors or the holders of 10% of more of the then issued and outstanding shares of capital stock of Acadia entitled to vote at the meeting. Business transacted at any special meeting of stockholders is limited to matters relating to the purpose or purposes stated in the notice of meeting.

Acadia's certificate of incorporation and bylaws contain no restrictions on nominations for directors by stockholders and do not require any advance notice for nominations or other business to be properly brought by a stockholder before a stockholders meeting.

PHC

corporation's capital stock of any class or series then authorized, (2) a change in the corporation's authorized shares into a different number of shares or the exchange thereof pro rata for a different number of shares of the same class or series or (3) a change of the corporation's name.

Amendment to Bylaws

Pursuant to the MBCA, the power to make, amend or repeal bylaws shall be vested in the stockholders, unless the board of directors is otherwise authorized to do so pursuant to the articles of organization. PHC's articles of organization and bylaws provide that the bylaws may be altered, amended or repealed by the board of directors, except with respect to any provision which by law, by the articles of organization or by the bylaws themselves requires action by the stockholders.

Special Meeting of Stockholders

The MBCA provides that a corporation shall hold a special meeting of its stockholders if called by the board of directors or person authorized to do so by the articles of organization or bylaws of the corporation or, unless otherwise provided in the articles of organization or bylaws, if the holders of at least 40% of all the votes entitled to be cast on any issue to be considered at the proposed special meeting sign, date and deliver to the corporation's secretary one or more written demands. PHC's bylaws provide that a special meeting can be called by the President or by the board of directors and shall be called by the secretary, or in the case of the death, absence, incapacity or refusal of the secretary, by any other officer, if one or more stockholders who hold at least one-tenth part in interest of the capital stock entitled to vote on any issue to be considered at the proposed special meeting deliver a written application.

Stockholder Proposals and Nominations

To be timely under PHC's bylaws, advance written notice of a stockholder proposals, including a stockholder's nomination of a person to serve as a director of PHC, must be delivered to the secretary of PHC at its principal executive offices not less than 120 days prior to the date of the corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders.

Appraisal/Dissenters Rights

Under the DGCL, a stockholder of a Delaware corporation who has not voted in favor of, nor

The MBCA provides that dissenters' right of appraisal are only available in connection with

186

Table of Contents

Acadia

consented in writing to, a merger or consolidation in which the corporation is participating generally has the right to an appraisal of the fair value of the stockholder's shares of stock, subject to specified procedural requirements. The DGCL does not confer appraisal rights, however, if the corporation's stock is either (1) listed on a national securities exchange or (2) held of record by more than 2,000 holders.

Even if a corporation's stock meets the foregoing requirements, however, the DGCL provides that appraisal rights generally will be permitted if stockholders of the corporation are required to accept for their stock in any merger or consolidation anything other than (1) shares of the corporation surviving or resulting from the transaction, or depository receipts representing shares of the surviving or resulting corporation, or those shares or depository receipts plus cash in lieu of fractional interests; (2) shares of any other corporation, or depository receipts representing shares of the other corporation, or those shares or depository receipts plus cash in lieu of fractional interests, which shares or depository receipts are listed on a national securities exchange or held of record by more than 2,000 holders; or (3) any combination of the foregoing.

PHC

(1) mergers if stockholder approval is required or if the corporation is a subsidiary that is merged with its parent, unless stockholders are receiving only cash or marketable securities as consideration, so long as no director, officer or controlling stockholder has a direct or indirect financial interest in the merger other than in their capacities as such; (2) share exchanges to which the corporation is a party as the corporation whose shares will be acquired and the shares being received are not marketable securities, so long as no director, officer or controlling stockholder has a direct or indirect financial interest in the merger other than in their capacities as such; (3) sales of substantially all of the assets (other than certain redemptions, dissolutions, liquidations and court-ordered sales); (4) certain amendments to the articles of organization that materially and adversely affect rights in respect of a dissenter's shares; and (5) certain corporate conversions.

BOARD OF DIRECTORS

Duties of Directors

Under the DGCL, the standards of conduct for directors are governed by court case law.

Generally, directors of Delaware corporations are subject to a duty of loyalty and a duty of care. The duty of loyalty requires directors to refrain from self-dealing and the duty of care requires directors in managing the corporate affairs to use that level of care which ordinarily careful and prudent persons would use in similar circumstances. When directors act consistently with their duties of loyalty and care, their decisions generally are presumed to be valid under the business judgment rule.

Under the MBCA, a Massachusetts director is required to discharge his or her duties: (1) in good faith; (2) with the care that a person in a like position would reasonably believe appropriate under similar circumstances; and (3) in a manner the director reasonably believes to be in the best interests of the corporation.

In determining what the director reasonably believes to be in the best interests of the corporation, directors are permitted to consider:

the interests of the corporation's employees, suppliers, creditors and customers;

the economy of the state, region and nation;

the community and societal considerations; and

the long-term and short-term interests of the corporation and its stockholders, including the possibility that these interests may be best served by the continued independence of the corporation.

187

Table of Contents

Acadia

PHC

Number of Directors

Delaware law provides that the board of directors of a Delaware corporation shall consist of one or more directors as fixed by the corporation's certificate of incorporation or bylaws. Acadia's certificate of incorporation and bylaws provide that the number of directors shall be determined by a resolution of the majority of the directors or stockholders at the annual meeting of stockholders. Acadia currently has five directors.

The MBCA provides that the board of directors of a Massachusetts corporation shall consist of one or more directors as specified or fixed by the corporation's articles of organization or bylaws. PHC's articles of organization provide that the number of directors will be not less than five, two of which shall be elected by the holders of Class A Common Stock voting as a class, and the remainder shall be elected by the holders of Class B Common Stock voting as a class. PHC currently has six directors.

Classification

Delaware law permits, but does not require, a Delaware corporation to provide in its certificate of incorporation or in a stockholder adopted bylaw or initial bylaw for a classified board of directors, dividing the board of directors into up to three classes of directors with staggered terms of office. Acadia's certificate of incorporation provides that the directors of Acadia are divided into three classes (Class I, Class II and Class III) as nearly equal in size as practicable. The term of office of Class I, Class II and Class III directors will expire at Acadia's annual meetings in 2012, 2013 and 2014, respectively. At each annual election of directors, the directors chosen to succeed those whose terms have then expired are identified as being of the same class as the directors they succeed and are elected for a term expiring at the third succeeding annual election of directors.

Massachusetts law permits, but does not require, a Massachusetts corporation to have a classified board of directors. Neither PHC's articles of organization or bylaws provide for a classified board of directors.

Removal

Acadia's certificate of incorporation provides that, subject to the rights of the holders of any series of preferred stock then outstanding, to the fullest extent permitted by law, (1) until such date as the WCP Investors (as defined therein) no longer beneficially own at least 17.5% of the outstanding common stock of the Acadia, a director may be removed at any time, either for or without cause, only upon either (a) the affirmative vote of the holders of eighty percent (80%) of the voting power of the capital stock of Acadia outstanding and entitled to vote thereon or (b) if such director is being removed at the request of the person(s) entitled to designate such director in accordance with the stockholders agreement, by the affirmative vote of

PHC's bylaws provide that PHC directors may be removed with or without cause by the vote of a majority of the class of shares issued, outstanding and entitled to vote in the election of said director.

the holders of a majority of the voting power of the stock outstanding and entitled to vote thereon; and (ii) from and after the date that WCP Investors no longer beneficially own at least 17.5% of the outstanding common stock of the Acadia, a

Table of Contents

Acadia

director may be removed from office only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the capital stock of Acadia outstanding and entitled to vote thereon.

Acadia's certificate of incorporation and bylaws provide that vacancies among directors, however occurring, are to be filled by the vote of the majority of the remaining directors then in office. The directors so chosen will hold office until the next succeeding annual meeting and until their successors are elected or qualified.

Special meetings of the board of directors may be held at any time and place, within or outside the State of Delaware, designated by the President on his own behalf or at the request of two or more directors or one director in the event that there is only one director in office.

Under Delaware law, a certificate of incorporation may contain a provision limiting or eliminating a director's personal liability to the corporation or its stockholders for monetary damages for a director's breach of fiduciary duty subject to certain limitations.

Acadia's certificate of incorporation provides that no director shall be personally liable to Acadia or its stockholders for monetary damages for breach of fiduciary duty by such director as a director, except with respect to liability:

for any breach of the director's duty of loyalty to Acadia or its stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the DGCL; or

for any transaction from which the director derived an improper personal benefit.

PHC

The MBCA and PHC's bylaws provide that in the event of vacancies in the board, such vacancy may be filled by the affirmative vote of a majority of the remaining directors (even though less than a quorum) or by a majority of the class of stockholders which elected the director whose office has been vacated. Directors so chosen will hold office until the next annual meeting and their successors are elected or qualified.

PHC's bylaws provide that special meetings of the board of directors may be called at any time by the President, Secretary or by any director.

As permitted under the MBCA, PHC's articles of organization provide that directors shall not be personally liable to PHC or its stockholders for monetary damages for breach of fiduciary duty except for liability:

(i) for any breach of the director's duty of loyalty to the corporation or its stockholders;

(ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

(iii) for improper distributions under the MBCA; or

(iv) for any transaction in which the director derived an improper benefit.

Under the MBCA, a corporation may indemnify directors and officers if:

the individual conducted him or herself in good faith;

Vacancies

Special Meetings of the Board

Director Liability and Indemnification

Pursuant to DGCL, a corporation may indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such

the individual reasonably believed that his or her conduct was in the best interests of the corporation or that his or her conduct was at least not opposed to the best interests of the corporation; and

with respect to any criminal proceeding, to the

Table of Contents

Acadia

corporation, or serving at the request of such corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of such corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The DGCL also permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of an action or suit by or in the right of the corporation to procure a judgment in its favor, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to such corporation unless the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

To the extent a present or former director or officer is successful in the defense of such an action, suit or proceeding, the corporation is required by the DGCL to indemnify such person for actual and reasonable expenses incurred thereby.

Expenses (including attorneys' fees) incurred by an officer or director of the corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it is ultimately determined that such person is not entitled to be so indemnified. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents of the corporation or by persons serving at the request of the corporation as directors, officers, employees or agents of another corporation,

PHC

extent the individual had no reasonable cause to believe that his or her conduct was unlawful.

Under the MBCA, a corporation is required to indemnify a director or officer who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he or she was a director of the corporation against reasonable expenses incurred by him or her in connection with the proceeding.

partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

The DGCL provides that the indemnification described above shall not be deemed exclusive of other indemnification that may be granted by a

Table of Contents

Acadia

corporation pursuant to its by-laws, disinterested directors vote, shareholders vote, and agreement or otherwise.

The DGCL also provides corporations with the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation in a similar capacity for another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability as described above.

Acadia's certificate of incorporation authorizes Acadia to indemnify directors and officers through bylaw provisions or agreements with directors and officers. Acadia's bylaws provides for the indemnification of directors and officers to the fullest extent authorized under Delaware law.

Acadia's bylaws also provide for advancement of expenses to its directors and officers upon receipt of an undertaking by the director or officer to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification.

PHC

The MBCA also permits a corporation to advance to a director or officer reasonable expenses incurred in connection with any proceeding arising because he or she is a director or officer of the corporation, subject to the receipt of a written undertaking by the director or officer to repay any funds advanced if he or she is not entitled to mandatory indemnification and if it is ultimately determined that he or she did not meet the relevant standard of conduct.

PHC's articles of organization provide that PHC shall indemnify each director and officer against judgments, fines and expenses incurred in connection with any claim made by reason of his or her having been a director or officer of PHC. PHC's articles of organization also provide that no indemnification will be provided if a final adjudication determines that the indemnified person is not entitled to indemnification.

As permitted by the MBCA, PHC's articles of organization provide for payment of expenses incurred by a director or officer in defending an action in advance of the final disposition of the proceeding, but only if the director or officer undertakes to repay the amount if it is ultimately determined that indemnification of such expenses is not authorized by PHC's articles of organization.

Table of Contents

Acadia

PHC

CORPORATE OPPORTUNITY

The DGCL permits a Delaware corporation to renounce, in its certificate of incorporation or by action of its board of directors, any interest or expectancy of the corporation in, or in being offered an opportunity to participate in, specified business opportunities or specified classes or categories of business opportunities that are presented to the corporation or one of its officers, directors or stockholders. Acadia's amended and restated certificate of incorporation will provide that, among other things, (i) Acadia and its Subsidiaries shall have no interest or expectancy in any corporate opportunity of Waud Capital Partners or certain of its affiliates or related persons and no expectation that such corporate opportunity be offered to Acadia or its Subsidiaries; (ii) Waud Capital Partners and certain of its affiliates and related persons shall have the right to, and shall have no duty (contractual or otherwise) not to, directly or indirectly: (A) engage in the same, similar or competing business activities or lines of business as Acadia or its Subsidiaries, (B) do business with any client or customer of Acadia or its Subsidiaries, (C) make investments in competing businesses of Acadia or its Subsidiaries, and such acts shall not be deemed wrongful or improper; (iii) Waud Capital Partners and certain of its affiliates and related persons shall not be liable to Acadia, its stockholders or its Subsidiaries for breach of any duty (contractual or otherwise), including without limitation fiduciary duties, by reason of any such activities or of such Person's participation therein; and (iv) in the event that Waud Capital Partners or certain of its affiliates or related persons acquires knowledge of a potential transaction or matter that may be a corporate opportunity for Acadia or its Subsidiaries, on the one hand, and Waud Capital Partners or certain of its affiliates or related persons, on the other hand, or any other Person, Waud Capital Partners and such affiliates and related persons shall not have any duty (contractual or otherwise), including without limitation fiduciary duties, to communicate, present or offer such corporate opportunity to Acadia or its Subsidiaries and shall not be liable to Acadia, its stockholders or its Subsidiaries for breach of any duty (contractual or otherwise), including without limitation fiduciary duties, by reason of the fact that Waud Capital Partners or certain of its affiliates or related persons directly or indirectly pursues or acquires such

The MBCA contains no comparable corporate opportunity provision.

opportunity for itself, directs, sells, assigns or transfers
such opportunity to another Person, or does not

Table of Contents

Acadia

PHC

present or communicate such opportunity to Acadia or its Subsidiaries, even though such corporate opportunity may be of a character that, if presented to Acadia or its Subsidiaries, could be taken by Acadia or its Subsidiaries.

193

Table of Contents

Acadia

PHC

STATE ANTITAKOVER STATUTES

Business Combinations

Acadia is subject to Section 203 of the DGCL, which prohibits a corporation from engaging in a business combination with an interested stockholder, defined as a stockholder who, together with his associates and affiliates, owns, or if the person is an affiliate of the corporation and did own within the last three years, 15% or more of the outstanding voting stock of the corporation, within three years after the person or entity becomes an interested stockholder, unless:

prior to the time the stockholder became an interested stockholder, the board of directors of the corporation approved the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, subject to specified adjustments; or

on or after the date of the business combination, the board of directors and the holders of at least 66²/₃% of the outstanding voting stock not owned by the interested stockholder approve the business combination.

Section 203 of the DGCL defines a business combination to include:

a merger or consolidation with the interested stockholder or with any other corporation or other entity if the merger or consolidation is caused by the interested stockholder;

a sale or other disposition to or with the interested stockholder of assets with an aggregate market value equal to 10% or more of either the aggregate market value of all assets of the corporation or the aggregate market value of

Massachusetts has adopted a Business Combination statute. In general, a Massachusetts corporation is prohibited from engaging in certain business combinations (defined by the statute to include certain mergers and consolidations, dispositions of assets and issuances of securities as well as certain other transactions) with an interested stockholder (defined by the statute to include holders of 5% or more of the outstanding stock of the corporation and holders of 15% or more of the outstanding stock of the corporation for such persons eligible to file Schedule 13G with the SEC) for a period of three years following the date that such stockholder became an interested stockholder, except under certain circumstances, which include:

prior approval by the board of directors of the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

subsequent approval of the business combination by the board of directors and by a vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder; or

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 90% of the voting stock of the corporation (excluding stock held by certain affiliates of the corporation and shares owned by employee stock plans).

PHC has not opted out of the business combination statute.

all of the outstanding stock of the corporation;

with some exceptions, any transaction resulting in the issuance or transfer by the corporation or any majority-owned subsidiary of any stock of the corporation or subsidiary to the interested stockholder;

any transaction involving the corporation or a majority-owned subsidiary that has the effect of increasing the proportionate share of the stock of

Table of Contents

Acadia

the corporation or subsidiary owned by the interested stockholder; or

any receipt by the interested stockholder of the benefit of any loans or other financial benefits provided by the corporation or any majority-owned subsidiary.

Control Share Acquisitions

The DGCL does not contain a control share acquisition statute.

PHC

Massachusetts has adopted a Control Share Acquisition statute. In general, any person who makes an offer to acquire, or acquires, shares of stock of a Massachusetts corporation that, when combined with shares already owned, would increase such person's ownership to at least 20%, 33 1/3% or a majority of the voting stock of such corporation, must obtain the approval of a majority of shares held by all stockholders, excluding shares held by such person and the inside directors and officers of the corporation, in order to vote the shares acquired within 90 days before or after the acquisition.

PHC has not opted out of the control share acquisition statute.

LEGAL MATTERS

The validity of the shares of Acadia common stock offered hereby and certain tax matters will be passed upon for Acadia by Kirkland & Ellis LLP, Chicago, Illinois (a limited liability partnership which includes professional corporations). Certain tax matters will be passed upon for PHC by Arent Fox LLP, Washington, D.C.

EXPERTS

The consolidated financial statements of Acadia Healthcare Company, Inc. at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Youth and Family Centered Services, Inc. at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of PHC, Inc. as of June 30, 2010 and 2009, and for the years then ended, included in this proxy statement/prospectus and in the Registration Statement have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein and in the

Registration Statement, given on the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of HHC Delaware, Inc. and Subsidiary at December 31, 2010 and 2009 (Predecessor), and for the period from November 16, 2010 to December 31, 2010, for the period from January 1, 2010 to November 15, 2010, and for the year ended December 31, 2009 (Predecessor periods), appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Table of Contents**NON-BINDING VOTE REGARDING CHANGE OF CONTROL PAYMENTS**

PHC has entered into a change in control arrangement with Mr. Shear, Mr. Boswell and Ms. Wurts. The arrangement calls for these officers, in the event of a change in control, to receive payment of their average annual salary for the past five years times a multiplier, as set by PHC's compensation committee. The proposed merger constitutes a change in control under this change in control arrangement. Assuming a June 30, 2011 closing date for the merger, the following officers would be entitled to the following change in control payments under the change in control arrangement. These amounts are payable as soon as practicable, but in no event later than 30 days, following the date of the closing of the merger.

Name	Element	Amount
Bruce A. Shear	Salary	\$ 1,530,000
	Bonus	
	Benefits	
	Stock Options	
	Totals	\$ 1,530,000
Robert A. Boswell	Salary	\$ 465,000
	Bonus	
	Benefits	
	Stock Options	
	Totals	\$ 465,000
Paula C. Wurts	Salary	\$ 408,000
	Bonus	
	Benefits	
	Stock Options	
	Totals	\$ 408,000

PHC is requesting the PHC stockholders' approval, on a non-binding advisory basis, of the compensation payable to the PHC executive officers in connection with the merger and therefore is asking stockholders to adopt the following resolution:

RESOLVED, that the compensation that may be paid or become payable to the PHC named executive officers in connection with the merger, as disclosed pursuant to Item 402(t) of Regulation S-K and the agreements or understandings pursuant to which such compensation may be paid or become payable, are hereby APPROVED.

The vote on this Proposal 2 is a vote separate and apart from the vote on Proposal 1 to approve the merger agreement. Accordingly, you may vote to approve Proposal 1 on the merger agreement and vote not to approve Proposal 2 on executive compensation and vice versa. Because the vote is advisory in nature only, it will not be binding on either PHC or Acadia regardless of whether the merger agreement is approved. Accordingly, as the compensation to be paid in connection with the merger is contractual with the executives, regardless of the outcome of this advisory vote, such compensation will be payable, subject only to the conditions applicable thereto, if the merger agreement is approved.

Vote Required for Approval

The advisory vote on the compensation to be received by the PHC executive officers in connection with the merger will be approved if the holders of a majority of the outstanding shares of PHC Class A Common Stock and the outstanding shares of PHC Class B Common Stock (voting together, with the shares of Class B Common Stock casting five votes for each share held) casting votes at the special meeting, vote For such proposal.

Recommendation of the PHC Board of Directors

THE PHC BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL 2 AS TO THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION TO BE RECEIVED BY THE PHC EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER.

Table of Contents

THE ADJOURNMENT PROPOSAL

The special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement. The special meeting may be adjourned from time to time to a date that is not more than 120 days after the original record date for the special meeting.

If, at the special meeting, the number of shares of common stock present or represented and voting in favor of the approval of the merger agreement is not sufficient to approve that proposal, PHC intends to move to adjourn the special meeting in order to enable the PHC board of directors to solicit additional proxies for the approval of the merger agreement. In that event, PHC will ask its stockholders to vote only upon the adjournment proposal, and not the merger proposal or the compensation proposal.

In this proposal, PHC is asking its stockholders to authorize the holder of any proxy solicited by the PHC board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the special meeting to another time and place for the purpose of soliciting additional proxies. If the stockholders approve the adjournment proposal, PHC could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders who have previously voted.

Vote Required for Approval

If the proposal to adjourn the special meeting for the purpose of soliciting additional proxies is submitted to the stockholders for approval, such proposal will be approved if the holders of a majority of the outstanding PHC Class A common shares and the outstanding shares of Class B Common Stock (voting together, with the holders of shares of Class B Common Stock casting five votes for each share held) casting votes at the special meeting, vote For such proposal, regardless of whether there is a quorum.

Recommendation of the PHC Board of Directors

THE PHC BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL 3 AS TO THE ADJOURNMENT OF THE MEETING IF NECESSARY OR APPROPRIATE TO SOLICIT ADDITIONAL PROXIES IN FAVOR OF APPROVAL OF THE MERGER AGREEMENT.

STOCKHOLDER PROPOSALS

The proxy rules of the SEC permit stockholders, after timely notice to issuers, to present proposals for stockholder action in issuer proxy statements where such proposals are consistent with applicable law, pertain to matters appropriate for stockholder action and are not properly omitted by issuer action in accordance with the proxy rules. In the event the merger is not consummated prior to the time of PHC's 2011 Annual Meeting of Stockholders, PHC stockholders may submit proposals and nominations of directors to be considered for inclusion in PHC's 2011 proxy materials. In order to be timely, such PHC stockholder proposals and nominations were required to be received by PHC at its principal office, 200 Lake Street, Suite 102, Peabody, Massachusetts 01960, Attention: Paula C. Wurts, Clerk, not later than June 30, 2011 for inclusion in the proxy statement for that meeting. PHC stockholders are also advised to review PHC's Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

In accordance with the provisions in Acadia's amended and restated bylaws, Acadia will indemnify each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any actual or threatened action, suit or proceeding by reason of the fact that he or she is or was a director or officer of Acadia or, while a director or officer of Acadia, is or was serving at the request of Acadia as an employee or agent of Acadia or as a director, officer, partner, member, trustee, administrator, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust or other enterprise, to the full extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Exchange Act and is, therefore,

Table of Contents

unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of us in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

WHERE YOU CAN FIND MORE INFORMATION

PHC has filed reports, proxy statements and other information with the SEC. Copies of PHC's reports, proxy statements and other information may be inspected and copied in the public reference facilities maintained by the SEC at SEC Headquarters, Public Reference Section, 100 F Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the SEC's and other public reference facilities by calling the SEC at 1-800-SEC-0330.

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Section of the SEC at SEC Headquarters or by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding PHC. The address of the SEC website is <http://www.sec.gov>.

You should rely only on the information contained in this proxy statement/prospectus or on information to which PHC has referred you. Acadia and PHC have not authorized anyone else to provide you with any information. Acadia provided the information regarding Acadia. PHC provided the information regarding PHC.

Acadia has filed a registration statement and made certain filings under the Securities Act with the SEC with respect to Acadia common stock to be issued to PHC stockholders in the merger and the merger. This proxy statement/prospectus constitutes the prospectus of Acadia filed as part of the registration statement. This proxy statement/prospectus does not contain all of the information set forth in the registration statement because certain parts of the registration statement are omitted as provided by the rules and regulations of the SEC. You may inspect and copy the registration statement at any of the addresses listed above.

Table of Contents**INDEX TO FINANCIAL STATEMENTS****ACADIA HEALTHCARE COMPANY, LLC CONSOLIDATED FINANCIAL STATEMENTS****Unaudited Condensed Consolidated Financial Statements**Unaudited Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 F-3Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2011 and March 31, 2010 F-4Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and March 31, 2010 F-5Notes to Unaudited Consolidated Financial Statements F-6**Audited Consolidated Financial Statements**Report of Independent Registered Public Accounting Firm F-12Consolidated Balance Sheets as of December 31, 2010 and 2009 F-13Consolidated Statements of Operations for the Years Ended December 31, 2010, 2009 and 2008 F-14Consolidated Statements of Member s Equity for the Years Ended December 31, 2010, 2009 and 2008 F-15Consolidated Statements of Cash Flows for the Years Ended December 31, 2010, 2009 and 2008 F-16Notes to Consolidated Financial Statements F-17**YOUTH AND FAMILY CENTERED SERVICES, INC. FINANCIAL STATEMENTS****Unaudited Condensed Consolidated Financial Statements**Unaudited Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 F-35Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2011 and March 31, 2010 F-36Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and March 31, 2010 F-37Notes to Unaudited Consolidated Financial Statements F-38**Audited Consolidated Financial Statements**Report of Independent Auditors F-44Consolidated Balance Sheets as of December 31, 2010 and 2009 F-45Consolidated Statements of Operations for the Years Ended December 31, 2010, 2009 and 2008 F-46Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2010, 2009 and 2008 F-47Consolidated Statements of Cash Flows for the Years Ended December 31, 2010, 2009 and 2008 F-48Notes to Consolidated Financial Statements F-49**PHC, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS****Unaudited Condensed Consolidated Financial Statements**Unaudited Consolidated Balance Sheets as of March 31, 2011 and June 30, 2010 F-65Unaudited Consolidated Statements of Income for the Nine Months Ended March 31, 2011 and March 31, 2010 F-66Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2011 and March 31, 2010 F-67Notes to Unaudited Consolidated Financial Statements F-68**Audited Consolidated Financial Statements**Report of Independent Registered Public Accounting Firm F-76Consolidated Balance Sheets as of June 30, 2010 and 2009 F-77Consolidated Statements of Operations for the Years Ended June 30, 2010 and 2009 F-78Consolidated Statements of Changes in Stockholders Equity for the Years Ended June 30, 2010 and 2009 F-79Consolidated Statements of Cash Flows for the Years Ended June 30, 2010 and 2009 F-80

Table of Contents

HHC DELAWARE, INC. AND SUBSIDIARY CONSOLIDATED FINANCIAL STATEMENTS	
<u>Report of Independent Auditors</u>	F-101
<u>Consolidated Balance Sheets as of December 31, 2010 and 2009 (Predecessor) and as of March 31, 2011 (Unaudited)</u>	F-102
<u>Consolidated Statements of Operations and Changes in Invested Equity (Deficit) for the period from November 16, 2010 to December 31, 2010, for the period from January 1, 2010 to November 15, 2010 (Predecessor), the year ended December 31, 2009 (Predecessor) and the three months ended March 31, 2011 and 2010 (Unaudited)</u>	F-103
<u>Consolidated Statements of Cash Flows for the period from November 16, 2010 to December 31, 2010, for the period from January 1, 2010 to November 15, 2010 (Predecessor), the year ended December 31, 2009 (Predecessor) and the three months ended March 31, 2011 and 2010 (Unaudited)</u>	F-104
<u>Notes to Consolidated Financial Statements</u>	F-105

Table of Contents**FINANCIAL STATEMENTS****Acadia Healthcare Company, LLC and Subsidiaries****Consolidated Balance Sheets**

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,028,378	\$ 8,614,480
Receivables, net of allowances from doubtful accounts of approximately \$1,189,000 and \$1,144,000 at March 31, 2011 and December 31, 2010, respectively	6,652,405	5,469,203
Third-party receivables	245,467	
Inventory	217,906	217,906
Deposits	465,046	637,059
Deferred tax asset	474,297	573,235
Income taxes receivable	624,375	120,604
Other receivables	619,348	536,284
Prepaid expenses	797,865	771,858
Other current assets	18,000	18,000
Total current assets	18,143,087	16,958,629
Property, plant, and equipment, net	19,294,672	18,751,563
Goodwill	9,156,984	9,156,984
Other intangible assets, net	542,040	544,419
Total assets	\$ 47,136,783	\$ 45,411,595
LIABILITIES AND MEMBER S EQUITY		
Current liabilities:		
Accounts payable	\$ 3,599,787	\$ 833,503
Accrued liabilities	2,153,377	2,248,722
Accrued payroll and related expenses	2,480,315	3,069,958
Current portion of long-term debt	9,963,367	9,983,599
Current portion of accrued insurance liabilities	389,211	379,332
Third party settlements		78,396
Other current liabilities	1,775,185	1,465,917
Total current liabilities	20,361,242	18,059,427
Deferred tax liability	517,842	383,818

Edgar Filing: Acadia Healthcare Company, Inc. - Form S-4

Other liabilities	287,756	419,802
Accrued insurance liabilities, net of current portion	1,479,428	1,441,877
Total liabilities	22,646,268	20,304,924
Member s equity	24,490,515	25,106,671
Total liabilities and member s equity	\$ 47,136,783	\$ 45,411,595

See accompanying notes.

F-3

Table of Contents**Acadia Healthcare Company, LLC and Subsidiaries****Consolidated Statements of Operations**

	Three Months Ended March 31,	
	2011	2010
Net patient service revenue	\$ 17,583,867	\$ 15,964,133
Salaries, wages, and benefits	10,106,732	9,119,372
Professional fees	3,260,791	616,778
Supplies	935,570	914,788
Rentals and leases	350,969	371,424
Other operating expenses	2,252,900	1,982,895
Provision for bad debts	733,597	635,828
Depreciation and amortization	243,385	235,151
Interest expense	222,852	176,708
	18,106,796	14,052,944
(Loss) income from continuing operations, before income taxes	(522,929)	1,911,189
Income taxes benefit (provision)	270,809	(442,460)