

Acadia Healthcare Company, Inc.
Form S-4
December 15, 2011

As filed with the Securities and Exchange Commission on December 15, 2011

Registration No. 333-

UNITED STATES
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 Each Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

8093
(Primary Standard Industrial
Classification Code Number)

45-2492228
(I.R.S. Employer
Identification Number)

830 Crescent Centre Drive, Suite 610

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Franklin, Tennessee 37067

(615) 861-6000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Christopher L. Howard

Executive Vice President, General Counsel and Secretary

Acadia Healthcare Company, Inc.

830 Crescent Centre Drive, Suite 610

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(615) 861-6000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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* The co-registrants listed on the next page are also included in this Form S-4 registration statement as additional registrants.

Approximate Date of Commencement of Proposed Sale to the Public: As soon as reasonably practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (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. "

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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

	Proposed	
	Maximum	
Title of Each Class of	Aggregate	Amount of
Securities to Be Registered(1)	Offering Price	Registration Fee
12.875% Senior Notes due 2018	\$150,000,000	\$17,190
Guarantees related to the 12.875% Senior Notes due 2018(2)	N/A	N/A
Total	\$150,000,000	\$17,190

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) promulgated under the Securities Act.
 (2) No separate consideration will be received for the guarantees, and no separate fee is payable, pursuant to Rule 457(n) under the Securities Act.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS 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 ADDITIONAL REGISTRANTS

Name of Additional Registrants*	State or Other Jurisdiction of Incorporation or Formation	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification No.
Acadia Abilene, LLC	DE	8093	20-8041863
Acadia Hospital of Lafayette, LLC	DE	8093	20-4765040
Acadia Hospital of Longview, LLC	DE	8093	20-4764998
Acadia Louisiana, LLC	DE	8093	26-4178782
Acadia Management Company, Inc.	DE	8093	20-3879717
Acadia Merger Sub, LLC	DE	8093	45-2352463
Acadia RiverWoods, LLC	DE	8093	26-2700697
Acadia Village, LLC	DE	8093	27-0788813
Acadia - YFCS Holdings, Inc.	DE	8093	27-5289083
Ascent Acquisition Corporation	AR	8093	20-5189115
Ascent Acquisition Corporation - CYPDC	AR	8093	20-5099744
Ascent Acquisition Corporation - PSC	AR	8093	20-5099728
Behavioral Health Online, Inc.	MA	8093	04-3456003
Child & Youth Pediatric Day Clinics, Inc.	AR	8093	62-1696477
Childrens Medical Transportation Services, LLC	AR	8093	40-0002231
Detroit Behavioral Institute, Inc.	MA	8093	13-4265013
Habilitation Center, Inc.	AR	8093	74-2474097
Kids Behavioral Health of Montana, Inc.	MT	8093	62-1681724
Lakeland Hospital Acquisition Corporation	GA	8093	58-2291915
Lakeview Behavioral Health System LLC	DE	8093	27-3047619
Med Properties, Inc.	AR	8093	71-0773279
Meducare Transport, L.L.C.	AR	8093	71-0820296
Memorial Hospital Acquisition Corporation	NM	8093	03-0439201
Millcreek Management Corporation	GA	8093	58-2313790
Millcreek School of Arkansas, Inc.	AR	8093	74-2474098
Millcreek Schools Inc.	MS	8093	64-0653443
North Point - Pioneer, Inc.	MA	8093	04-3317934
Options Community Based Services, Inc.	IN	8093	26-0509223
Options Treatment Center Acquisition Corporation	IN	8093	03-0512678
Pediatric Specialty Care Properties, LLC	AR	8093	71-0830663
Pediatric Specialty Care, Inc.	AR	8093	71-0773280
PHC MeadowWood, Inc.	DE	8093	45-1343206
PHC of Michigan, Inc.	MA	8093	04-3232990
PHC of Nevada, Inc.	MA	8093	04-3290453
PHC of Utah, Inc.	MA	8093	87-0401574
PHC of Virginia, Inc.	MA	8093	04-2901824
Psychiatric Resource Partners, Inc.	DE	8093	37-1647527
PsychSolutions Acquisition Corporation	FL	8093	01-0857190
PsychSolutions, Inc.	FL	8093	65-0428340
Rebound Behavioral Health, LLC	SC	8093	30-0701952
Rehabilitation Centers, Inc.	MS	8093	64-0568382
Renaissance Recovery, Inc.	MA	8093	27-3350807
Resolute Acquisition Corporation	IN	8093	03-0512672
Resource Community Based Services, Inc.	IN	8093	26-0508652
RTC Resource Acquisition Corporation	IN	8093	03-0512675
Seven Hills Hospital, Inc.	DE	8093	51-0578850
Southwestern Children's Health Services, Inc.	AZ	8093	86-0768811
Southwood Psychiatric Hospital, Inc.	PA	8093	25-1414990
Success Acquisition Corporation	IN	8093	03-0512680
Suncoast Behavioral, LLC	DE	8093	80-0731400
Wellplace, Inc.	MA	8093	13-4265014
YFCS Holdings - Georgia, Inc.	GA	8093	52-2052380

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YFCS Management, Inc.	GA	8093	58-2281069
Youth and Family Centered Services of Florida, Inc.	FL	8093	52-1955335
Youth and Family Centered Services of New Mexico, Inc.	NM	8093	74-2753620
Youth and Family Centered Services, Inc.	GA	8093	58-2281089

* Address and telephone numbers of principal executive offices are the same as those of Acadia Healthcare Company, Inc.

The information in this preliminary prospectus is not complete and may be changed. This preliminary prospectus is not an offer to sell these securities and it is not a solicitation of an offer to buy these securities in any jurisdiction where the offering is not permitted.

Subject to Completion, dated December 15, 2011

Preliminary Prospectus

\$150,000,000

Acadia Healthcare Company, Inc.

Exchange Offer for

12.875% Senior Notes due 2018

Offer (which we refer to as the Exchange Offer) for outstanding 12.875% Senior Notes due 2018, in the aggregate principal amount of \$150,000,000 (which we refer to as the Outstanding Notes), in exchange for up to \$150,000,000 in aggregate principal amount of 12.875% Senior Notes due 2018 which have been registered under the Securities Act of 1933, as amended (which we refer to as the Exchange Notes and, together with the Outstanding Notes, the notes).

Material Terms of the Exchange Offer:

Expires 5:00 p.m., New York City time, , 2012, unless extended.

You may withdraw tendered Outstanding Notes any time before the expiration of the Exchange Offer.

Not subject to any condition other than that the Exchange Offer does not violate applicable law or any interpretation of the staff of the United States Securities and Exchange Commission (the SEC).

We can amend or terminate the Exchange Offer.

We will not receive any proceeds from the Exchange Offer.

The exchange of Outstanding Notes for the Exchange Notes should not be a taxable exchange for United States federal income tax purposes. See Certain Material United States Federal Income Tax Considerations.

Terms of the Exchange Notes:

The terms of the Exchange Notes are substantially identical to those of the Outstanding Notes, except the transfer restrictions, registration rights and additional interest provisions relating to the Outstanding Notes do not apply to the Exchange Notes.

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The Exchange Notes and the related guarantees will be our and the guarantors' general unsecured senior obligations, will rank senior in right of payment to all existing and future senior subordinated indebtedness and equal in right of payment with all other existing and future senior indebtedness, including borrowings under our senior secured credit facility (the Senior Secured Credit Facility). The Exchange Notes and the related guarantees will be effectively subordinated to our and the guarantors' existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness.

The Exchange Notes will mature on November 1, 2018. The Exchange Notes will bear interest semi-annually in cash in arrears on November 1 and May 1 of each year. No interest will be paid on either the Exchange Notes or the Outstanding Notes at the time of the exchange. The Exchange Notes will accrue interest from and including the last interest payment date on which interest has been paid on the Outstanding Notes.

We may redeem the Exchange Notes in whole or in part from time to time. See Description of the Exchange Notes.

Upon the occurrence of specific kinds of changes of control, we must offer to repurchase all of the Exchange Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

For a discussion of the specific risks that you should consider before tendering your Outstanding Notes in the Exchange Offer, see Risk Factors beginning on page 19 of this prospectus.

There is no established trading market for the Outstanding Notes or the Exchange Notes.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. A broker dealer who acquired Outstanding Notes as a result of market making or other trading activities may use this Exchange Offer prospectus, as supplemented or amended from time to time, in connection with any resales of the Exchange Notes.

Neither the SEC nor any state securities commission has approved or disapproved of the Exchange Notes or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2011

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Each broker-dealer that receives Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended (the Securities Act). A broker dealer who acquired Outstanding Notes as a result of market making or other trading activities may use this prospectus, as supplemented or amended from time to time, in connection with any resales of the Exchange Notes. We have agreed that, for a period of up to 180 days after the closing of the Exchange Offer, we will make this prospectus available for use in connection with any such resale. See Plan of Distribution .

You should rely only on the information contained in this prospectus. We have not authorized any person to provide you with information different from that contained in this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities other than those specifically offered hereby or an offer to sell any securities offered hereby in any jurisdiction where, or to any person whom, it is unlawful to make such an offer or solicitation. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our 12.875% Senior Notes due 2018.

COMPANY BACKGROUND

Acadia Healthcare Company, Inc. is a Delaware corporation doing business as Pioneer Behavioral Health. Our predecessor, Acadia Healthcare Company, LLC, was organized in 2005 and converted to a corporation in May 2011.

At the beginning of 2011, we operated through six psychiatric and behavioral health facilities. In April 2011, we acquired Youth and Family Centered Services, Inc. (YFCS). YFCS operates 13 inpatient and outpatient facilities, psychiatric and behavioral health facilities.

In November 2011, we completed the acquisition of PHC, Inc., which we refer to as PHC. PHC operates 15 substance abuse treatment centers and psychiatric facilities and provides related services. In July 2011, PHC had acquired all of the assets of HHC Delaware, Inc. (collectively with its subsidiary, HHC), consisting principally of the MeadowWood Behavioral Health System, an acute care psychiatric hospital (MeadowWood). We acquired MeadowWood when we acquired PHC. Upon completion of the acquisition of PHC, our common stock began trading on The NASDAQ Global Market under the symbol ACHC.

In this prospectus, unless the context requires otherwise, references to Acadia, the Company, we, us or our refer to Acadia Healthcare Company, Inc. and its predecessor, Acadia Healthcare Company, LLC. Current references include the acquired operations mentioned above; historical references include those operations from and after their date of acquisition. When we refer to our operations or results on a pro forma basis or on a pro forma basis giving effect to the Merger, we mean the statement is made as if each of the acquisitions mentioned above had been completed as of the date stated or as of the beginning of the period referenced.

NON-GAAP FINANCIAL MEASURES

We have included certain financial measures in this prospectus, including Pro Forma EBITDA and Pro Forma Adjusted EBITDA, which are non-GAAP financial measures as defined under the rules and regulations promulgated by the SEC. We define Pro Forma EBITDA as pro forma net income (loss) adjusted for (loss) income from discontinued operations, net interest expense, income tax provision (benefit) and depreciation and amortization. We define Pro Forma Adjusted EBITDA as Pro Forma EBITDA adjusted for equity-based compensation expense, transaction-related expenses, management fees, impairment charges, legal settlement, and integration and closing costs. For the nine-month periods ended September 30, 2010 and 2011 and the twelve-month period ended December 31, 2010, Pro Forma Adjusted EBITDA also includes adjustments relating to a rate increase on one of PHC's contracts, anticipated future operating income at the Seven Hills Behavioral Center, the elimination of rent expense associated with PHC's subsidiary, Detroit Behavioral Institute, Inc., and cost savings/synergies in connection with the Merger (as defined herein). For a reconciliation of pro forma net income (loss) to Pro Forma Adjusted EBITDA, see Prospectus Summary Summary Historical Condensed Consolidated Financial Data and Unaudited Pro Forma Condensed Combined Financial Data. We may not achieve all of the expected benefits from synergies, cost savings and recent improvements to our revenue base.

Pro Forma EBITDA and Pro Forma Adjusted EBITDA, as presented in this prospectus, are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States (GAAP). Pro Forma EBITDA and Pro Forma Adjusted EBITDA are not measures of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Our measurements of Pro Forma EBITDA and Pro Forma Adjusted EBITDA may not be comparable to similarly titled measures of other companies and are not measures of performance calculated in accordance with GAAP. We have included information concerning Pro Forma EBITDA and Pro Forma Adjusted EBITDA in this prospectus because we believe that such information is used by certain investors as measures of a company's historical performance. We

believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present EBITDA and Adjusted EBITDA when reporting their results. Our presentation of Pro Forma EBITDA and Pro Forma Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

MARKET AND INDUSTRY DATA

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources including, but not limited to, IBISWorld industry reports (IBISWorld) and reports prepared by the National Institute of Mental Health published in 2010, and the U.S. Department of Health and Human Services published in 2008. Some data are also based on our good faith estimates, which are derived from management's review of internal data and information, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information, and we have not ascertained the underlying economic assumptions relied upon therein, and cannot guarantee its accuracy and completeness. Statements as to our market position are based on market data currently available to us and, primarily, on management estimates as information regarding most of our major competitors is not publicly available. Our estimates involve risks and uncertainties, and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus.

TRADEMARKS AND TRADE NAMES

This prospectus includes our trademarks such as Pioneer Behavioral Health, which are protected under applicable intellectual property laws and are the property of Acadia Healthcare Company, Inc. or its subsidiaries. This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to participate in the Exchange Offer. You should carefully read the entire prospectus, including the section entitled "Risk Factors" beginning on page 19 and the financial statements and notes thereto included elsewhere in this prospectus.

On November 1, 2011, PHC, Inc., a Massachusetts corporation ("PHC"), merged with and into Acadia Merger Sub, LLC (the "Merger Sub"), a Delaware limited liability company and our wholly-owned subsidiary ("Merger Sub"), with Merger Sub continuing as the surviving company following the Merger (the "Merger"). In this prospectus, unless the context requires otherwise, references to Acadia, the Company, we, us or our refer to Acadia Healthcare Company, Inc. together with its consolidated subsidiaries and including the assets and operations acquired in the Merger. We recently completed several significant acquisitions and greatly expanded our business. See "Company Background."

Our Company

Overview. We are the leading publicly traded pure-play provider of inpatient behavioral health care services in the United States based upon number of licensed beds. As of November 1, 2011 we operated 34 behavioral healthcare inpatient and outpatient facilities with approximately 1,950 licensed beds in 18 states. We believe that our primary focus on the provision of behavioral health services allows us to operate more efficiently and provide higher quality care than our competitors. On a pro forma basis for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, giving effect to the Merger, we would have generated revenue of \$252.2 million and \$320.3 million, respectively.

Our inpatient facilities offer a wide range of inpatient behavioral health care services for children, adolescents and adults. We offer these services through a combination of acute inpatient behavioral facilities and residential treatment centers ("RTCs"). Our acute inpatient behavioral facilities provide the most intensive level of care, including 24-hour skilled nursing observation and care, daily interventions and oversight by a psychiatrist and intensive, highly coordinated treatment by a physician-led team of mental health professionals. Our RTCs offer longer-term treatment programs primarily for children and adolescents with long-standing chronic behavioral health problems. Our RTCs provide physician-led, multi-disciplinary treatments that address the overall medical, psychiatric, social and academic needs of the patient.

Our outpatient community-based services provide therapeutic treatment to children and adolescents who have a clinically defined emotional, psychiatric or chemical dependency disorder while enabling patients 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.

Our Competitive Strengths

We believe the following strengths differentiate us from our competitors:

Premier operational management team with track record of success. Our management team has approximately 145 combined years of experience in acquiring, integrating and operating a variety of behavioral health facilities. Following the sale of Psychiatric Solutions, Inc. ("PSI") to Universal Health Services, Inc. in November 2010, certain of PSI's key 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 intends to bring its years of experience operating behavioral health facilities to generate strong cash flow and grow a strong business.

Favorable industry and legislative trends. According to the National Institute of Mental Health, 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. We believe the market for behavioral services will continue to grow due to increased awareness of mental health and substance abuse conditions and treatment options. National expenditures on mental health and substance abuse treatment are expected to reach \$239 billion in 2014, up from \$121 billion in 2003, representing a compound annual growth rate of approximately 6.4%.

While the growing awareness of mental health and substance abuse conditions is expected to accelerate demand for services, recent healthcare reform is expected to increase access to industry services as more people obtain insurance coverage. A key aspect of reform legislation is the extension of mental health parity protections established into law by the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (the MHPAEA). 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. According to IBISWorld, the MHPAEA is projected to affect more than 113 million individuals.

Leading platform in attractive healthcare niche. We are a leading behavioral healthcare platform in an industry that is undergoing consolidation in an effort to reduce costs and better negotiate with larger payor organizations. In addition, the behavioral health care industry has significant barriers to entry, including (i) significant initial capital outlays required to open new facilities (ii) expertise required to deliver highly specialized services safely and effectively and (iii) high regulatory hurdles that require market entrants to be knowledgeable of state and federal laws and be licensed with local agencies at the facility level.

Diversified revenue and payor bases. We currently operate 34 facilities in 18 states. The Merger increased our payor, patient/client and geographic diversity, which mitigates the potential risk associated with any single facility. On a pro forma basis for the twelve months ended September 30, 2011, we received 66% of our revenue from Medicaid, 21% from commercial payors, 8% from Medicare, and 5% from other payors. As we receive Medicaid payments from 23 states, we do not believe that we are significantly affected by changes in reimbursement policies in any one state. Substantially all of our Medicaid payments relate to the care of children and adolescents. Management believes that children and adolescents are a patient class that is less susceptible to reductions in reimbursement rates. On a pro forma basis, our largest facility would have accounted for less than 12% of total revenue for the twelve months ended September 30, 2011, and no other facility would have accounted for more than 9% of total revenue for the same period. Additionally, on a pro forma basis, no state would have accounted for more than 15% of total revenue for the twelve months ended September 30, 2011. We believe that our increased geographic diversity will mitigate the impact of any financial or budgetary pressure that may arise in a particular state where we operate.

Strong cash flow generation and low capital requirements. We generate strong free cash flow by profitably operating our business and by actively managing our working capital. Moreover, as the behavioral health care business does not typically require the procurement and replacement of expensive medical equipment, our maintenance capital expenditure requirements are generally less than that of other facility-based health care providers. For the year ended December 31, 2010, Acadia's capital expenditures amounted to approximately 2.3% of our revenue. In addition, our accounts receivable management is less complex than medical/surgical hospital providers because there are fewer billing codes for inpatient behavioral health care facilities.

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 performance at existing 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 combination of Acadia, YFCS and PHC provides the combined company 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 have established a national platform for becoming the leading, dedicated provider of high quality behavioral health care services in the U.S. Our industry is highly fragmented, and we selectively seek opportunities to expand and diversify our base of operations by acquiring additional facilities. We believe there are a number of acquisition candidates available at attractive valuations, and we have a number of potential acquisitions in various stages of development and consideration. We believe our focus on inpatient behavioral health care and history of completing acquisitions provides us with a strategic advantage in sourcing, evaluating and closing acquisitions. We intend to focus our efforts on acquiring additional acute psychiatric facilities, which should increase the percentage of such facilities in our portfolio. The combination of PHC and recently acquired MeadowWood added seven inpatient facilities (four for general psychiatric services and three for substance abuse services) and eight outpatient psychiatric facilities as well as two call centers. 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. We also have a comprehensive post-acquisition strategic plan to facilitate the integration of acquired facilities that includes improving facility operations, retaining and recruiting psychiatrists and expanding the breadth of services offered by the facilities.

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 presented us with an opportunity to provide a wider array of behavioral health services (including adult services and acute-care services) to patients and clients in the markets YFCS serviced, without increasing the number of our licensed beds. We believe there are similar opportunities to market a broader array of services to the markets served by PHC's facilities. We also intend to increase licensed bed counts in our existing facilities, with a focus on increasing the number of acute psychiatric beds. For example, since September 1, 2011, we have added 76 beds and expect to add approximately 95 additional beds by March 31, 2012. Additionally, 42 beds have already been converted from residential treatment care beds to acute psychiatric care beds, which have higher reimbursement rates on average. 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.

Recent Developments

On November 1, 2011, PHC merged with and into Merger Sub, with Merger Sub continuing as the surviving company (the Merger).

Concurrently with the closing of the Merger, the following events were effected, which together with the Merger, we collectively refer to as the Transactions :

our issuance of \$150,000,000 in aggregate principal amount of the Outstanding Notes;

the effectiveness of an amendment to the Senior Secured Credit Facility (the "Second Amendment"); the payment of a cash dividend to the holders of shares of Acadia's common stock immediately prior to the Merger of approximately \$74.4 million; the permanent repayment of all outstanding indebtedness under PHC's senior credit facility; and the payment of approximately \$40.9 million of fees and expenses related to the foregoing transactions, including approximately \$20.6 million paid to Waud Capital Partners, L.L.C. ("Waud Capital Partners") to terminate its professional services agreement and approximately \$2.4 million of change in control payments paid to certain PHC executives, commitment, placement and other financing fees, financial advisory costs and other transaction costs and professional fees.

For a description of the Senior Secured Credit Facility and the Second Amendment, see Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources and Description of Other Indebtedness.

On December 15, 2011, we announced the pricing of a registered public offering of 8,333,333 shares of our common stock at a public offering price of \$7.50 per share. We also granted to the underwriters a 30-day option to purchase up to an additional 1,249,999 shares of our common stock to cover overallocments, if any.

Equity Sponsor

Founded in 1993, Waud Capital Partners is a leading middle-market private equity firm that partners with management teams to create, acquire and grow companies that address significant, inefficient, highly fragmented and underserved industry segments. Waud Capital Partners invests primarily through control-oriented growth equity investments, industry consolidations, buyouts or recapitalizations and seeks companies that generate strong cash flow and can be grown both organically and through add-on acquisitions. Waud Capital Partners' current and exited portfolio is comprised of companies in the healthcare, business/consumer, logistics/specialty distribution and value-added industrial business segments.

Waud Capital Partners owns a substantial majority of our common stock, currently is entitled to designate a majority of our directors and, so long as it owns at least 17.5% of our outstanding common stock, has consent rights to many corporate actions, such as issuing equity or debt securities, paying dividends, acquiring any interest in another company and materially changing our business activities. This means that we cannot engage in any of those activities without the consent of Waud Capital Partners.

Company Information

Our principal executive offices are located at 830 Crescent Centre Drive, Suite 610, Franklin, Tennessee 37067. Our telephone number is (615) 861-6000. Our website is <http://www.acadiahealthcare.com>. The information contained on our website is not part of this prospectus and is not incorporated in this prospectus by reference.

Summary of the Exchange Offer

The summary below describes the principal terms of the Exchange Offer. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Exchange Offer section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Offer.

Initial Offering of Outstanding Notes

On November 1, 2011, we sold, through a private placement exempt from the registration requirements of the Securities Act, \$150,000,000 of our 12.875% Senior Notes due 2018 (the Outstanding Notes), all of which are eligible to be exchanged for Exchange Notes.

Registration Rights Agreement

Simultaneously with the private placement, we entered into a registration rights agreement with the initial purchaser of the Outstanding Notes (the Registration Rights Agreement). Under the Registration Rights Agreement, we are required to file a registration statement for substantially identical debt securities (and related guarantees), which will be issued in exchange for the Outstanding Notes, with the SEC. You may exchange your Outstanding Notes for Exchange Notes in this Exchange Offer. For further information regarding the Exchange Notes, see the sections entitled Exchange Offer and Description of the Exchange Notes in this prospectus.

Exchange Notes Offered

\$150,000,000 aggregate principal amount of 12.875% Senior Notes due 2018.

Exchange Offer

We are offering to exchange the Outstanding Notes for a like principal amount at maturity of the Exchange Notes. Outstanding Notes may be exchanged only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Exchange Offer is being made pursuant to the Registration Rights Agreement which grants the initial purchaser and any subsequent holders of the Outstanding Notes certain exchange and registration rights. This Exchange Offer is intended to satisfy those exchange and registration rights with respect to the Outstanding Notes. After the Exchange Offer is complete, you will no longer be entitled to any exchange or registration rights with respect to your Outstanding Notes.

Expiration Date; Withdrawal of Tender

The Exchange Offer will expire 5:00 p.m., New York City time, on _____, 2012, or a later time if we choose to extend the Exchange Offer in our sole and absolute discretion. You may withdraw your tender of Outstanding Notes at any time prior to the expiration date. All Outstanding Notes that are validly tendered and not validly withdrawn will be exchanged. Any Outstanding Notes not accepted by us for exchange for any reason will be returned to you at our expense as promptly as possible after the expiration or termination of the Exchange Offer.

Broker-Dealer

Each broker-dealer acquiring Exchange Notes issued for its own account in exchange for Outstanding Notes, which it acquired through market-making activities or other trading activities, must acknowledge that it will deliver a proper prospectus when any

Exchange Notes issued in the Exchange Offer are transferred. A broker-dealer may use this prospectus for an offer to resell, a resale or other retransfer of the Exchange Notes issued in the Exchange Offer.

Prospectus Recipients

We mailed this prospectus and the related Exchange Offer documents to registered holders of the Outstanding Notes as of _____, 2011.

Conditions to the Exchange Offer

Our obligation to accept for exchange, or to issue the Exchange Notes in exchange for, any Outstanding Notes is subject to certain customary conditions, including our determination that the Exchange Offer does not violate any law, statute, rule, regulation or interpretation by the staff of the SEC or any regulatory authority or other foreign, federal, state or local government agency or court of competent jurisdiction, some of which may be waived by us. We currently expect that each of the conditions will be satisfied and that no waivers will be necessary. See Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering Outstanding Notes Held in the Form of Book-Entry Interests

The Outstanding Notes were issued as global securities and were deposited upon issuance with U.S. Bank National Association, as custodian for The Depository Trust Company (DTC).

Beneficial interests in the Outstanding Notes, which are held by direct or indirect participants in DTC, are shown on, and transfers of the Outstanding Notes can only be made through, records maintained in book-entry form by DTC.

You may tender your Outstanding Notes by instructing your broker or bank where you keep the Outstanding Notes to tender them for you. By tendering your Outstanding Notes you will be deemed to have acknowledged and agreed to be bound by the terms set forth under Exchange Offer and in the letter of transmittal accompanying this prospectus. Your Outstanding Notes must be tendered in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

In order for your tender of Outstanding Notes for Exchange Notes in the Exchange Offer to be considered valid, you must transmit to the exchange agent on or before 5:00 p.m., New York City time on the expiration date either:

an original or facsimile of a properly completed and duly executed copy of the letter of transmittal, which accompanies this prospectus, together with your Outstanding Notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or

if the Outstanding Notes you own are held of record by DTC, in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of DTC (ATOP),

in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your Outstanding Notes and update your account to reflect the issuance of the Exchange Notes to you. ATOP allows you to electronically transmit your acceptance of the Exchange Offer to DTC instead of physically completing and delivering a letter of transmittal to the exchange agent.

In addition, if you are making delivery via book-entry transfer, you must deliver, to the exchange agent on or before 5:00 p.m., New York City time on the expiration date, a timely confirmation of book-entry transfer of your Outstanding Notes into the account of the exchange agent at DTC.

Special Procedures for Beneficial Owners

If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of Outstanding Notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or Outstanding Notes in the Exchange Offer, you should contact the person in whose name your book-entry interests or Outstanding Notes are registered promptly and instruct that person to tender on your behalf.

United States Federal Income Tax Considerations

The Exchange Offer should not result in any income, gain or loss to the holders of Outstanding Notes for United States federal income tax purposes. See Certain Material United States Federal Income Tax Considerations.

Use of Proceeds

We will not receive any proceeds from the issuance of the Exchange Notes in the Exchange Offer.

Exchange Agent

U.S. Bank National Association is serving as the exchange agent for the Exchange Offer.

Shelf Registration Statement

In limited circumstances, holders of Outstanding Notes may require us to register their Outstanding Notes under a shelf registration statement. See Exchange Offer Purpose of Exchange Offer.

Consequences of Not Exchanging Outstanding Notes

If you do not exchange your Outstanding Notes in the Exchange Offer, your Outstanding Notes will continue to be subject to the restrictions on transfer currently applicable to the Outstanding Notes. In general, you may offer or sell your Outstanding Notes only:

if they are registered under the Securities Act and applicable state securities laws;

if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or

if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the Outstanding Notes under the Securities Act. Under some circumstances, however, holders of the Outstanding Notes, including holders who are not permitted to participate in the Exchange Offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of Outstanding Notes by these holders. For more information regarding the consequences of not tendering your Outstanding Notes and our obligation to file a shelf registration statement, see Exchange Offer Purpose of the Exchange Offer .

Summary of Terms of the Exchange Notes

The summary below describes the principal terms of the Exchange Notes. Certain of the terms described below are subject to important limitations and exceptions. See the section entitled "Description of the Exchange Notes" of this prospectus for a more detailed description of the terms of the Exchange Notes.

Issuer	Acadia Healthcare Company, Inc.
Securities	\$150,000,000 aggregate principal amount of 12.875% Senior Notes due 2018, which will be registered under the Securities Act. The Exchange Notes will evidence the same debt as the Outstanding Notes.
Maturity Date	November 1, 2018.
Interest Rate	We will pay interest on the Exchange Notes at an annual interest rate of 12.875%.
Interest Payment Dates	<p>Interest payments on the Exchange Notes are payable semi-annually in arrears on each November 1 and May 1. No interest will be paid on either the Exchange Notes or the Outstanding Notes at the time of exchange. The Exchange Notes will accrue interest from and including the last interest payment date on which interest has been paid on the Outstanding Notes and, if no interest has been paid, the Exchange Notes will accrue interest since the issue date of the Outstanding Notes.</p> <p>Accordingly, the holders of Outstanding Notes that are accepted for exchange will not receive accrued but unpaid interest on such Outstanding Notes at the time of tender. Rather, that interest will be payable on the Exchange Notes delivered in exchange for the Outstanding Notes on the first interest payment date following the expiration date of the Exchange Notes.</p>
Guarantees	The Exchange Notes will be guaranteed on a senior unsecured basis by each of our domestic subsidiaries that is a guarantor under the Senior Secured Credit Facility and, subject to certain exceptions, each of our future domestic subsidiaries that guarantees indebtedness under the Senior Secured Credit Facility. See "Description of the Exchange Notes" Additional Note Guarantees.
Ranking	<p>The Exchange Notes and the guarantees will be our and the guarantors senior unsecured obligations and will be:</p> <p>senior in right of payment to any of our and the guarantors' existing and future subordinated indebtedness;</p>

equal in right of payment with all of our and the guarantors' existing and future senior indebtedness, including the Senior Secured Credit Facility;

effectively subordinated to our and the guarantors' existing and future secured indebtedness, including the Senior Secured Credit Facility, to the extent of the value of the assets securing such indebtedness; and

structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries that do not guarantee the Exchange Notes.

As of the date of this prospectus, all of our existing subsidiaries guarantee the Outstanding Notes and the Senior Secured Credit Facility.

Optional Redemption

On or after November 1, 2015, we may redeem some or all of the Exchange Notes at the redemption prices set forth under "Description of the Exchange Notes - Optional Redemption."

Prior to November 1, 2014, we may redeem up to 35% of the aggregate principal amount of the Exchange Notes at the premium set forth under "Description of the Exchange Notes - Optional Redemption," with certain of the proceeds realized by us from the sale of a qualified equity issuance; provided however, that at least 65% of the original principal amount of the notes are outstanding immediately following the redemption.

We may redeem some or all of the Exchange Notes at any time prior to November 1, 2015 by paying a "make whole" premium as described in this prospectus.

Change of Control Offer

If we experience a change of control, the holders of the Exchange Notes will have the right to require us to purchase their Exchange Notes at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Asset Sales

Upon certain asset sales, we may be required to offer to use the net proceeds of the asset sale to purchase some or all of the Exchange Notes at 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Certain Covenants

The indenture under which the Outstanding Notes were issued will govern the Exchange Notes. The indenture contains covenants that, among other things, limit our ability and the ability of the restricted subsidiaries to:

incur or guarantee additional indebtedness or issue certain preferred stock;

pay dividends on our equity interests or redeem, repurchase or retire our equity interests or subordinated indebtedness;

transfer or sell assets;

make certain investments;

incur certain liens;

create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;

engage in certain transactions with our affiliates; and

merge or consolidate with other companies or transfer all or substantially all of our assets.

These covenants are subject to a number of important limitations and exceptions as described under [Description of the Exchange Notes](#) [Certain Covenants](#).

Use of Proceeds

We will not receive any proceeds from the issuance of the Exchange Notes in the Exchange Offer.

No Public Market

The Exchange Notes will be a new issue of securities and will not be listed on any securities exchange or included in any automated quotation system. Accordingly, we cannot assure you that a liquid market for the Exchange Notes will develop or be maintained.

Risk Factors

You should consider carefully all of the information included in this prospectus and, in particular, the information under the heading [Risk Factors](#) beginning on page 19 prior to deciding to tender your Outstanding Notes in the Exchange Offer.

**Summary Historical Condensed Consolidated Financial Data and
Unaudited Pro Forma Condensed Combined Financial Data**

Acadia Historical Financial Data

The following table sets forth summary historical condensed consolidated financial data for Acadia and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to YFCS operating results prior to April 1, 2011 or the consummation of the Transactions. 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 prospectus. Acadia has derived the summary consolidated financial data as of and for the nine months ended September 30, 2010 and 2011 from Acadia Healthcare Company, Inc.'s unaudited interim condensed consolidated financial statements included elsewhere in this 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 prospectus. The results for the nine months ended September 30, 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 Information and Acadia Healthcare Company, LLC's consolidated financial statements and the notes thereto included elsewhere in this 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,			NINE MONTHS ENDED	
	2008	2009	2010	SEPTEMBER 30, 2010 (unaudited)	SEPTEMBER 30, 2011 (unaudited)
	(In thousands)				
Income Statement Data:					
Net patient service revenue	\$ 33,353	\$ 51,821	\$ 64,342	\$ 48,344	146,019
Salaries, wages and benefits	22,342	30,752	36,333	28,980	110,750
Professional fees	952	1,977	3,612	1,151	5,111
Provision for doubtful accounts	1,804	2,424	2,239	1,803	1,664
Other operating expenses	8,328	12,116	13,286	8,792	24,344
Depreciation and amortization	740	967	976	728	3,114
Interest expense, net	729	774	738	549	4,143
Sponsor management fees				105	1,135
Transaction related expenses				104	10,594
Income (loss) from continuing operations, before income taxes	(1,542)	2,811	7,158	6,132	(14,836)
Income tax provision (benefit)	20	53	477	459	3,382
Income (loss) from continuing operations	(1,562)	2,758	6,681	5,673	(18,218)
(Loss) income from discontinued operations, net of income taxes	(156)	119	(471)	13	(765)
Net income (loss)	\$ (1,718)	\$ 2,877	\$ 6,210	\$ 5,686	\$ (18,983)
Other Financial Data:					
Ratio of earnings to fixed charges ⁽¹⁾		3.95x	8.03x	9.18x	
Balance Sheet Data (as of end of period):					
Cash and equivalents	\$ 45	\$ 4,489	\$ 8,614	\$ 6,479	\$ 1,254
Total assets	32,274	41,254	45,412	42,937	269,609
Total debt	11,062	10,259	9,984	10,051	138,125

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Total members equity	15,817	21,193	25,107	24,648	76,986
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- ⁽¹⁾ For purposes of calculating earnings to fixed charges, earnings consists of income (loss) from continuing operations before income taxes and fixed charges. Fixed charges include interest expense and the estimated interest portion of rent expense. Earnings were insufficient to cover fixed charges by approximately \$1.5 million and \$14.8 million for the year ended December 31, 2008 and the nine months ended September 30, 2011, respectively.

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 acquisition of YFCS or the Transactions. 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 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 prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from YFCS' audited consolidated financial statements not included in this prospectus. The results for the three months ended March 31, 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, Unaudited Pro Forma Condensed Combined Financial Information and YFCS' consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	2008	2009	2010	MARCH 31, 2010 (unaudited)	MARCH 31, 2011 (unaudited)
	(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
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

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 consummation of the Transactions. The consolidated financial statements of PHC and the notes related thereto are included elsewhere in this prospectus. PHC derived the historical consolidated financial data as of June 30, 2010 and 2011 and for each of the two years in the period ended June 30, 2011 from PHC's audited financial statements included elsewhere in this prospectus. PHC derived the historical consolidated financial data as of and for the three months ended September 30, 2010 and 2011 from PHC's unaudited interim financial statements included elsewhere in this prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia's financial information. PHC derived the historical consolidated financial data as of June 30, 2009 and for the year ended June 30, 2009 from PHC's audited financial statements not included in this prospectus. 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, Unaudited Pro Forma Condensed Combined Financial Information and PHC's consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	YEAR ENDED JUNE 30,			THREE MONTHS ENDED	
	2009	2010	2011	SEPTEMBER 30, 2010 (unaudited)	SEPTEMBER 30, 2011 (unaudited)
	(In thousands)				
Income Statement Data:					
Revenues	\$ 46,411	\$ 53,077	\$ 62,008	\$ 15,071	\$ 20,684
Patient care expenses	23,835	26,307	30,236	7,024	10,466
Contract expenses	3,016	2,965	3,618	708	1,070
Provision for doubtful accounts	1,638	2,131	3,406	1,003	1,263
Administrative expenses	18,721	19,111	22,206	5,100	7,360
Legal settlement			446		
Operating income (loss)	(799)	2,563	2,096	1,236	525
Other income including interest expense, net	(177)	(37)	(108)		(949)
Income (loss) before income taxes	(976)	2,526	1,988	1,236	(424)
Provision for (benefit from) income taxes	65	1,106	1,408	(557)	140
Net income (loss) from continuing operations	(1,041)	1,420	580	679	(284)
Net income (loss) from discontinued operations	(1,413)				
Net income (loss)	\$ (2,454)	\$ 1,420	\$ 580	\$ 679	\$ (284)
Balance Sheet Data (as of end of period):					
Cash and equivalents	\$ 3,199	\$ 4,540	\$ 3,668	\$ 3,066	\$ 3,261
Total assets	22,692	25,650	28,282	25,101	51,825
Total debt	2,241	2,557	2,239	2,340	26,535
Total stockholders' equity	16,044	17,256	17,915	17,879	17,678

Summary Unaudited Pro Forma Condensed Combined Financial Data

The following summary unaudited pro forma condensed combined financial data gives 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) the Merger and the related issuance of Outstanding Notes on November 1, 2011, as if each had occurred on September 30, 2011 for the unaudited pro forma condensed combined balance sheet and January 1, 2010 for the unaudited pro forma condensed combined statements of operations. Acadia's condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of YFCS and related debt and equity transactions and Acadia's condensed consolidated statement of operations reflects the results of YFCS operations for the period from April 1, 2011 to September 30, 2011. PHC's condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of MeadowWood and related debt financing transaction on July 1, 2011.

The fiscal years of Acadia, YFCS and HHC Delaware end December 31 while the fiscal year of PHC ended on June 30. The combined company's fiscal year ends December 31.

The unaudited pro forma condensed combined balance sheet combines the unaudited consolidated balance sheets of each of Acadia and PHC as of September 30, 2011.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2010 combines the unaudited condensed consolidated statements of operations of Acadia, YFCS, HHC Delaware and PHC (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 three months ended September 30, 2010). The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2011 combines Acadia's unaudited condensed consolidated statement of operations for that period 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 six months ended June 30, 2011 and the unaudited condensed consolidated statement of operations of PHC for the nine months ended September 30, 2011 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2011 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2011). The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines the audited consolidated statement of operations of Acadia, YFCS and HHC Delaware for that period with the unaudited condensed consolidated statement of operations of PHC for that period (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 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 fair value of assets acquired and liabilities assumed and the 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 has not been completed and the completion of fair value determinations 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 our 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.

	PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 2010	PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 2011 (unaudited)	PRO FORMA YEAR ENDED DECEMBER 31, 2010
(In thousands)			
Unaudited Pro Forma Condensed Combined Statement of Operations Data:			
Revenue	\$ 239,718	\$ 252,235	\$ 320,298
Salaries, wages and benefits	141,550	172,838	189,000
Professional fees	13,769	13,095	18,245
Supplies	11,484	12,400	15,305
Rent	7,508	7,800	10,046
Other operating expenses	23,051	24,988	32,723
Provision for doubtful accounts	4,642	5,217	6,141
Depreciation and amortization	4,781	3,717	5,977
Interest expense, net	21,269	21,289	28,264
Impairment of goodwill			23,528
Sponsor management fees	105	135	
Legal settlement		446	
Total expenses	228,159	261,925	329,229
Income (loss) from continuing operations before income taxes	11,559	(9,690)	(8,931)
Provision for income taxes	4,901	5,934	2,700
Income (loss) from continuing operations	6,658	(15,624)	(11,631)
(Income) Loss from discontinued operations	(567)	(829)	4,531
Net income (loss)	\$ 6,091	\$ (16,453)	\$ (16,162)
Other Financial Data:			
Pro Forma EBITDA ⁽¹⁾	\$ 37,609	\$ 15,316	\$ 25,310
Pro Forma Adjusted EBITDA ⁽¹⁾	\$ 43,415	\$ 40,649	\$ 56,441

	ACTUAL	PRO FORMA
Unaudited Pro Forma Condensed Combined Balance Sheet Data (as of September 30, 2011):		
Cash and equivalents	\$ 1,254	\$ 5,234
Total assets	269,609	359,026
Total debt	138,125	285,610
Total stockholders' equity	76,986	11,029

(1) Pro Forma EBITDA and Pro Forma Adjusted EBITDA are reconciled to pro forma net income (loss) in the table below. Pro Forma EBITDA and Pro Forma Adjusted EBITDA are financial measures not recognized under GAAP. When presenting non-GAAP financial measures, we are required to reconcile the non-GAAP financial measures with the most directly comparable GAAP financial measure or measures. We define Pro Forma EBITDA as pro forma net income (loss) adjusted for (loss) income from discontinued operations, net interest expense, income tax provision (benefit) and depreciation and amortization. Pro Forma

Adjusted EBITDA differs from EBITDA as that term may be commonly used. We define Pro Forma Adjusted EBITDA, as Pro Forma EBITDA adjusted for equity-based compensation expense, transaction-related expenses, management fees, impairment charges, legal settlement, and integration and closing costs. For the nine-month periods ended September 30, 2011 and 2010 and the twelve-month period ended December 31, 2010, Pro Forma Adjusted EBITDA also includes adjustments relating to a rate increase on one of PHC's contracts, anticipated future operating income at the Seven Hills Behavioral Center, the elimination of rent expense associated with PHC's subsidiary, Detroit Behavioral Institute, Inc., and cost savings/synergies in connection with the Merger. See the table and related footnotes below for additional information.

We present Pro Forma Adjusted EBITDA because it is a measure management uses to assess financial performance. We believe that companies in our industry use measures of Pro Forma EBITDA as common performance measurements. We also believe that securities analysts, investors and other interested parties frequently use measures of Pro Forma EBITDA as financial performance measures and as indicators of ability to service debt obligations. While providing useful information, measures of Pro Forma EBITDA, including Pro Forma Adjusted EBITDA, should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with GAAP and should not be construed as an indication of a company's operating performance or as a measure of liquidity. Pro Forma Adjusted EBITDA may have material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. In addition, EBITDA, Adjusted EBITDA or similar measures presented by other companies may not be comparable to our presentation, since each company may define these terms differently. See Non-GAAP Financial Measures.

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 30,
	2010	2011	2010
	(In thousands)		
Reconciliation of Pro Forma Net Income (Loss) to Pro Forma Adjusted EBITDA:			
Net income (loss) ^(a)	\$ 6,091	\$ (16,453)	\$ (16,162)
Loss from discontinued operations	567	829	4,531
Interest expense, net	21,269	21,289	28,264
Income tax provision	4,901	5,934	2,700
Depreciation and amortization	4,781	3,717	5,977
Pro Forma EBITDA	37,609	15,316	25,310
<i>Adjustments:</i>			
Equity-based compensation expense ^(b)	128	19,925	203
Transaction-related expenses ^(c)			69
Management fees ^(d)	433	361	550
Impairment charges ^(e)			23,528
Legal settlement ^(f)		446	
Integration and closing costs ^(g)		947	
Rate increase on a PHC contract ^(h)	1,400	333	1,900
Anticipated operating income at the Seven Hills Behavioral Center ⁽ⁱ⁾	763	225	767
Rent elimination ^(j)	532	546	714
Cost savings/synergies ^(k)	2,550	2,550	3,400
Pro Forma Adjusted EBITDA	\$ 43,415	\$ 40,649	\$ 56,441

- (a) Transaction-related expenses related to the acquisition of YFCS and the Merger of approximately \$13.0 million for the nine months ended September 30, 2011 have been excluded from the computation of pro forma net income. In addition, advisory fees paid to Waud Capital Partners of approximately \$1.0 million for the nine months ended September 30, 2011 have been excluded from the computation of pro forma net income due to the termination of the professional services agreement between Acadia and Waud Capital Partners on November 1, 2011.
- (b) Represents the equity-based compensation expense of Acadia, YFCS and PHC for the respective periods. Acadia recognized \$19.8 million of equity-based compensation expense in the nine months ended September 30, 2011 related to equity units issued in conjunction with the YFCS acquisition.
- (c) Represents a portion of the acquisition-related fees and expenses incurred by Acadia in the respective periods, but excludes certain one-time transaction related expenses associated with the acquisition of YFCS and the Merger that were excluded from the computation of pro forma net income. See note (a).
- (d) Represents the management fees paid by MeadowWood to its former parent companies and a portion of the management fees paid by Acadia to its equity sponsor, Waud Capital Partners, that was not excluded in the computation of pro forma net income.
- (e) In connection with the execution of the sale agreement and plan of merger for the purchase of YFCS, YFCS recorded an impairment charge of approximately \$23.5 million for the year ended December 31, 2010 as a result of management's conclusion that the carrying value of goodwill exceeded the fair value implied by the sale of the company.
- (f) Represents legal settlement expenses recognized by PHC resulting from an employee wrongful termination suit against PHC that was settled in April 2011.
- (g) Represents costs incurred by Acadia related to the closing of the YFCS corporate office, including the costs of temporarily retaining certain employees for a transitional period following the acquisition date.
- (h) Represents the increased revenue that would have resulted from an increased rate on one of PHC's contracts that became effective in March 2011, assuming such increased rate had been effective throughout all periods presented. The increased rate was estimated by multiplying the historical plan enrollment by the newly-contracted rate, which resulted in an approximate \$0.17 million increase in revenue and EBITDA for each month prior to March 2011 in which the rate was not effective.
- (i) The Seven Hills Behavioral Center was opened in the fourth quarter of 2008 and became certified by the Center for Medicare and Medicaid Services in July 2010. The adjustment represents the estimated additional operating income that would have been generated by this facility if it had operated at expected levels for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010. This adjustment is based upon the difference between the actual operating income for the Seven Hills Behavioral Center in the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively, and the operating income that we anticipate the facility will achieve when it operates at expected levels.
- (j) Represents rent payments relating to PHC's subsidiary, Detroit Behavioral Institute, Inc. (d/b/a Capstone Academy), as if the leased property had been owned by PHC throughout the periods presented. PHC currently leases the Capstone Academy property. The lessor financed the acquisition of the property through the issuance of notes to certain lenders. On November 13, 2010, PHC, through its subsidiary Detroit Behavioral Institute, Inc. (d/b/a Capstone Academy), purchased the notes from the lenders. The lessor was in default at the time PHC purchased the notes, and PHC initiated foreclosure proceedings in court. Upon completion of the foreclosure proceedings, the property will be owned by Acadia and rent expense will no longer be incurred.
- (k) Acadia expects to realize annual cost savings of approximately \$3.4 million beginning in fiscal 2012 as a result of the Merger and the elimination of certain redundant positions, professional services and other expenses, as well as the efficiencies of integrating corporate functions within a larger company framework.

We may not be able to achieve all of the expected benefits from the synergies and cost savings described in the table. This information is inherently uncertain and is not intended to represent what our financial position or results of operations might be for any future period. See Risk Factors Risks Relating to our Business Our acquisition strategy exposes us to a variety of operational and financial risks Benefits may not materialize.

RISK FACTORS

Participating in the Exchange Offer is subject to a number of important risks and uncertainties, some of which are described below. Any of the following risks could materially and adversely affect our business, financial condition, operating results and cash flows. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, operating results and cash flows. In such cases, you may lose all or part of your investment in the notes. See Forward-Looking Statements.

Risks Relating to the Exchange Offer

Because there is no public market for the Exchange Notes, you may not be able to resell your notes.

The Exchange Notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their Exchange Notes; or
- the price at which holders would be able to sell their Exchange Notes.

If a trading market were to develop, the Exchange Notes may trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance.

We understand that the initial purchaser presently intends to make a market in the Exchange Notes. However, it is not obligated to do so and any market making with respect to the Exchange Notes may be discontinued at any time without notice. In addition, market-making will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations promulgated thereunder, and may be limited during the pendency of the Exchange Offer or the effectiveness of the registration statement.

We offered the Outstanding Notes in reliance upon an exemption from registration under the Securities Act and applicable state securities laws. Therefore, the Outstanding Notes may be transferred or resold only in a transaction registered under or exempt from the Securities Act and applicable state securities laws. We are conducting the Exchange Offer pursuant to an effective registration statement, whereby we are offering to exchange the Outstanding Notes for nearly identical notes that you will be able to trade without registration under the Securities Act provided you are not one of our affiliates. We cannot assure you that the Exchange Offer will be conducted in a timely fashion. Moreover, we cannot assure you that an active or liquid trading market for the Exchange Notes will develop. See Exchange Offer.

You must comply with the exchange offer procedures in order to receive new, freely tradable Exchange Notes.

Delivery of Exchange Notes in exchange for Outstanding Notes tendered and accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the exchange agent of book-entry transfer of Outstanding Notes into the exchange agent's account at DTC, as depository, including an agent's message (as defined herein). We are not required to notify you of defects or irregularities in tenders of Outstanding Notes for exchange. Exchange Notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the Exchange Offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the Exchange Offer, certain registration and other rights under the Registration Rights Agreements will terminate. See Exchange Offer Procedures for Tendering Outstanding Notes and Exchange Offer Consequences of Failure to Exchange.

Holders of Outstanding Notes who fail to exchange their Outstanding Notes in the Exchange Offer will continue to be subject to restrictions on transfer.

If you do not exchange your Outstanding Notes for Exchange Notes in the Exchange Offer, you will continue to be subject to the restrictions on transfer applicable to the Outstanding Notes. The restrictions on transfer of your Outstanding Notes arise because we issued the Outstanding Notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the Outstanding Notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the Outstanding Notes under the Securities Act. For further information regarding the consequences of not tendering your Outstanding Notes in the Exchange Offer, see the section entitled Exchange Offer Consequences of Failure to Exchange.

Some holders who exchange their Outstanding Notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your Outstanding Notes in the Exchange Offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Risks Relating to the Exchange Notes

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes and our other debt.

As of September 30, 2011, on an a pro forma basis to give effect to the Merger, as if it had occurred on September 30, 2011, we would have had approximately \$285.6 million of total indebtedness, which includes \$138.1 million of indebtedness under the Senior Secured Credit Facility and \$147.5 million (net of a discount of \$2.5 million) of indebtedness under the Outstanding Notes. Our substantial indebtedness could have important consequences to you. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

make it more difficult for us to satisfy our other financial obligations, including our obligations relating to the notes;

restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;

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

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

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 flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt;

limit our ability to borrow additional funds; and

limit our ability to pay dividends, redeem stock or make other distributions.

In addition, the terms of the indenture governing the notes and the terms of the Senior Secured Credit Facility contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts, including the notes.

Despite our current indebtedness level, we may still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness, including additional notes and other secured indebtedness, in the future. Although the indenture governing the notes and the Senior Secured Credit Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we now face would intensify and we may not be able to meet all our debt obligations, including the repayment of the notes. In addition, the indenture governing the notes and the agreement governing the Senior Secured Credit Facility do not prevent us from incurring obligations that do not constitute indebtedness under the agreements governing such debt.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Senior Secured Credit Facility or from other sources in an amount sufficient to enable us to service our indebtedness, including the notes, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to allow us to make scheduled payments on our indebtedness, we may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our indebtedness, including the Senior Secured Credit Facility and the notes, on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. We cannot assure you that we will be able to refinance any of our indebtedness, including the Senior Secured Credit Facility and the notes, on commercially reasonable terms or at all, or that the terms of that indebtedness will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition, the value of our outstanding debt, including the notes, and our ability to make any required cash payments under our indebtedness, including the notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at that time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the Senior Secured Credit Facility is secured by a lien on all of our assets, and any successor credit facility is likely to be secured on a similar basis. As such, our ability to refinance the notes or seek additional financing could be impaired as a result of such security interest.

We are subject to a number of restrictive covenants, which may restrict our business and financing activities.

The Senior Secured Credit Facility and the indenture governing the notes impose, and the terms of any future indebtedness may impose, operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, among other things, our and our subsidiaries' ability to:

incur or guarantee additional indebtedness and issue certain preferred stock;

pay dividends on our equity interests or redeem, repurchase or retire our equity interests or subordinated indebtedness;

transfer or sell our assets;

make certain payments or investments;

make capital expenditures;

create certain liens on assets;

create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;

engage in certain transactions with our affiliates; and

merge or consolidate with other companies or transfer all or substantially all of our assets.

The Senior Secured Credit Facility also requires us to meet certain financial ratios, including a fixed charge coverage ratio and a consolidated leverage ratio. See [Description of Other Indebtedness](#).

The restrictions in the indenture governing the notes and the Senior Secured Credit Facility may prevent us from taking actions that we believe would be in the best interests of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these covenants in future periods will largely depend on the pricing of our products and services, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements. The breach of any of these covenants and restrictions could result in a default under the indenture governing the notes or under the Senior Secured Credit Facility, which could result in an acceleration of our indebtedness.

Under certain circumstances a court could cancel the notes or the related guarantees under fraudulent conveyance laws.

Our issuance of the notes and the related guarantees may be subject to review under federal or state fraudulent transfer law. If we become a debtor in a case under the United States Bankruptcy Code or encounter other financial difficulty, a court might avoid (that is, cancel) our obligations under the notes. Although laws differ among various jurisdictions, in general, under fraudulent conveyance statutes, a court could invalidate the notes as a fraudulent conveyance, or could subordinate the notes to the debt owed to our existing or future creditors if it found that when we issued the notes or the debt being refinanced with the proceeds of the notes, (i) we received less than reasonably equivalent value or fair consideration and (ii) we either (1) were insolvent or were rendered insolvent, (2) were left with inadequate capital to conduct our business or (3) believed or reasonably should have believed that we would incur debts beyond our ability to pay as such debts matured. The court could also avoid the notes, without regard to factors (i) and (ii), if it found that we issued the notes with actual intent to hinder, delay or defraud our current or future creditors.

Similarly, if one of our guarantors becomes a debtor in a case under the United States Bankruptcy Code or encounters other financial difficulty, a court might cancel its guarantee if it finds that when such guarantor issued its guarantee (or in some jurisdictions, when payments became due under the guarantee) or when we issued the guarantee being refinanced with the proceeds of the notes, factors (i) and (ii) above applied to such guarantor, such guarantor was a defendant in an action for money damages or had a judgment for money damages docketed against it (if, in either case, after final judgment the judgment is unsatisfied), or if it found that such guarantor issued its guarantee with actual intent to hinder, delay or defraud its creditors.

In addition, a court could avoid any payment by us or any guarantor pursuant to the notes or a guarantee, and require the return of any payment or the return of any realized value to us or the guarantor, as the case may be, or to a fund for the benefit of the creditors of us or the guarantor. In addition, under the circumstances described above, a court could subordinate rather than avoid obligations under the notes or the guarantees. If the court were to avoid any guarantee, we cannot assure you that funds would be available to pay the notes from another guarantor or from any other source.

The test for determining solvency for purposes of the foregoing will vary depending on the law of the jurisdiction being applied. In general, a court would consider an entity insolvent if, at the time it incurs the indebtedness, either the sum of its existing debts exceeds the fair value of all of its property, its assets present fair saleable value is less than the amount required to pay the probable liability on its existing debts as they become due, or it could not pay its debts as they become due. For this analysis, debts includes contingent and unliquidated debts.

The indenture governing the notes limits the liability of each guarantor on its guarantee to the maximum amount that such guarantor can incur without risk that its guarantee will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the notes in full when due.

If a court avoided our obligations under the notes and the obligations of all of the guarantors under their guarantees, you would cease to be our creditor or creditor of the guarantors and likely have no source from which to recover amounts due under the notes. Even if the guarantee of a guarantor is not avoided as a fraudulent transfer, a court may subordinate the guarantee to that guarantor's other debt. In that event, the guarantees would be structurally subordinated to all of that guarantor's other debt.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under the Senior Secured Credit Facility, and the remedies sought by the holders of such indebtedness, could adversely affect our ability to pay the principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flows and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including the Senior Secured Credit Facility), we would be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, the lenders under the Senior Secured Credit Facility could elect to terminate their commitments or cease making further loans and institute foreclosure proceedings against our assets, or we could be forced to apply all available cash flows to repay such indebtedness, and, in any such case, we could ultimately be forced into bankruptcy or liquidation. Because the indenture governing the notes and the agreement governing the Senior Secured Credit Facility have customary cross-default provisions, if the indebtedness under the notes or under the Senior Secured Credit Facility is accelerated, we may be unable to repay or refinance the amounts due.

The notes and the guarantees are not secured by any of our assets and are effectively subordinated to our and the guarantors' existing and future secured indebtedness.

The notes and the guarantees are general unsecured obligations ranking effectively junior in right of payment to all of our existing and future secured indebtedness and that of each guarantor, including indebtedness under the Senior Secured Credit Facility. Additionally, the indenture governing the notes permits us to incur additional secured indebtedness in the future. In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any indebtedness that is effectively senior to the notes and the guarantees will be entitled to be paid in full from our assets or the assets of the guarantor, as applicable, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. You may therefore not be fully repaid in the event we become insolvent or otherwise fail to make payments on the notes.

As of September 30, 2011, after giving effect to the Transactions, the notes and the guarantees would have been effectively subordinated to approximately \$140.0 million of senior secured indebtedness under the Senior Secured Credit Facility.

The notes are structurally subordinated to the liabilities of our future subsidiaries that are not guarantors of the notes.

The notes are guaranteed on a senior unsecured basis by each of our subsidiaries that is a guarantor under the Senior Secured Credit Facility, and, subject to certain exceptions, each of our future domestic subsidiaries that incurs indebtedness. As of November 1, 2011, all of our existing subsidiaries were guarantors of the notes and the Senior Secured Credit Facility. The notes, however, will be structurally subordinated to indebtedness and other liabilities, including trade payables, of any of our future subsidiaries that are not guarantors of the notes.

The indenture governing the notes allows future non-guarantor subsidiaries to incur certain additional indebtedness in the future. In the event of a bankruptcy, liquidation or reorganization of any of our future non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of their preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us.

We may not be able to satisfy our obligations to holders of the notes upon a change of control or sale of assets.

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to purchase the notes at a price equal to 101% of the principal amount of such notes, together with any accrued and unpaid interest, to the date of purchase. See Description of the Exchange Notes Repurchase at the Option of Holders Change of Control.

In addition, upon the occurrence of an asset sale, as defined in the indenture, we may be required to offer to purchase the notes at a price equal to 100% of the principal amount of such notes, together with any accrued and unpaid interest, to the date of purchase. See Description of the Exchange Notes Repurchase at the Option of Holders Asset Sales.

We cannot assure you that, if a change of control or asset sale occurs, we will have available funds sufficient to make an offer to purchase, and pay the change of control purchase price or asset sale purchase price to any or all of the holders of the notes seeking to receive and accept the change of control offer or asset sale offer. If we are required to purchase notes pursuant to a change of control offer or asset sale offer, we would be required to seek third-party financing to the extent we do not have available funds to meet our purchase obligations. There can be no assurance that we will be able to obtain such financing on acceptable terms to us or

at all. Accordingly, none of the holders of the notes may receive the change of control purchase price or asset sale purchase price for their notes. Our failure to make or consummate the change of control offer or asset sale offer, or to pay the change of control purchase price or asset sale purchase price when due would be a default under the indenture governing the notes, which would also be a default under the Senior Secured Credit Facility.

In addition, the events that constitute a change of control or asset sale under the indenture may also be events of default under the Senior Secured Credit Facility. These events may permit the lenders under the Senior Secured Credit Facility to accelerate the debt outstanding thereunder and, if such debt is not paid, to enforce security interests in our specified assets, thereby limiting our ability to raise cash to purchase the notes and reducing the practical benefit of the offer-to-purchase provisions to the holders of the notes.

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our assets. However, the phrase all or substantially all will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or disposition of all or substantially all of our capital stock or assets has occurred, in which case, the ability of a holder of the notes to obtain the benefit of an offer to repurchase all or a portion of the notes held by such holder may be impaired. See Description of the Exchange Notes Repurchase at the Option of Holders Change of Control.

The trading prices of the notes will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets.

The trading prices of the notes in the secondary market will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets. It is impossible to predict the prevailing interest rates or the condition of the financial and credit markets. Credit rating agencies continually revise their ratings for companies that they follow, including us. Any ratings downgrade could adversely affect the trading price of the notes or the trading market for the notes, to the extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

Risks Relating to Our Business

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

A significant portion of our revenues is from the government, principally Medicare and Medicaid. 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 27% of its revenues from such programs for the fiscal year ended June 30, 2011 (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 payors are reduced, there could be a material adverse effect on our business, financial position and results of operations.

On August 2, 2011, the Budget Control Act of 2011 (the Budget Control Act) was enacted into law. The Budget Control Act imposes annual spending limits on many federal agencies and programs aimed at reducing budget deficits by \$917 billion between 2012 and 2021, according to a report released by the Congressional Budget Office. The Budget Control Act also establishes a bipartisan joint select committee of Congress that is responsible for developing recommendations to reduce future federal budget deficits by an additional \$1.2 trillion over 10 years. On November 21, 2011, the co-chairs of the joint select committee announced that they would be unable to reach bipartisan agreement before the committee's deadline of November 23, 2011. As a result of the committee's failure to reach agreement, across-the-board cuts to mandatory and discretionary federal spending will be automatically implemented as of January 2013 unless Congress acts to amend, delay or otherwise terminate the automatic reductions set forth in the Budget Control Act, which could result in reductions of payments to Medicare providers of up to 2%. We cannot predict if reductions to future Medicare or other government payments to providers will be implemented as a result of the Budget Control Act or what impact, if any, the Budget Control Act will have on our business or results of operations.

In addition to changes in government reimbursement programs, our ability to negotiate favorable contracts with private payors, 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 payors 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 payor 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 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 Senior Secured Credit 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 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 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. If we fail to adhere to these standards, we could be subject to monetary and operational penalties.

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 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 the 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.

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 since we do not offer the range of services required for these contracts. Moreover, 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 five of our 34 facilities. Although we are not aware of any union organizing activity at 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 the chief executive officer, chief financial officer, medical director, physicians and other 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.

In addition, while our management was successful in operating and expanding PSI, there can be no assurance that they will be able to duplicate that success at Acadia.

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:

regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes,

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

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.

Our acquisition strategy exposes us to a variety of operational and financial risks.

A principal element of our business strategy is to grow by acquiring other companies and assets in the behavioral health industry. Growth, especially rapid growth, through acquisitions exposes us to a variety of operational and financial risks. We summarize the most significant of these risks below.

Integration risks.

We must integrate our acquisitions with our existing operations. This process includes the integration of the various components of our business (including the following) and of the businesses we have acquired or may do so in the future:

additional psychiatrists, other physicians and employees who are not familiar with our operations;

patients who may elect to switch to another behavioral health care provider;

regulatory compliance programs; and

disparate operating, information and record keeping systems and technology platforms.

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 from day-to-day operations.

We may not be able to combine successfully the operations of recently acquired PHC with our operations, and, even if such integration is accomplished, we may never realize the potential benefits of the acquisition. The integration of acquisitions, including PHC, with our operations requires significant attention from management, may impose substantial demands on our operations or other projects and may impose challenges on the combined business including, but not limited to, consistencies in business standards, procedures, policies and business cultures. The PHC integration, which began in earnest upon the closing of the Merger, also involves a capital outlay, and the return that we achieved on any capital invested may be less than the return that we would achieve on our other projects or investments. Although the YFCS and PHC integrations are underway, they are not complete. If we fail to complete these integrations, we may never fully realize the potential benefits of the related acquisitions.

Benefits may not materialize.

When evaluating potential acquisition targets, we identify potential synergies and cost savings that we expect to realize upon the successful completion of the acquisition and the integration of the related operations. We may, however, be unable to achieve or may otherwise never realize the expected benefits. In connection with the Merger, the expected 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 the twelve months ended June 30, 2011, even though they were not effective for that entire

period. In addition, we have made an estimate of the future operating income we expect to earn once the Seven Hills Behavioral Center is operating at expected levels. The Seven Hills Behavioral Center was opened in the fourth quarter of 2008 and became CMS certified in July 2010. 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.

Assumptions of unknown liabilities

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 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.

Competing for acquisitions

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. As a result, we may pay more to acquire a target business or may agree to less favorable deal terms than we would have otherwise. 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 fair value of assets acquired and liabilities assumed, effects of subsequent legislation and limits on rate increases.

Managing growth

Some of the facilities we have acquired or may acquire in the future 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 the acquired facilities, our results of operations could be negatively impacted.

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 that regulate the construction or expansion of healthcare facilities, certain capital expenditures or changes in services or bed capacity. In giving approval for these actions, these states consider the need for additional or

expanded healthcare facilities or services. Our failure to obtain necessary state approval could (i) result in our inability to acquire a targeted facility, complete a desired expansion or make a desired replacement, (ii) make a facility ineligible to receive reimbursement under the Medicare or Medicaid programs or (iii) 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 such 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 payors 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 payor-required preadmission authorization and utilization review and by payor 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 payors. 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.

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.

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

We currently operate 34 treatment facilities, 18 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 significantly disrupted 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 payors 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 payor source, the agings of the receivables and historical collection experience. At December 31, 2010, our allowance for doubtful accounts represented approximately 19% of our 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, payor 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.

Failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) could have a material and adverse effect on our business.

Historically, as a privately-held company, we were not required to maintain internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404 of Sarbanes-Oxley, standards that, as a newly public company, we will be required to meet in the course of preparing our consolidated financial statements in the future. If we are not able to implement the requirements of Section 404 of Sarbanes-Oxley in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to attest to the adequacy of our internal control over financial reporting. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may suffer adverse regulatory consequences or violations of applicable stock exchange listing rules and may breach the covenants under the Senior Secured Credit Facility and the Outstanding Notes. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting. In addition, we will incur incremental costs in order to improve our internal control over financial reporting and comply with Section 404 of Sarbanes-Oxley, including increased auditing and legal fees.

We are a controlled company, controlled by Waud Capital Partners, whose interest in our business may be different from ours or yours.

Waud Capital Partners controls approximately 78.3% of the voting power of our common stock and is able to elect a majority of our board of directors in accordance with the terms of the stockholders agreement that we entered into with Waud Capital Partners and certain members of our management upon the closing of the Merger. For so long as Waud Capital Partners owns at least 17.5% of our outstanding common stock, it has the right to designate a majority of our board of directors and consent rights to many corporate actions, such as issuing equity or debt securities, paying dividends, acquiring any interest in another company and materially changing our business activities. See Certain Relationships and Related Party Transactions Stockholders Agreement. As a result of Waud Capital Partners' voting power, we are considered a controlled company for the purposes of the Nasdaq listing requirements. As a controlled company, we are permitted to, and we do, 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 of directors by the independent members of our board of directors. The Nasdaq listing requirements are intended to ensure that directors who meet the independence standard are free of any conflicting interest that could influence their actions as directors. It is possible that the interests of Waud Capital Partners may in some circumstances conflict with our interests and the interests of our other stockholders.

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

The market price of our common stock could decline as a result of sales by our existing stockholders in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem 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 our common stock beneficially owned by them. The presence of additional shares of our 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.

We incur substantial costs as a result of being a public company.

As a public company, we incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. We incur costs associated with complying with the requirements of Sarbanes-Oxley and related rules implemented by the SEC and Nasdaq. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these laws and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. Since we only became a publicly traded in November 2011, none of these costs are reflected in our historical financial statements. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as may, might, will, would, should, could or the negative thereof. Generally, the words anticipate, be, continue, expect, intend, estimate, project, plan and similar expressions identify forward-looking statements. In particular, statements about expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this prospectus under the headings Prospectus Summary, Risk Factors, 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 Business are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of our control, which could cause our actual results, performance or achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our significant indebtednesses and ability to incur substantially more debt;
- our future cash flow and earnings;
- our ability to meet our debt obligations;
- the impact of payments received from the government and third-party payors 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;
- the impact of claims brought against our facilities;

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

difficulties in successfully integrating the YFCS and PHC facilities and operations or realizing the potential benefits and synergies 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;

the impact of legislative and regulatory initiatives relating to privacy and security of patient health information and standards for electronic transactions;

the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients;

the fact that we have not previously been required to comply with regulatory requirements applicable to reporting companies;

our status as a controlled company ; and

the other risks described under the heading Risk Factors.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These risks and uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. These forward-looking statements are made only as of the date of this prospectus. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments.

EXCHANGE OFFER

Purpose of the Exchange Offer

The Exchange Offer is designed to provide holders of Outstanding Notes with an opportunity to acquire Exchange Notes which, unlike the Outstanding Notes, will be freely transferable at all times, subject to any restrictions on transfer imposed by state blue sky laws and provided that the holder is not our affiliate within the meaning of the Securities Act and represents that the Exchange Notes are being acquired in the ordinary course of the holder's business and the holder is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes.

The Outstanding Notes were originally issued and sold on November 1, 2011, to the initial purchaser pursuant to the purchase agreement dated October 27, 2011. The Outstanding Notes were issued and sold in a transaction not registered under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act. The concurrent resale of the Outstanding Notes by the initial purchaser to investors was done in reliance upon the exemptions provided by Rule 144A and Regulation S promulgated under the Securities Act. The Outstanding Notes may not be reoffered, resold or transferred other than (i) to us or our subsidiaries, (ii) to a qualified institutional buyer in compliance with Rule 144A promulgated under the Securities Act, (iii) outside the United States to a non-U.S. person within the meaning of Regulation S under the Securities Act, (iv) to an institutional accredited investor within the meaning of Rule 501 under the Securities Act that is acquiring the Outstanding Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, (v) pursuant to another available exemption from the registration requirements of the Securities Act or (vi) pursuant to an effective registration statement under the Securities Act.

In connection with the original issuance and sale of the Outstanding Notes, we entered into the Registration Rights Agreement, pursuant to which we agreed to file with the SEC a registration statement covering the exchange by us of the Exchange Notes for the Outstanding Notes, pursuant to the Exchange Offer. The Registration Rights Agreement provides that we will file with the SEC an Exchange Offer registration statement on an appropriate form under the Securities Act and offer to holders of Outstanding Notes who are able to make certain representations, the opportunity to exchange their Outstanding Notes for Exchange Notes. Under some circumstances, holders of the Outstanding Notes, including holders who are not permitted to participate in the Exchange Offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of Outstanding Notes by these holders.

Under existing interpretations by the staff of the SEC as set forth in no-action letters issued to third parties in other transactions, the Exchange Notes would, in general, be freely transferable after the Exchange Offer without further registration under the Securities Act; provided, however, that in the case of broker-dealers participating in the Exchange Offer, a prospectus meeting the requirements of the Securities Act must be delivered by such broker-dealers in connection with resales of the Exchange Notes. We have agreed to furnish a prospectus meeting the requirements of the Securities Act to any such broker-dealer for use in connection with any resale of any Exchange Notes acquired in the Exchange Offer. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the Registration Rights Agreement (including certain indemnification rights and obligations).

We do not intend to seek our own interpretation regarding the Exchange Offer, and we cannot assure you that the staff of the SEC would make a similar determination with respect to the Exchange Notes as it has in other interpretations to third parties.

Each holder of Outstanding Notes that exchanges such Outstanding Notes for Exchange Notes in the Exchange Offer will be deemed to have made certain representations, including representations that (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no

arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of Exchange Notes and (iii) it is not our affiliate as defined in Rule 405 under the Securities Act, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is not a broker-dealer, it will be required to represent that it is not engaged in, and does not intend to engage in, the distribution of Outstanding Notes or Exchange Notes. If the holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes.

Terms of the Exchange Offer; Period for Tendering Outstanding Notes

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal accompanying this prospectus, we will accept any and all Outstanding Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the Exchange Offer. We will issue \$1,000 principal amount of Exchange Notes in exchange for each \$1,000 principal amount of Outstanding Notes accepted in the Exchange Offer. Holders may tender some or all of their Outstanding Notes pursuant to the Exchange Offer. However, Outstanding Notes may be tendered only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The form and terms of the Exchange Notes are the same as the form and terms of the Outstanding Notes except that:

- (1) the Exchange Notes will bear a different CUSIP Number from the Outstanding Notes;
- (2) the Exchange Notes will be registered under the Securities Act and will not bear legends restricting their transfer; and
- (3) the holders of the Exchange Notes will not be entitled to certain rights under the Registration Rights Agreement, including the provisions providing for an increase in the interest rate on the Outstanding Notes in certain circumstances relating to the timing of the Exchange Offer, which rights will terminate when the Exchange Offer to which this prospectus relates is terminated.

The Exchange Notes will evidence the same debt as the Outstanding Notes, will be entitled to the benefits of the indenture governing the notes and will constitute, with the Outstanding Notes, a single series of notes under the indenture.

As of December 15, 2011, \$150.0 million aggregate principal amount of Outstanding Notes are outstanding. This prospectus and the letter of transmittal, accompanying this prospectus, are being sent to all registered holders of Outstanding Notes. There will be no fixed record date for determining registered holders of Outstanding Notes entitled to participate in the Exchange Offer.

Holders of Outstanding Notes do not have any appraisal or dissenters' rights under the General Corporate Law of the State of Delaware or the indenture governing the notes in connection with the Exchange Offer. We intend to conduct the Exchange Offer in accordance with the applicable requirements of the Exchange Act.

We will be deemed to have accepted validly tendered Outstanding Notes when, as and if we have given oral notice (promptly confirmed in writing) or written notice of our acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the Exchange Notes from us.

If any tendered Outstanding Notes are not accepted for exchange because of an invalid tender, the occurrence of certain specified events set forth in this prospectus or otherwise, the certificates for any unaccepted Outstanding Notes will be promptly returned, without expense, to the tendering holder thereof promptly following the expiration date of the Exchange Offer.

Holders who tender Outstanding Notes in the Exchange Offer will not be required to pay brokerage commissions or fees or transfer taxes with respect to the exchange of Outstanding Notes pursuant to the Exchange Offer. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the Exchange Offer. See **Fees and Expenses** and **Transfer Taxes** below.

The Exchange Offer will remain open for at least 20 full business days. The term **expiration date** will mean 5:00 p.m., New York City time, on _____, 2012, unless we, in our sole discretion, extend the Exchange Offer, in which case the term **expiration date** will mean the latest date and time to which the Exchange Offer is extended.

To extend the Exchange Offer, prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date, we will:

- (1) notify the exchange agent of any extension by oral notice (promptly confirmed in writing) or written notice, and
- (2) issue a notice by press release or other public announcement.

Any announcement of delay in acceptance, extension, termination or amendment of the Exchange Offer will be followed as promptly as practicable by oral or written notice thereof to the registered holders.

We reserve the right, in our sole discretion:

- (1) if any of the conditions below under the heading **Conditions to the Exchange Offer** shall have not been satisfied,
 - (a) to delay accepting any Outstanding Notes,
 - (b) to extend the Exchange Offer, or
 - (c) to terminate the Exchange Offer, or

- (2) to amend the terms of the Exchange Offer in any manner.

Such decision will also be communicated in a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day following such decision. Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders. In the event of a material change to the terms of an Exchange Offer, including the waiver of a material condition, we will extend the terms of the applicable Exchange Offer, if necessary, so that at least five business days remain in such Exchange Offer following notice of any such material change.

Interest on the Exchange Notes

No interest will be paid on either the Exchange Notes or the Outstanding Notes at the time of the exchange. The Exchange Notes will accrue interest from and including the last interest payment date on which interest has been paid on the Outstanding Notes and, if no interest has been paid, the Exchange Notes will accrue interest since the issue date of the Outstanding Notes. Accordingly, the holders of Outstanding Notes that are accepted for exchange will not receive accrued but unpaid interest on such Outstanding Notes at the time of tender. Rather, that interest will be payable on the Exchange Notes delivered in exchange for the Outstanding Notes on the first interest payment date after the expiration date of the Exchange Offer.

Procedures for Tendering Outstanding Notes

Only a holder of Outstanding Notes may tender Outstanding Notes in the Exchange Offer. To tender in the Exchange Offer, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the letter of transmittal or transmit an agent's message in connection with a book-entry transfer, and, unless transmitting an agent's message in connection with a book-entry transfer, mail or otherwise deliver the letter of transmittal or the facsimile, together with the Outstanding Notes and any other required documents, to the exchange agent prior to the expiration date. To be tendered effectively, the Outstanding Notes, letter of transmittal or an agent's message and other required documents must be completed and received by the exchange agent at the address set forth below under Exchange Agent prior to the expiration date. Delivery of the Outstanding Notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of the book-entry transfer must be received by the exchange agent prior to the expiration date.

The term agent's message means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent forming a part of a confirmation of a book-entry, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the Outstanding Notes that the participant has received and agrees: (1) to participate in ATOP, (2) to be bound by the terms of the letter of transmittal and (3) that we may enforce the agreement against the participant.

The tender by a holder and our acceptance thereof will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal or agent's message.

The method of delivery of Outstanding Notes and the letter of transmittal or agent's message and all other required documents to the exchange agent is at the election and sole risk of the holder. As an alternative to delivery by mail, holders may wish to consider overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or Outstanding Notes should be sent to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for them.

Any beneficial owner whose Outstanding Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. See Instructions to Letter of Transmittal included with the letter of transmittal accompanying this prospectus.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or by an eligible guarantor institution within the meaning of Rule 17Ad-15 promulgated under the Exchange Act (banks; brokers and dealers; credit unions; national securities exchanges; registered securities associations; learning agencies; and savings associations) (each an Eligible Guarantor Institution) unless the Outstanding Notes tendered pursuant to the letter of transmittal are tendered (1) by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal or (2) for the account of an Eligible Guarantor Institution. In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantee must be by an Eligible Guarantor Institution.

If the letter of transmittal is signed by a person other than the registered holder of any Outstanding Notes listed in this prospectus, the Outstanding Notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the Outstanding Notes with the signature thereon guaranteed by an Eligible Guarantor Institution.

If the letter of transmittal or any bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, the person signing should so indicate when signing, and evidence satisfactory to us of its authority to so act must be submitted with the letter of transmittal.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the Outstanding Notes at DTC for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in DTC's system may make book-entry delivery of Outstanding Notes by causing DTC to transfer the Outstanding Notes into the exchange agent's account with respect to the Outstanding Notes in accordance with DTC's procedures for the transfer. Although delivery of the Outstanding Notes may be effected through book-entry transfer into the exchange agent's account at DTC, unless an agent's message is received by the exchange agent in compliance with ATOP, or an appropriate letter of transmittal properly completed and duly executed, or a facsimile thereof, with any required signature guarantee and all other required documents, must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth in this prospectus on or prior to 5:00 p.m., New York City time, on the expiration date. Delivery of documents to DTC does not constitute delivery to the exchange agent.

All questions as to the validity, form, eligibility, including time of receipt, acceptance of tendered Outstanding Notes and withdrawal of tendered Outstanding Notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all Outstanding Notes not properly tendered or any Outstanding Notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right in our sole discretion to waive any defects, irregularities or conditions of tender as to particular Outstanding Notes, provided however that, to the extent such waiver includes any condition to tender, we will waive such condition as to all tendering holders. Our interpretation of the terms and conditions of the Exchange Offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within the time we determine and in any case, before the expiration date. Although we intend to notify holders of defects or irregularities with respect to tenders of Outstanding Notes, neither we, the exchange agent nor any other person will incur any liability for failure to give the notification. Tenderees of Outstanding Notes will not be deemed to have been made until the defects or irregularities have been cured or waived. Any Outstanding Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

No Guaranteed Delivery

There are no guaranteed delivery procedures provided by us in connection with the Exchange Offer. As only registered holders are authorized to tender Outstanding Notes through DTC, beneficial owners of Outstanding Notes that are held in the name of a custodial entity must contact such entity sufficiently in advance of the expiration date if they wish to tender Outstanding Notes and be eligible to receive the Exchange Notes.

Withdrawal of Tenderees

Except as otherwise provided in this prospectus, tenderees of Outstanding Notes may be withdrawn at any time prior to the expiration date.

To withdraw a tender of Outstanding Notes in the Exchange Offer, either a notice of withdrawal must be received by the exchange agent at its address set forth in this prospectus or you must comply with the appropriate withdrawal procedures of DTC's ATOP. Any notice of withdrawal must be in writing and:

- (1) specify the name of the person having deposited the Outstanding Notes to be withdrawn;

- (2) identify the Outstanding Notes to be withdrawn, including the certificate number(s) and principal amount of the Outstanding Notes, or, in the case of Outstanding Notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;
- (3) be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Outstanding Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the Outstanding Notes register the transfer of the Outstanding Notes into the name of the person withdrawing the tender; and
- (4) specify the name in which any Outstanding Notes are to be registered, if different from that of the person depositing the Outstanding Notes to be withdrawn.

All questions as to the validity, form and eligibility, including time of receipt, of withdrawal notices will be determined by us in our sole discretion, which determination will be final and binding on all parties. Any Outstanding Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Outstanding Notes so withdrawn are validly retendered. Any Outstanding Notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to the holder promptly after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Outstanding Notes may be retendered by following one of the procedures described above under Procedures for Tendering Outstanding Notes at any time prior to the expiration date.

Representations

To participate in the Exchange Offer, each holder will be required to make the following representations to us:

- (1) you or any other person acquiring Exchange Notes in exchange for your Outstanding Notes in the Exchange Offer is acquiring them in the ordinary course of business;
- (2) neither you nor any other person acquiring Exchange Notes in exchange for your Outstanding Notes in the Exchange Offer is engaging in or intends to engage in a distribution of the Exchange Notes within the meaning of the federal securities laws;
- (3) neither you nor any other person acquiring Exchange Notes in exchange for your Outstanding Notes has an arrangement or understanding with any person to participate in the distribution of Exchange Notes issued in the Exchange Offer;
- (4) neither you nor any other person acquiring Exchange Notes in exchange for your Outstanding Notes is our affiliate as defined under Rule 405 of the Securities Act; and
- (5) if you or another person acquiring Exchange Notes in exchange for your Outstanding Notes is a broker-dealer and you acquired the Outstanding Notes as a result of market-making activities or other trading activities, you acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Notes.

Broker-dealers who cannot make the representations in item (5) of the paragraph above cannot use this Exchange Offer prospectus in connection with resales of the Exchange Notes issued in the Exchange Offer.

If you are our affiliate, as defined under Rule 405 of the Securities Act, if you are a broker-dealer who acquired your Outstanding Notes in the initial offering and not as a result of market-making activities or other trading activities, or if you are engaged in, or intend to engage in, or have an arrangement or understanding with any person to participate in a distribution of Exchange Notes acquired in the Exchange Offer, you or that person:

- (1) may not rely on the applicable interpretations of the staff of the SEC and therefore may not participate in the Exchange Offer; and
- (2) must comply with the registration and prospectus delivery requirements of the Securities Act or an exemption therefrom when reselling the Outstanding Notes.

The tender by a holder and our acceptance thereof will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal or agent's message.

Conditions to the Exchange Offer

Notwithstanding any other provision of the Exchange Offer, or any extension of the Exchange Offer, we will not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Outstanding Notes and may terminate the Exchange Offer (whether or not any Outstanding Notes have been accepted for exchange) or amend the Exchange Offer, if any of the following conditions has occurred or exists or has not been satisfied, or has not been waived by us in our reasonable discretion, prior to the expiration date:

there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission:

- (1) seeking to restrain or prohibit the making or completion of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result of this transaction; or
- (2) resulting in a material delay in our ability to accept for exchange or exchange some or all of the Outstanding Notes in the Exchange Offer; or
- (3) any statute, rule, regulation, order or injunction has been sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any governmental authority, domestic or foreign; or

any action has been taken, proposed or threatened, by any governmental authority, domestic or foreign, that, in our sole reasonable judgment, would directly or indirectly result in any of the consequences referred to in clauses (1), (2) or (3) above or, in our reasonable judgment, would result in the holders of Exchange Notes having obligations with respect to resales and transfers of Exchange Notes which are greater than those described in the interpretation of the SEC referred to above, or would otherwise make it inadvisable to proceed with the Exchange Offer; or the following has occurred:

- (1) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market; or
- (2) any limitation by a governmental authority which adversely affects our ability to complete the transactions contemplated by the Exchange Offer; or
- (3) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit; or
- (4) a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the preceding events existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening of these calamities; or

any change, or any development involving a prospective change, has occurred or been threatened in our business, financial condition, operations or prospects and those of our subsidiaries taken as a whole that is or may be adverse to us, or we have become aware of facts that have or may have an adverse impact on the value of the Outstanding Notes or the Exchange Notes, which in our sole reasonable judgment in any case makes it inadvisable to proceed with the Exchange Offer and/or with such acceptance for exchange or with such exchange; or

there shall occur a change in the current interpretation by the staff of the SEC which permits the Exchange Notes issued pursuant to the Exchange Offer in exchange for Outstanding Notes to be offered for resale, resold and otherwise transferred by holders thereof (other than broker-dealers and any such holder which is our affiliate within the meaning of Rule 405 promulgated under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement or understanding with any person to participate in the distribution of such Exchange Notes; or

any law, statute, rule or regulation shall have been adopted or enacted which, in our reasonable judgment, would impair our ability to proceed with the Exchange Offer; or

a stop order shall have been issued by the SEC or any state securities authority suspending the effectiveness of the registration statement, or proceedings shall have been initiated or, to our knowledge, threatened for that purpose, or any governmental approval has not been obtained, which approval we shall, in our sole reasonable discretion, deem necessary for the consummation of the Exchange Offer as contemplated hereby; or

we have received an opinion of counsel experienced in such matters to the effect that there exists any actual or threatened legal impediment (including a default or prospective default under an agreement, indenture or other instrument or obligation to which we are a party or by which we are bound) to the consummation of the transactions contemplated by the Exchange Offer.

If we determine in our reasonable discretion that any of the foregoing events or conditions has occurred or exists or has not been satisfied, we may, subject to applicable law, terminate the Exchange Offer (whether or not any Outstanding Notes have been accepted for exchange) or may waive any such condition or otherwise amend the terms of the Exchange Offer in any respect. If such waiver or amendment constitutes a material change to the Exchange Offer, we will promptly disclose such waiver or amendment by means of a prospectus supplement that will be distributed to the registered holders of the Outstanding Notes and will extend the Exchange Offer to the extent required by Rule 14e-1 promulgated under the Exchange Act.

These conditions are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions, or we may waive them, in whole or in part, in our reasonable discretion, provided that we will not waive any condition with respect to an individual holder of Outstanding Notes unless we waive that condition for all such holders. Any reasonable determination made by us concerning an event, development or circumstance described or referred to above will be final and binding on all parties. Our failure at any time to exercise any of the foregoing rights will not be a waiver of our rights and each such right will be deemed an ongoing right which may be asserted at any time before the expiration of the Exchange Offer.

Exchange Agent

We have appointed U.S. Bank National Association as the exchange agent for the Exchange Offer. You should direct questions or requests for assistance with respect to the Exchange Offer procedures and requests for additional copies of this prospectus and the letter of transmittal to the exchange agent addressed as follows:

U.S. BANK NATIONAL ASSOCIATION, EXCHANGE AGENT

By mail, hand delivery or overnight courier:

U.S. Bank National Association

60 Livingston Avenue

St. Paul, MN 55107

Attention: Specialized Finance Department

For Information Call:

(800) 934-6802

For facsimile transmission (for eligible institutions only):

(651) 495-8158

Confirm by Telephone:

(800) 934-6802

Delivery to an address other than set forth above will not constitute a valid delivery.

Fees and Expenses

We will pay the exchange agent customary fees for its services, reimburse the exchange agent for its reasonable out-of-pocket expenses incurred in connection with the provisions of these services and pay other registration expenses, including registration and filing fees, fees and expenses of compliance with federal securities and state blue sky securities laws, printing expenses, messenger and delivery services and telephone, fees and disbursements to our counsel, application and filing fees and any fees and disbursements to our independent certified public accountants. We will not make any payment to brokers, dealers, or others soliciting acceptances of the Exchange Offer except for reimbursement of mailing expenses.

Accounting Treatment

The Exchange Notes will be recorded at the same carrying value as the existing Outstanding Notes, as reflected in our accounting records on the date of exchange. Accordingly, we will recognize no gain or loss for accounting purposes. The expenses of the Exchange Offer will be capitalized and expensed over the term of the Exchange Notes.

Transfer Taxes

If you tender Outstanding Notes for exchange you will not be obligated to pay any transfer taxes. However, if you instruct us to register Exchange Notes in the name of, or request that your Outstanding Notes not tendered or not accepted in the Exchange Offer be returned to, a person other than the registered tendering holder, you will be responsible for paying any transfer tax owed.

You May Suffer Adverse Consequences if you Fail to Exchange Outstanding Notes

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If you do not tender your Outstanding Notes, you will not have any further registration rights, except for the rights described in the Registration Rights Agreement and described above. Your Outstanding Notes will

continue to be subject to the provisions of the indenture governing the notes regarding transfer and exchange of the Outstanding Notes and the restrictions on transfer of the Outstanding Notes imposed by the Securities Act and states securities law when we complete the Exchange Offer. These transfer restrictions are required because the Outstanding Notes were issued under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, if you do not tender your Outstanding Notes in the Exchange Offer, your ability to sell your Outstanding Notes could be adversely affected. Once we have completed the Exchange Offer, holders who have not tendered Outstanding Notes will not continue to be entitled to any increase in interest rate that the Registration Rights Agreement provides for if we do not complete the Exchange Offer.

Consequences of Failure to Exchange

The Outstanding Notes that are not exchanged for Exchange Notes pursuant to the Exchange Offer will remain restricted securities. Accordingly, the Outstanding Notes may be resold only:

- (1) to us upon redemption thereof or otherwise;
- (2) so long as the outstanding securities are eligible for resale pursuant to Rule 144A, to a person inside the United States who is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A, in accordance with Rule 144 under the Securities Act;
- (3) outside the United States to a non-U.S. person in a transaction meeting the requirements of Rule 904 under the Securities Act; or
- (4) to an institutional accredited investor within the meaning of Rule 501 under the Securities Act that is acquiring the Outstanding Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act;
- (5) pursuant to another exemption from the registration requirements of the Securities Act, which other exemption is based upon an opinion of counsel reasonably acceptable to us; or
- (6) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

USE OF PROCEEDS

This Exchange Offer is intended to satisfy our obligations under the Registration Rights Agreement. We will not receive any cash proceeds, or otherwise, from the issuance of the Exchange Notes. The Outstanding Notes properly tendered and exchanged for Exchange Notes will be retired and cancelled. Accordingly, no additional debt will result from the exchange. We have agreed to bear the expense of the Exchange Offer.

CAPITALIZATION

The following table describes our cash and cash equivalents and our consolidated capitalization as of September 30, 2011 on a historical basis and on a pro forma basis giving effect to (1) PHC's acquisition of MeadowWood and related debt financing transaction on July 1, 2011 and (2) the Merger and the Transactions. You should read this table in conjunction with Selected Historical Financial Information, Unaudited Pro Forma Condensed Combined 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 of Acadia, YFCS, PHC and HHC Delaware and notes thereto appearing elsewhere in this prospectus.

	AS OF SEPTEMBER 30, 2011	
	ACTUAL	PRO FORMA
	(In thousands) (unaudited)	
Cash and cash equivalents	\$ 1,254	\$ 5,234
Debt:		
Senior Secured Credit Facility:		
Senior secured term loan	\$ 131,625	\$ 131,625
Revolving credit facility	6,500	6,500
Outstanding Notes ⁽¹⁾		147,485
Total debt (including current portion)	\$ 138,125	285,610
Total members /stockholders equity	76,986	11,029
Total capitalization	\$ 215,111	\$ 296,639

⁽¹⁾ Represents principal amount giving effect to discount of 98.323%, or \$2.5 million.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

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) the Merger and the related issuance of Old Notes on November 1, 2011, as if each had occurred on September 30, 2011 for the unaudited pro forma condensed combined balance sheet and January 1, 2010 for the unaudited pro forma condensed combined statements of operations. Acadia's condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of YFCS and related debt and equity transactions, and Acadia's condensed consolidated statement of operations reflects the results of YFCS operations for the period from April 1, 2011 to September 30, 2011. PHC's condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of MeadowWood and related debt financing transaction on July 1, 2011.

The fiscal years of Acadia, YFCS and HHC Delaware end December 31 while the fiscal year of PHC ended on June 30. The combined company will use Acadia's fiscal year ending December 31.

The unaudited pro forma condensed combined balance sheet as of September 30, 2011 combines the unaudited consolidated balance sheets as of that date of Acadia and PHC. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2010 combines the unaudited condensed consolidated statements of operations of Acadia, YFCS, HHC Delaware and PHC (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 three months ended September 30, 2010). The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2011 combines Acadia's unaudited condensed consolidated statement of operations for that period 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 six months ended June 30, 2011 and the unaudited condensed consolidated statement of operations of PHC for the nine months ended September 30, 2011 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2011 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2011). The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines the audited consolidated statements of operations of Acadia, YFCS and HHC Delaware for that period with the unaudited condensed consolidated statement of operations of PHC for that period (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 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 fair value of assets acquired and liabilities assumed 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 has not been completed and the completion of fair value determinations 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 our 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 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 notes thereto of Acadia, YFCS, PHC and HHC Delaware included elsewhere in this prospectus

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2011

(In thousands)

	ACADIA ⁽¹⁾	PHC ⁽³⁾	PRO FORMA MERGER ADJUSTMENTS	NOTES	PRO FORMA COMBINED
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,254	\$ 3,261	\$ 719	(8)	\$ 5,234
Accounts receivable, net	25,469	12,466			37,935
Other current assets	9,634	6,780			16,414
Total current assets	36,357	22,507	719		59,583
Property and equipment, net	57,783	14,013	481	(7)	72,277
Goodwill	147,081	10,447	33,447	(7)	190,975
Intangible assets, net	18,887	683	1,117	(7)	20,687
Other assets	9,501	4,175	3,800	(8a)	15,504
			(648)	(7)	
			(1,324)	(6)	
Total assets	\$ 269,609	\$ 51,825	\$ 37,592		\$ 359,026
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 6,750	\$ 235	\$ (235)	(9)	\$ 6,750
Accounts payable	10,984	2,522			13,506
Accrued salaries and benefits	12,276	2,572			14,848
Other accrued liabilities	6,394	1,712			8,106
Total current liabilities	36,404	7,041	(235)		43,210
Long-term debt	131,375	26,206	121,279	(9)	278,860
Other liabilities	24,844	900	183	(7)	25,927
Total liabilities	192,623	34,147	121,227		347,997
Equity:					
Common stock	176	208	(208)	(5)	225
Additional paid-in capital	105,481	28,267	(28,267)	(5)	76,669
			45,629	(7a)	
			(74,441)	(8)	
Treasury stock		(1,809)	1,809	(5)	
Accumulated deficit	(28,671)	(8,988)	8,988	(5)	(65,865)
			(37,084)	(8a)	
			(110)	(7)	
Total equity	76,986	17,678	(83,635)		11,029
Total liabilities and equity	\$ 269,609	\$ 51,825	\$ 37,592		\$ 359,026

See accompanying notes to unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2010

	ACADIA				PHC								PRO FORMA COMBINED	
	ACADIA HEALTHCARE (1)	YFCS (2)	ADJUSTMENTS	NOTES	ACADIA	PHC (3)	HHC DELAWARE	PRO FORMA REDWOOD	ADJUSTMENTS	NOTES	PHC	ADJUSTMENTS		NOTES
	(In thousands, except per share data)													
Revenue	\$ 48,344	\$ 137,781			\$ 186,125	\$ 42,637	\$ 10,956				\$ 53,593			\$ 239,718
Salaries, wages and benefits	28,980	84,940			113,920	20,990	6,640				27,630			141,550
Professional fees	1,151		5,575	(10)	6,726	6,354	689				7,043			13,769
Supplies	2,851		6,211	(10)	9,062	1,732	690				2,422			11,484
Rent	961		3,904	(10)	4,865	2,627	16				2,643			7,508
Other operating expenses	4,980	27,972	(15,690)	(10)	17,262	4,884	905				5,789			23,051
Provision for doubtful accounts	1,803	295			2,098	2,207	337				2,544			4,642
Depreciation and amortization	728	2,612	163	(13a)	3,503	851	229	86	(13b)	1,166	112	(13c)		4,781
Interest expense, net	549	5,713	(734)	(14a)	5,528	125	390	1,187	(14b)	1,702	14,039	(14c)		21,269
Sponsor management fees	105				105									105
Transaction-related expenses	104		(104)	(11)										
Total expenses	42,212	121,532	(675)		163,069	39,770	9,896	1,273		50,939	14,151			228,159
Income (loss) from continuing operations before income taxes	6,132	16,249	675		23,056	2,867	1,060	(1,273)		2,654	(14,151)			11,559
Provision for income taxes	459	6,174	2,453	(15)	9,356	1,281	433	(509)	(16)	1,205	(5,660)	(16)		4,901
			270	(16)										
Income (loss) from continuing operations	\$ 5,673	\$ 10,075	\$ (2,048)		\$ 13,700	\$ 1,586	\$ 627	\$ (764)		\$ 1,449	\$ (8,491)			\$ 6,658
Earnings per unit/share income (loss) from continuing operations:														
Basic	\$ 0.32													\$ 0.30
Diluted	\$ 0.32													\$ 0.29
Weighted average shares:														
Basic	17,633,116									4,931,829	(18)			22,564,945

Diluted

17,633,116

4,953,538

(18)

22,586,654

See accompanying notes to unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2011

	ACADIA				PHC				PRO FORMA COMBINED				
	ACADIA HEALTHCARE (1)	PRO FORMA YFCS ADJUSTMENTS	PRO FORMA YFCS ADJUSTMENTS	PRO FORMA YFCS ADJUSTMENTS	PHC (3)	PRO FORMA HHC DELAWARE ADJUSTMENTS	PRO FORMA HHC DELAWARE ADJUSTMENTS	PRO FORMA HHC DELAWARE ADJUSTMENTS					
	(In thousands, except per share data)												
Revenue	\$ 146,019	\$ 45,686			\$ 191,705	\$ 52,989	\$ 7,541			\$ 60,530			\$ 252,235
Salaries, wages and benefits	110,750	29,502			140,252	27,839	4,747			32,586			172,838
Professional fees	5,111		1,901	(10)	7,012	5,629	454			6,083			13,095
Supplies	7,665		2,204	(10)	9,869	2,062	469			2,531			12,400
Rents and leases	3,725		1,320	(10)	5,045	2,736	19			2,755			7,800
Other operating expenses	12,954	9,907	(5,425)	(10)	17,436	6,916	636			7,552			24,988
Provision for doubtful accounts	1,664	208			1,872	3,006	339			3,345			5,217
Depreciation and amortization	3,114	819	(1,494)	(13a)	2,439	918	179	31	(13b)	1,128	150	(13c)	3,717
Interest expense, net	4,143	1,726	(169)	(14a)	5,700	967	224	369	(14b)	1,560	14,029	(14c)	21,289
Sponsor management fees	1,135				1,135						(1,000)	(17)	135
Transaction-related expenses	10,594		(10,594)	(11)		2,896		(2,896)	(11)				
Legal settlement						446				446			446
Total expenses	160,855	42,162	(12,257)		190,760	53,4m15	7,067	(2,496)		57,986	13,179		261,925
Income (loss) from continuing operations before income taxes	(14,836)	3,524	12,257		945	(426)	474	2,496		2,544	(13,179)		(9,690)
Provision (benefit) for income taxes	3,382	1,404	(133)	(15)	9,556	459	193	998	(16)	1,650	(5,272)	(16)	5,934
			4,903	(16)									
Income (loss) from continuing operations	\$ (18,218)	\$ 2,120	\$ 7,487		\$ (8,611)	\$ (885)	\$ 281	\$ 1,498		\$ 894	\$ (7,907)		\$ (15,624)
Earnings per unit/share income (loss) from continuing operations:													
Basic	\$ (1.03)												\$ (0.69)
Diluted	\$ (1.03)												\$ (0.69)
Weighted average shares:													
Basic	17,633,116									4,891,667	(18)		22,524,783

Diluted	17,633,116	4,891,667	(18)	22,524,783
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See accompanying notes to unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2010

	ACADIA				PHC				PRO				
	ACADIA	ACADIA	PRO	PRO	PRO	HHC	PRO	PRO	PRO	PRO	PRO	PRO	
	HEALTHCARE	YFCS	FORMA	FORMA	FORMA	DELAWARE	REDWOOD	FORMA	FORMA	FORMA	MERGER	FORMA	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
	YFCS	ADJUSTMENTS	NOTES	ACADIA	PHC (3)	(4)	ADJUSTMENTS	NOTES	PHC	ADJUSTMENTS	NOTES	COMBINED	
(In thousands, except per share data)													
Revenue	\$ 64,342	\$ 184,386		\$ 248,728	\$ 57,269	\$ 14,301			\$ 71,570			\$ 320,298	
Salaries, wages and benefits	36,333	113,931	1,239	(12)	151,503	28,647	8,850		37,497			189,000	
Professional fees	3,612		6,724	(10)	8,953	8,401	891		9,292			18,245	
			(1,383)	(11)									
Supplies	3,709		8,380	(10)	12,089	2,319	897		3,216			15,305	
Rent	1,288		5,244	(10)	6,532	3,494	20		3,514			10,046	
Other operating expenses	8,289	38,146	(20,348)	(10)	24,848	6,644	1,231		7,875			32,723	
			(1,239)	(12)									
Provision for doubtful accounts	2,239	525			2,764	2,866	511		3,377			6,141	
Depreciation and amortization	976	3,456	(159)	(13a)	4,273	1,129	308	112	(13b)	1,549	155	(13c)	5,977
Interest expense, net	738	7,514	(953)	(14a)	7,299	148	524	1,576	(14b)	2,248	18,717	(14c)	28,264
Impairment of goodwill		23,528			23,528								23,528
Total expenses	57,184	187,100	(2,495)		241,789	53,648	13,232	1,688		68,568	18,872		329,229
Income (loss) from continuing operations before income taxes	7,158	(2,714)	2,495		6,939	3,621	1,069	(1,688)		3,002	(18,872)		(8,931)
Provision (benefit) for income taxes	477	5,032	2,448	(15)	8,955	1,532	437	(675)	(16)	1,294	(7,549)	(16)	2,700
			998	(16)									
Income (loss) from continuing operations	\$ 6,681	\$ (7,746)	\$ (951)		\$ (2,016)	\$ 2,089	\$ 632	\$ (1,013)		\$ 1,708	\$ (11,323)		\$ (11,631)
Earnings per unit/share income (loss) from continuing operations:													
Basic	\$ 0.38												\$ (0.52)
Diluted	\$ 0.38												\$ (0.52)
Weighted average shares:													
Basic	17,633,116									4,903,097	(18)		22,536,213

Diluted	17,633,116	4,903,097	(18)	22,536,213
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See accompanying notes to unaudited pro forma financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(Dollars in thousands)

- (1) The amounts in this column represent, for Acadia, actual balances as of September 30, 2011 or actual results for the periods presented.
- (2) The amounts in this column represent, for YFCS, actual results for the period from January 1, 2010 to September 30, 2010, the period from January 1, 2011 to the April 1, 2011 acquisition date and for the year ended December 31, 2010.
- (3) The amounts in this column represent, for PHC, actual balances as of September 30, 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 MeadowWood, actual results for the periods presented.
- (5) Reflects the elimination of equity accounts of PHC.
- (6) Reflects the elimination of PHC deferred financing costs in connection with the repayment of debt.
- (7) Represents the adjustments to acquired property and equipment and intangible assets based on preliminary estimates of fair value and the adjustment to goodwill derived from the difference in the estimated total consideration transferred by Acadia and the estimated fair value of assets acquired and liabilities assumed by Acadia in the Merger, calculated as follows:

Estimated equity consideration ^(a)	\$ 44,025
Estimated fair value of vested replacement share-based awards	1,543
Estimated repayment of indebtedness under PHC's senior credit facility	26,441
Estimated cash consideration to Class B common stockholders	5,000
Estimated total consideration	\$ 77,009
Cash and cash equivalents	\$ 3,261
Accounts receivable	12,466
Other current assets	6,780
Property and equipment	14,494
Contract-based and other intangible assets	1,800
Other long-term assets	2,203
Accounts payable	(2,522)
Accrued salaries and benefits	(2,572)
Other accrued liabilities	(1,712)
Deferred tax liability-long term ^(b)	(183)
Other long-term liabilities	(900)
Fair value of assets acquired less liabilities assumed	\$ 33,115
Estimated goodwill	\$ 43,894
Less: Historical goodwill	(10,447)
Goodwill adjustment	\$ 33,447

- ^(a) The estimated fair value of Acadia common shares issuable to PHC stockholders is based on 4,891,667 of Acadia common shares issued to PHC stockholders multiplied by a stock price of \$9.00. The equity consideration is reflected as a \$49 increase in common stock based on the conversion of each PHC share into one-quarter of a share of Acadia common stock (\$0.01 par value) and a \$43,976 increase in additional paid-in capital. The total increase in additional paid-in capital of \$45,629 also includes the estimated fair value of the vested portion of replacement equity-based awards of \$1,543 and the \$110 charge resulting from the accelerated vesting of the stock options held by PHC directors.

(b) The deferred tax liability of \$183 represents the reclassification of PHC's deferred tax asset of \$648 from other assets to other liabilities less acquisition adjustments of \$831 related to book and tax basis differences in intangible assets acquired.

The acquired assets and liabilities assumed will be recorded at their relative fair values as of the closing date of the Merger. Estimated goodwill is based upon a determination of the fair value of assets acquired and liabilities assumed 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 (including intangible assets) acquired and liabilities assumed becomes available. The actual determination of the fair value of assets acquired and liabilities assumed will differ from that assumed in these unaudited pro forma condensed consolidated financial statements and such differences may be material. Qualitative factors comprising goodwill include efficiencies derived through synergies expected by the elimination of certain redundant corporate functions and expenses, the ability to leverage call center referrals to a broader provider base, coordination of services provided across the combined network of facilities, achievement of operating efficiencies by benchmarking performance and applying best practices throughout the combined company.

(8) Represents a \$719 increase in cash as a result of the Merger. The sources and uses of cash in connection with the Merger were as follows:

Sources:	
Issuance of \$150,000 of 12.875% Senior Notes due 2018 (Outstanding Notes)	\$ 147,485
Uses:	
Cash payment to Acadia stockholders	(74,441)
Repayment of indebtedness under PHC's senior credit facility	(26,441)
Cash portion of Merger consideration	(5,000)
Transaction costs ^(a)	(40,884)
 Cash adjustment	 \$ 719

(a) Costs incurred in connection with the Merger and related transactions included \$16,525 of acquisition-related expenses (including approximately \$2,403 of change in control payments due to certain PHC executives), \$20,559 to terminate Acadia's professional services agreement with Waud Capital Partners and \$3,800 of debt financing costs associated with the Outstanding Notes, the Second Amendment to the Senior Secured Credit Facility and a debt commitment letter issued by Jefferies Finance to provide a senior unsecured bridge loan facility of up to \$150.0 million in the event that \$150.0 million of the Outstanding Notes were not issued.

(9) 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	\$ (235)	\$ (26,206)	\$ (26,441)
Issuance of Outstanding Notes		147,485	147,485
 Adjustments	 \$ (235)	 \$ 121,279	 \$ 121,044

(10) Reflects the reclassification from YFCS other operating expenses of: (a) professional fees of \$5,575, \$1,901 and \$6,724 for the nine months ended September 30, 2010, the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively, (b) supplies expense of \$6,211, \$2,204 and \$8,380 for the nine months ended September 30, 2010, the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively, and (c) rent expense of \$3,904, \$1,320 and \$5,244 for the nine months ended September 30, 2010, the three months ended March 31, 2011 and the twelve months ended December 31, 2010, respectively.

- (11) Reflects the removal of acquisition-related expenses included in the historical statements of operations relating to Acadia's acquisition of YFCS, PHC's acquisition of MeadowWood and the Merger. Acadia recorded \$104, \$10,594 and \$849 of acquisition-related expenses in the nine months ended September 30, 2010 and 2011 and the twelve months ended December 31, 2010, respectively. YFCS recorded \$534 of sale-related expenses in the twelve months ended December 31, 2010. PHC recorded \$2,896 of acquisition-related and sale-related expenses in the nine months ended September 30, 2011.
- (12) Reflects the reclassification of workers' compensation insurance expense of \$1,239 for the twelve months ended December 31, 2010 to salaries, wages and benefits.
- (13) Represents the adjustments to depreciation and amortization expense as a result of recording the property and equipment and intangible assets at preliminary estimates of fair value as of the respective dates of the acquisitions, as follows:

(a) YFCS acquisition:

	AMOUNT	USEFUL LIVES (IN YEARS)	MONTHLY DEPRECIATION	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Land	\$ 5,122	N/A	\$	\$	\$	\$
Land improvements	2,694	10	22	198	66	264
Building and improvements	21,832	25, or lease term	73	657	219	876
Equipment	2,024	3-7	53	477	159	636
Construction in progress	239	N/A				
	31,911		148	1,332	444	1,776
Non-compete intangible asset	321	1	27	243	81	321
Patient-related intangible asset	1,200	0.25	400	1,200		1,200
Total depreciation and amortization expense				2,775	525	3,297
Less: historical depreciation and amortization expense				(2,612)	(2,019)	(3,456)
Depreciation and amortization expense adjustment				\$ 163	\$ (1,494)	\$ (159)

The adjustment to decrease depreciation and amortization expense relates to the excess of the historical amortization of the pre-acquisition intangible assets of YFCS over the amortization expense resulting from the intangible assets identified by Acadia in its acquisition of YFCS.

(b) MeadowWood acquisition:

	AMOUNT	USEFUL LIVES (IN YEARS)	MONTHLY DEPRECIATION	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Land	\$ 1,420	N/A	\$	\$	\$	\$
Building and improvements	7,700	25	26	234	156	312
Equipment	554	3-7	9	81	54	108
	9,674		35	315	210	420
Indefinite-lived license intangibles	700	N/A				
Total depreciation and amortization expense				315	210	420
Less: historical depreciation and amortization expense				(229)	(179)	(308)
Depreciation and amortization expense adjustment				\$ 86	\$ 31	\$ 112

(c) PHC acquisition:

	AMOUNT	USEFUL LIVES (IN YEARS)	MONTHLY DEPRECIATION	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Land	\$ 1,540	N/A	\$	\$	\$	\$
Building and improvements	11,150	25, or lease term	93	837	837	1,116
Equipment	1,804	3-7	30	270	270	360
	14,494		123	1,107	1,107	1,476
Indefinite-lived license intangibles	700	N/A				
Customer contract intangibles	1,100	5	19	171	171	228
Total depreciation and amortization expense				1,278	1,278	1,704
Less: PHC pro forma depreciation and amortization expense				(1,166)	(1,128)	(1,549)
Depreciation and amortization expense adjustment				\$ 112	\$ 150	\$ 155

(14) 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, the Second Amendment to the Senior Secured Credit Facility and the Outstanding Notes issued on November 1, 2011.

- (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:

	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Interest related to Senior Secured Credit Facility	\$ 4,653	\$ 1,489	\$ 6,134
Plus: Amortization of debt discount and deferred loan costs	875	291	1,165
	5,528	1,780	7,299
Less: historical interest expense of Acadia and YFCS	(6,262)	(1,949)	(8,252)
Interest expense adjustment	\$ (734)	\$ (169)	\$ (953)

An increase or decrease of 0.125% in the assumed interest rate would result in a change in interest expense of \$135, \$65 and \$178 for the nine months ended September 30, 2010, the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively.

- (b) The PHC pro forma interest expense adjustment assumes that the interest rate of 7.75% 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:

	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Interest related to PHC's senior credit facility	\$ 1,536	\$ 1,521	\$ 2,046
Plus: Amortization of debt discount and deferred loan costs	286	286	381
	1,822	1,807	2,427
Less: historical interest expense of PHC and MeadowWood	(635)	(1,438)	(851)
Interest expense adjustment	\$ 1,187	\$ 369	\$ 1,576

An increase or decrease of 0.125% in the assumed interest rate would result in a change in interest expense of \$24, \$24 and \$33 for the nine months ended September 30, 2010, the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively.

- (c) The pro forma interest expense adjustment for the Merger assumes that the interest rate of 12.875% for the Outstanding Notes and the 0.50% increase in the interest rate applicable to the Senior Secured Credit Facility related to the Second Amendment were in effect for the entire period, as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Interest related to Outstanding Notes	\$ 14,484	\$ 14,484	\$ 19,312
Interest related to the Second Amendment to the Senior Secured Credit Facility	537	512	712
Plus: Amortization of debt discount and deferred loan costs	840	840	1,120
	15,861	15,836	21,144
Less: Interest related to PHC's senior credit facility repaid on November 1, 2011	(1,822)	(1,807)	(2,427)
Interest expense adjustment	\$ 14,039	\$ 14,029	\$ 18,717

An increase or decrease of 0.125% in the assumed interest rate on the Outstanding Notes and the Senior Secured Credit Facility would result in a change in interest expense of \$135, \$129 and \$178 for the nine months ended September 30, 2010, the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively.

- (15) Reflects an increase in income taxes of \$2,453 for the nine months ended September 30, 2010, a decrease in income taxes of \$133 for the nine months ended September 30, 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.
- (16) 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.
- (17) Represents the elimination of advisory fees paid to Waud Capital Partners pursuant to our professional services agreement dated April 1, 2011. The adjustment to eliminate advisory fees is factually supportable and directly attributable to the termination of the professional services agreement dated April 1, 2011. The adjustment to eliminate advisory fees is factually supportable and directly attributable to the termination of the professional services agreement on November 1, 2011.
- (18) Adjustments to weighted average shares used to compute basic and diluted earnings per unit/share are as follows:

Basic earnings per unit/share

The conversion and exchange of each Class A and Class B common shares of PHC for one-quarter ($\frac{1}{4}$) of a share of common stock of Acadia. The issuance of Acadia common stock based on the one-to-four conversion rate and the weighted average shares outstanding for the respective periods is 4,931,829, 4,891,667 and 4,903,097 for the nine months ended September 30, 2010, the nine months ended September 30, 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 based on the one-to-four conversion rate applicable to such award, is 21,709. The options and warrants do not have a dilutive effect for the nine months ended September 30, 2011 and twelve months ended December 31, 2010 given the pro forma combined loss from continuing operations.

	2006	YEAR ENDED DECEMBER 31,			2010	NINE MONTHS ENDED SEPTEMBER 30,	
		2007	2008	2009		2010 (unaudited)	2011 (unaudited)
(In thousands)							
Other Financial Data:							
Ratio of earnings to fixed charges ⁽³⁾				3.95x	8.03x	9.18x	
Balance Sheet Data (as of end of period):							
Cash and equivalents	\$ 28	\$ 1,681	\$ 45	\$ 4,489	\$ 8,614	\$ 6,479	\$ 1,254
Total assets	17,878	23,414	32,274	41,254	45,395	42,937	269,609
Total debt	3,889	11,608	11,062	10,259	9,984	10,051	138,125
Total members equity	7,568	7,135	15,817	21,193	25,107	24,648	76,986

- (1) Salaries, wages and benefits for the nine months ended September 30, 2011 includes \$19.8 million of equity-based compensation expense recorded related to equity units issued in conjunction with the YFCS acquisition.
- (2) Expenses of \$0.9 million and \$10.6 million, related to the acquisition of YFCS and the Merger are reflected in other operating expenses for the twelve months ended December 31, 2010 and the nine months ended September 30, 2011, respectively.
- (3) For purposes of calculating earnings to fixed charges, earnings consists of income (loss) from continuing operations before income taxes and fixed charges. Fixed charges include interest expense and the estimated interest portion of rent expense. Earnings were insufficient to cover fixed charges by approximately \$4.8 million, \$5.7 million, \$1.5 million and \$14.8 million for the year ended December 31, 2006, the year ended December 31, 2007, the year ended December 31, 2008 and the nine months ended September 30, 2011, respectively.

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 acquired YFCS on April 1, 2011, and the financial results of Acadia give effect to the acquisition of YFCS from the date of acquisition. We have 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 prospectus. We have 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 prospectus. We have 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 prospectus. The results for the three months ended March 31, 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, Unaudited Pro Forma Condensed Combined Financial Information and YFCS' consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	2006	YEAR ENDED DECEMBER 31,			2010	THREE MONTHS ENDED MARCH 31,	
		2007	2008	2009		2010	2011
						(unaudited)	(unaudited)
(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
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

PHC Historical Financial Data

The selected financial data presented below for the fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011 do not give effect to the acquisition of MeadowWood (substantially all of the assets of HHC Delaware) or the consummation of the Transactions. The consolidated financial statements of PHC and the notes related thereto are included elsewhere in this prospectus. PHC has derived the selected financial data presented below as of June 30, 2010 and 2011 and for each of the two years in the period ended June 30, 2011 from PHC's audited consolidated financial statements included elsewhere in this prospectus. PHC has derived the selected financial data presented below as of June 30, 2007, 2008 and 2009 and for each of the three years in the period ended June 30, 2009 from PHC's audited consolidated financial statements not included in this prospectus. PHC has derived the selected financial data presented below as of and for the three months ended September 30, 2010 and 2011 from PHC's unaudited consolidated interim financial statements included elsewhere in this prospectus. The selected financial data below should be read in conjunction with PHC Management's Discussion and Analysis of Financial Condition and Results of Operations,

Unaudited Pro Forma Condensed Combined Financial Information and PHC's consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	YEAR ENDED JUNE 30,					THREE MONTHS ENDED	
	2007	2008	2009	2010	2011	SEPTEMBER 30, 2010	2011
	(In thousands, except per share data)						
Income Statement Data:							
Revenues	\$ 40,563	\$ 45,397	\$ 46,411	\$ 53,077	\$ 62,008	\$ 15,071	\$ 20,684
Patient care expenses	19,738	22,133	23,835	26,307	30,236	7,024	10,466
Contract expenses	3,103	3,390	3,016	2,965	3,618	708	1,070
Provision for doubtful accounts	1,933	1,311	1,638	2,131	3,406	1,003	1,263
Administrative expenses	12,722	15,465	18,721	19,111	22,206	5,100	7,360
Legal settlement					446		
Operating income (loss)	3,067	3,098	(799)	2,563	2,096	1,236	525
Other income including interest expense, net	(8)	(148)	(177)	(37)	(108)		(949)
Income (loss) before income taxes	3,059	2,950	(976)	2,526	1,988	1,236	(424)
Provision for (benefit from) income taxes	1,144	1,366	65	1,106	1,408	(557)	140
Net income (loss) from continuing operations	1,915	1,584	(1,041)	1,420	580	679	(284)
Net income (loss) from discontinued operations	(233)	(1,259)	(1,413)				
Net income (loss)	\$ 1,682	\$ 325	\$ (2,454)	\$ 1,420	\$ 580	\$ 679	\$ (284)
Net income (loss) from continuing operations per share of common stock							
Basic	\$ 0.10	\$ 0.08	\$ (0.05)	\$ 0.07	\$ 0.03	\$ 0.03	\$ (0.01)
Diluted	\$ 0.10	\$ 0.08	\$ (0.05)	\$ 0.07	\$ 0.03	\$ 0.03	\$ (0.01)
Cash dividends per share of common stock	\$	\$	\$	\$	\$	\$	\$

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Balance Sheet Data (as of end of period):

Cash and equivalents	3,308	\$	3,142	\$	3,199	\$	4,540	\$	3,668	\$	3,066	\$	3,261
Total assets	26,856		26,507		22,692		25,650		28,282		25,101		51,825
Total debt	2,566		2,422		2,241		2,557		2,239		2,340		26,535
Total stockholders equity	18,250		18,659		16,044		17,256		17,915		17,879		17,678

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 notes thereto included elsewhere in this 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 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 8 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.

On April 1, 2011, Acadia completed the acquisition of YFCS, the largest private, for-profit provider of behavioral health, education and long-term support services exclusively for abused and neglected children and adolescents, for \$178.0 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 \$135.0 million term loan facility and \$10 million of borrowings on a new \$30 million revolving credit facility, as well as \$52.5 million of new equity contributions. On November 1, 2011, Acadia completed the Merger with PHC, a leading national provider of inpatient and outpatient mental health and drug and alcohol addiction treatment programs in Delaware, Michigan, Nevada, Pennsylvania, Utah and Virginia. In connection with the Merger, we issued \$150.0 million of the Outstanding Notes and used the proceeds of such debt issuance primarily to pay a cash dividend of \$74.4 million to existing Acadia stockholders, repay PHC indebtedness of \$26.4 million, fund the \$5.0 million cash portion of the merger consideration issued to the holders of PHC's Class B Common Stock, pay a \$20.6 million fee to terminate the professional services agreement between Acadia and Waud Capital Partners and pay transaction-related expenses. The Outstanding Notes were issued at a discount of \$2.5 million. Additionally, pursuant to the merger agreement, we issued 4,891,667 shares of common stock of Acadia Healthcare Company, Inc. to the holders of PHC's Class A Common Stock and Class B Common Stock based on a one-to-four conversion rate and 19,566,668 PHC shares outstanding immediately prior to the Merger.

The addition of PHC's portfolio of facilities and services makes us the leading publicly traded pure-play provider of inpatient behavioral healthcare services based upon number of licensed beds in the United States. We believe that the Merger, together with Acadia's recent acquisition of YFCS, positions the combined company as a leading platform in a highly fragmented industry under the direction of an experienced management team that has significant industry expertise. We expect to take advantage of several strategies that are more accessible as a result of our increased size and geographic scale, including implementing a national marketing strategy to attract new patients and referral sources, increasing our volume of out-of-state referrals, providing a broader range of services to new and existing patients and clients and selectively pursuing opportunities to expand our facility and bed count.

The combined company's facilities will further diversify our payor base, services offered and geographic footprint. We believe that greater geographic diversification will, among other things, limit our

exposure to specific Medicaid payors funded by any specific state. On a pro forma basis giving effect to the Merger, we would have received Medicaid funding from 23 states over the year ended December 31, 2010. PHC's focus on providing services to individuals in the gaming and transportation industries will further limit our reimbursement risk by diversifying our revenues across new services and third party payors. The addition of PHC also provides diversification away from inpatient and outpatient services by adding internet and telephonic-based support services, which we believe is an attractive growth opportunity. PHC's internet and telephonic-based services include crisis intervention, critical incidents coordination, employee counselor support, client monitoring, case management and health promotion.

Anticipated Synergies, Cost Savings and Revenue Improvements

We believe that the Merger presents significant synergies through the elimination of certain corporate overhead costs. The current PHC corporate functions will be integrated with and moved to the existing Acadia corporate offices in Franklin, TN. As a result, we will 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, we believe 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. For example, since September 1, 2011, we have added 76 beds and expect to add approximately 95 additional beds by March 31, 2012. Additionally, 42 beds have been converted from residential treatment care beds to acute psychiatric care beds, which have higher reimbursement rates on average.

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. We incurred costs related to the closing of the YFCS corporate office, including the costs of temporarily retaining certain employees for a transitional period following the acquisition date, of approximately \$0.9 million for the six months ended September 30, 2011. We have also identified a recent improvement to our revenue base from a rate increase on one of our contracts effective in March 2011. We believe that this improvement would have had a positive effect on operating income (before taxes) of \$0.3 million and \$1.9 million for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively. We estimated the improvement from the rate increase by multiplying historical plan enrollment by the newly-contracted rate. 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. We estimate that the Seven Hills Behavioral Center would have generated additional operating income (before taxes) of approximately \$0.2 million and \$0.8 million for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively, if such facility were operating at expected levels at the beginning of the period. See Risk Factors Risks Relating to Our Business We may not achieve all of the expected benefits from synergies, cost savings and recent improvements to our revenue base.

Sources of Revenue

We receive payments from the following sources, or services rendered in our facilities: (i) state governments under their respective Medicaid programs and otherwise; (ii) private insurers, including managed care plans; (iii) the federal government under the Medicare Program (Medicare) administered by the Center for Medicare and Medicaid Services (CMS); and (iv) directly from other payors including individual patients and clients. For the twelve months ended September 30, 2011, on a pro forma basis giving effect to the Merger and the acquisition of YFCS, approximately 66% of our revenue came from Medicaid, approximately 21% came from private insurers, approximately 8% came from Medicare and approximately 5% came from other payors.

Results of Operations

The following table illustrates our consolidated results of operations from continuing operations for the respective periods shown (dollars in thousands):

	YEAR ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,			
	2008		2009		2010		2010		2011	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Revenue	\$ 33,353	100.0%	\$ 51,821	100.0%	\$ 64,342	100.0%	\$ 48,344	100.0%	\$ 146,019	100.0%
Salaries, wages and benefits	22,342	67.0%	30,752	59.3%	36,333	56.5%	28,980	59.9%	110,750	75.8%
Professional fees	952	2.9%	1,977	3.8%	3,612	5.6%	1,151	2.4%	5,111	3.5%
Supplies	2,076	6.2%	2,841	5.5%	3,709	5.8%	2,851	5.9%	7,665	5.3%
Rents and leases	852	2.6%	885	1.7%	1,288	2.0%	961	2.0%	3,725	2.6%
Other operating expenses	5,400	16.2%	8,390	16.2%	8,289	12.9%	4,980	10.3%	12,954	8.9%
Provision for doubtful accounts	1,804	5.4%	2,424	4.7%	2,239	3.5%	1,803	3.7%	1,664	1.1%
Depreciation and amortization	740	2.2%	967	1.9%	976	1.5%	728	1.5%	3,114	2.1%
Interest expense	729	2.2%	774	1.5%	738	1.1%	549	1.1%	4,143	2.8%
Sponsor management fees							105	0.2%	1,135	0.8%
Transaction related expenses							104	0.2%	10,594	7.3%
	34,895	104.6%	49,010	94.6%	57,184	88.9%	42,212	87.2%	160,855	110.2%
Income (loss) from continuing operations, before income taxes	(1,542)	(4.6)%	2,811	5.4%	7,158	11.1%	6,132	12.8%	(14,836)	(10.2)%
Provision for income taxes	20	0.1%	53	0.1%	477	0.7%	459	0.9%	3,382	2.3%
Income (loss) from continuing operations	\$ (1,562)	(4.7)%	\$ 2,758	5.3%	\$ 6,681	10.4%	\$ 5,673	11.9%	\$ (18,218)	(12.5)%

Nine Months Ended September 30, 2011 as Compared to the Nine Months Ended September 30, 2010

Revenue. Revenue increased \$97.7 million, or 202.0%, to \$146.0 million for the nine months ended September 30, 2011 compared to \$48.3 million for the nine months ended September 30, 2010. The increase relates primarily to the \$92.4 million of revenue generated from the acquisition of YFCS on April 1, 2011 for the nine months ended September 30, 2011. The remainder of the increase in revenue is attributable to same-facility growth in patient days for the nine months ended September 30, 2011 of 7.0% and outpatient visits of 16.4% compared to the nine months ended September 30, 2010.

Salaries, wages and benefits. SWB expense was \$110.8 million for the nine months ended September 30, 2011 compared to \$29.0 million for the nine months ended September 30, 2010, an increase of \$81.8 million. SWB expense includes \$19.8 million of equity-based compensation expense for the nine months ended September 30, 2011. This equity-based compensation was realized because the YFCS acquisition and the Merger have provided a means to measure the fair market value of these awards. We do not expect equity-based compensation to be this significant in future periods because the merger of PHC exchanged this equity for common stock of the combined company. There was no equity-based compensation expense during the nine months ended September 30, 2010. Excluding equity-based compensation expense, SWB expense was \$90.9 million, or 62.3% of revenue, for the nine months ended September 30, 2011, compared to 59.9% of revenue for the nine months ended September 30, 2010. The increase in SWB expense, excluding equity-based compensation expense, as a percent of revenue is attributable to the higher SWB expense associated with the facilities acquired from YFCS on April 1, 2011. Same-facility SWB expense, excluding equity-based compensation expense, was \$31.0 million for the nine months ended September 30, 2011, or 57.9% of revenue, compared to \$29.0 million for the nine months ended September 30, 2010, or 59.9% of revenue.

Professional fees. Professional fees were \$5.1 million for the nine months ended September 30, 2011, or 3.5% of revenue, compared to \$1.2 million for the nine months ended September 30, 2010, or 2.4% of revenue. Same-facility professional fees were \$1.2 million for the nine months ended September 30, 2011, or 2.2% of revenue, compared to \$1.2 million for the nine months ended September 30, 2010, or 2.4% of revenue.

Supplies. Supplies expense was \$7.7 million for the nine months ended September 30, 2011, or 5.3% of revenue, compared to \$2.9 million for the nine months ended September 30, 2010, or 5.9% of revenue. Same-facility supplies expense was \$3.1 million for the nine months ended September 30, 2011, or 5.8% of revenue, compared to \$2.9 million for the nine months ended September 30, 2010, or 5.9% of revenue.

Rents and leases. Rents and leases were \$3.7 million for the nine months ended September 30, 2011, or 2.6% of revenue, compared to \$1.0 million for the nine months ended September 30, 2010, or 2.0% of revenue. The increase in rents and leases is attributable to the acquisition of YFCS on April 1, 2011. Same-facility rents and leases were \$1.0 million for the nine months ended September 30, 2011, or 1.9% of revenue, compared to \$1.0 million for the nine months ended September 30, 2010, or 2.0% 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 \$13.0 million for the nine months ended September 30, 2011, or 8.9% of revenue, compared to \$5.0 million for the nine months ended September 30, 2010, or 10.3% of revenue. The decrease in other operating expenses as a percentage of revenue is attributable to the lower other operating expenses associated with the facilities acquired from YFCS on April 1, 2011. Same-facility other operating expenses were \$6.0 million for the nine months ended September 30, 2011, or 11.1% of revenue, compared to \$5.1 million for the nine months ended September 30, 2010, or 10.6% of revenue.

Provision for doubtful accounts. The provision for doubtful accounts was \$1.7 million for the nine months ended September 30, 2011, or 1.1% of revenue, compared to \$1.8 million for the nine months ended September 30, 2010, or 3.7% of revenue. The decrease in the provision for doubtful accounts is attributable to the lower volumes of private pay admissions and bad debts associated with the facilities acquired from YFCS on April 1, 2011. The same-facility provision for doubtful accounts was \$1.7 million for the nine months ended September 30, 2011, or 3.1% of revenue, compared to \$1.8 million for the nine months ended September 30, 2010, or 3.7% of revenue.

Depreciation and amortization. Depreciation and amortization expense was \$3.1 million for the nine months ended September 30, 2011, or 2.1% of revenue, compared to \$0.7 million for the nine months ended September 30, 2010, or 1.5% of revenue. The increase in depreciation and amortization is attributable to the acquisition of YFCS on April 1, 2011.

Interest expense. Interest expense was \$4.1 million for the nine months ended September 30, 2011 compared to \$0.5 million for the nine months ended September 30, 2010. The increase in interest expense is a result of the \$145.0 million we borrowed under our Senior Secured Credit Facility on April 1, 2011.

Sponsor management fees. Sponsor management fees were \$1.1 million for the nine months ended September 30, 2011 compared to \$0.1 million for the nine months ended September 30, 2010. Sponsor management fees relate to our professional services agreement with Waud Capital Partners, which was terminated on November 1, 2011.

Transaction-related expenses. Transaction-related expenses were \$10.6 million for the nine months ended September 30, 2011 compared to \$0.1 million for the nine months ended September 30, 2010. Transaction-related expenses represent costs incurred in the respective periods related to the acquisition of YFCS on April 1, 2011 and the merger with PHC completed on November 1, 2011.

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 to 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.

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.

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 for the nine months ended September 30, 2011 was \$8.6 million compared to \$5.3 million for the nine months ended September 30, 2010. The increase in cash provided by continuing operating activities is primarily attributable to cash provided by continuing operating activities of the YFCS facilities acquired on April 1, 2011. Cash provided by continuing operating activities includes transaction-related expenses. As of September 30, 2011, our current liabilities included approximately \$2.8 million of transaction-related expenses incurred related to the YFCS acquisition and Merger. Days sales outstanding for the nine months ended September 30, 2011 was 37 compared to 36 for the nine months ended September 30, 2010.

Cash used in continuing investing activities for the nine months ended September 30, 2011 was \$187.6 million compared to \$1.0 million for the nine months ended September 30, 2010. Cash used in continuing investing activities for the nine months ended September 30, 2011 primarily consisted of cash paid for the YFCS acquisition of \$178.0 million, cash paid for capital expenditures of \$6.8 million and cash paid for a real estate acquisition of \$2.2 million. Cash used for routine and expansion capital expenditures was approximately \$1.9 million and \$7.0 million, respectively, for the nine months ended September 30, 2011. We define expansion capital expenditures as those that increase the capacity of our facilities or otherwise enhance revenue. Routine or maintenance capital expenditures were approximately 1.3% of our net revenue for the nine months ended September 30, 2011. Cash used in continuing investing activities for the nine months ended September 30, 2010 consisted primarily of \$0.6 million in cash paid for capital expenditures.

Cash provided by financing activities for the nine months ended September 30, 2011 was \$172.9 million compared to cash used in financing activities of \$2.4 million for the nine months ended September 30, 2010. Cash provided by financing activities for the nine months ended September 30, 2011 primarily consisted of term loan borrowings under our Senior Secured Credit Facility of \$135.0 million, net borrowings under the revolver portion of our Senior Secured Credit Facility of \$6.5 million, contributions from Holdings of \$51.0 million and repayments of long-term debt of \$10.0 million. Cash used in financing activities for the nine months ended September 30, 2010 primarily consisted of capital distributions of \$2.2 million.

Senior Secured Credit Facility

To finance our acquisition of YFCS and refinance our \$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. As of September 30, 2011, we had \$23.1 million of availability under our revolving line of credit, which reflects the total revolving credit facility of \$30.0 million less borrowings of \$6.5 million and an undrawn letter of credit of \$0.4 million. 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.

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 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 September 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 September 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 September 30, 2011, undrawn amounts bore interest at a rate of 0.50%.

In connection with the Merger, we entered into the Second Amendment, which became effective in connection with the consummation of the Merger. The Second Amendment permitted Acadia to consummate the Merger, make a cash payment to existing stockholders and enter into related transactions, including the incurrence of additional indebtedness. 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 leverage ratio (defined as consolidated funded indebtedness to consolidated EBITDA, in each case as defined in the Senior Secured Credit Facility). Interest rates and the commitment fee on unused commitments related to the Senior Secured Credit Facility will be based upon the following pricing tiers:

Pricing Tier	Consolidated Leverage Ratio	Interest Rate		Commitment Fee
		Eurodollar Rate Loans	Base Rate Loans	
1	<2.75:1.0	3.50%	2.50%	0.45%
2	2.75:1.0 but <3.25:1.0	3.75%	2.75%	0.50%
3	3.25:1.0 but <3.75:1.0	4.00%	3.00%	0.50%
4	3.75:1.0 but <5.00:1.0	4.25%	3.25%	0.55%
5	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 Senior Secured Credit Facility, as amended by the Second Amendment, requires Acadia and its subsidiaries to comply with customary affirmative, negative and financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary exceptions, materiality thresholds and qualifications:

the affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of taxes; (v) lender inspection rights; (vi) compliance with laws; (vii) use of proceeds; (viii) interest rate hedging; (ix) further assurances; and (x) additional collateral and guarantor requirements.

the negative covenants include limitations on the following: (i) liens; (ii) debt (including guaranties); (iii) investments; (iv) fundamental changes (including mergers, consolidations and liquidations); (v) dispositions; (vi) sale leasebacks; (vii) affiliate transactions and the payment of management fees; (viii) burdensome agreements; (ix) restricted payments; (x) use of proceeds; (xi) ownership of subsidiaries; (xii) changes to line of business; (xiii) changes to organizational documents, legal name, form of entity and fiscal year; (xiv) capital expenditures (not to exceed 4.0% of total revenues of Acadia and its subsidiaries and including a 100% carry-forward of unused amounts to the immediately succeeding fiscal year); (xv) prepayment of redemption of certain senior secured indebtedness; and (xvi) amendments to certain material agreements. Acadia is generally not permitted to issue dividends or distributions other than with respect to the following: (w) certain tax distributions; (x) the repurchase of equity held by employees, officers or directors upon the occurrence of death, disability or termination subject to cap of \$500,000 in any fiscal year and compliance with certain other conditions; (y) in the form of capital stock; and (z) scheduled payments of deferred purchase price, working capital adjustments and similar payments pursuant to the merger agreement or any permitted acquisition.

The financial covenants include maintenance of the following:

the fixed charge coverage ratio may not be less than 1.20:1.00 as of the end of any fiscal quarter;

the consolidated leverage ratio may not be greater than the amount set forth below as of the date opposite such ratio:

Maximum Consolidated	
Fiscal Quarter Ending	Leverage Ratio
September 30, 2011	6.25:1.0
December 31, 2011	6.00:1.0
March 31, 2012	6.00:1.0
June 30, 2012	6.00:1.0
September 30, 2012	6.00:1.0
December 31, 2012	5.50:1.0
March 31, 2013	5.50:1.0
June 30, 2013	5.50:1.0
September 30, 2013	5.50:1.0
December 31, 2013	4.75:1.0
March 31, 2014	4.75:1.0
June 30, 2014	4.75:1.0
September 30, 2014	4.75:1.0
December 31, 2014 and each fiscal quarter ending thereafter	4.00:1.0

The senior secured leverage ratio may not be greater than the amount set forth below as of the date opposite such ratio:

Maximum Consolidated Senior	
Fiscal Quarter Ending	Secured Leverage Ratio
September 30, 2011	3.50:1.0
December 31, 2011	3.00:1.0
March 31, 2012	3.00:1.0
June 30, 2012	3.00:1.0
September 30, 2012	3.00:1.0
December 31, 2012 and each fiscal quarter ending thereafter	2.50:1.0

As of September 30, 2011, Acadia was in compliance with such covenants.

On December 15, 2011, we entered into a third amendment to the Senior Secured Credit Facility. See Description of Other Indebtedness.

12.875% Senior Notes due 2018

On November 1, 2011, we issued \$150.0 million of 12.875% Senior Notes due 2018 (the "notes"). The notes were issued at 98.323% of the aggregate principal amount of \$150.0 million, a discount of \$2.5 million. The notes bear interest at a rate of 12.875% per annum. We will pay interest on the notes semi-annually, in arrears, on November 1 and May 1 of each year, beginning on May 1, 2012 through the maturity date of November 1, 2018.

The indenture governing the notes contains covenants that, among other things, limit the Company's ability to: (i) incur or guarantee additional indebtedness or issue certain preferred stock; (ii) pay dividends on the Company's equity interests or redeem, repurchase or retire the Company's equity interests or subordinated indebtedness; (iii) transfer or sell assets; (iv) make certain investments; (v) incur certain liens; (vi) create

restrictions on the ability of the Company's subsidiaries to pay dividends or make other payments to the Company; (vii) engage in certain transactions with the Company's affiliates; and (viii) merge or consolidate with other companies or transfer all or substantially all of the Company's assets.

Contractual Obligations

The following table presents a summary of contractual obligations as of September 30, 2011 and does not give effect to 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 (a)	\$ 12,237	\$ 35,121	\$ 112,924	\$	\$ 160,282
Operating leases	5,251	6,063	2,768	1,297	15,379
Purchase and other obligations (b)	2,316				2,316
Total obligations and commitments	\$ 19,804	\$ 41,184	\$ 115,692	\$ 1,297	\$ 177,977

(a) Amounts include required principal payments and related interest payments based on the interest rates applicable to such long-term debt as of September 30, 2011.

(b) 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, our long-term debt outstanding at September 30, 2011 was comprised of variable rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates would decrease our net income and cash flows by approximately \$0.8 million on an annual basis based upon our borrowing level at September 30, 2011. With the issuance of \$150.0 million of notes on November 1, 2011, our debt portfolio now consists of both variable rate and fixed rate debt.

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.

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.

All revenues 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 American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations. Net contractual adjustments recorded in the nine months ended September 30, 2011 for revenue booked in prior years

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resulted in an increase in revenue of approximately \$0.2 million. Net contractual adjustments recorded in the twelve months ended December 31, 2010 for revenue booked in prior years resulted in an increase in revenue of approximately \$20,000.

Our cost report receivables and other unsettled amounts due from third parties at September 30, 2011 were \$0.3 million. We believe that these receivables are properly stated and are not likely to be settled for a significantly different amount. If the actual settlements differed by 1% from our estimated settlement value at September 30, 2011, net income for the nine months ended September 30, 2011 and net accounts receivable as of September 30, 2011 would have changed by less than \$0.1 million.

The following table presents revenue by payor type and as a percentage of total revenue for the year ended December 31, 2010 and the interim nine month period ending September 30, 2011 (in thousands):

	YEAR ENDED			
	NINE MONTHS ENDED SEPTEMBER 30, 2011		DECEMBER 31, 2010	
	Amount	%	Amount	%
Private Pay	\$ 1,332	0.9	\$ 1,969	3.1
Commercial	18,640	12.8	22,024	34.2
Medicare	11,454	7.8	13,061	20.3
Medicaid	112,944	77.3	27,288	42.4
Other	1,649	1.1		
Total	146,019	100.0	64,342	100.0

The following tables present a summary of our aging of accounts receivable as of December 31, 2010 and September 30, 2011:

December 31, 2010

	Current	30-90	90-150	>150	Total
Private Pay	1.6%	2.7%	1.4%	1.0%	6.7%
Commercial	16.8%	11.7%	3.1%	0.3%	31.9%
Medicare	15.9%	2.2%	0.4%	0.4%	18.9%
Medicaid	29.4%	11.2%	1.0%	0.9%	42.5%
Total	63.7%	27.8%	5.9%	2.6%	100.0%

September 30, 2011

	Current	30-90	90-150	>150	Total
Private Pay	0.8%	1.9%	0.3%	0.2%	3.2%
Commercial	11.0%	3.3%	0.9%	0.9%	16.1%
Medicare	6.2%	0.2%	0.1%	0.2%	6.7%
Medicaid	57.7%	12.1%	2.4%	1.8%	74.0%
Total	75.7%	17.5%	3.7%	3.1%	100.0%

Medicaid accounts receivable as of September 30, 2011 include less than \$0.2 million of accounts pending Medicaid approval. These accounts are aged less than 60 days and are classified as Medicaid because we have experienced between 80% and 90% approval by Medicaid for this class of receivables.

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 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 retrospective 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 U.S. federal and state income tax purposes and are therefore directly liable for taxes on their respective 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 U.S. 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.

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 years ended June 30, 2011 and 2010 and the three months ended September 30, 2011 and 2010. 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 notes thereto included elsewhere in this 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 Relating to Our Business" and elsewhere in this 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 three substance abuse treatment centers, three 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 payor 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. Payor 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. Also included in administrative expenses is PHC's internet operation, Behavioral Health Online, Inc., which continues to provide internet technology support for the subsidiaries and their contracts. During the third quarter of fiscal 2009, PHC returned to profitability, which has continued through fiscal 2011, with the exception of the fourth quarter, in which transaction costs detailed below resulted in a loss.

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 (which become the MHPAEA). The full implementation of the MHPAEA started January 1, 2011. This legislation has improved access to PHC's programs but its total effect on behavioral health providers cannot be fully assessed at this 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, PHC evaluates its 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. PHC bases its 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 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 three months ended September 30, 2011 for revenue booked in prior periods resulted in a decrease in net revenue of approximately \$25,900. Net contractual adjustments recorded in fiscal 2011 for revenue booked in prior years resulted in a decrease in net revenue of approximately \$233,800. Net contractual adjustments recorded in fiscal 2010 for revenue booked in prior years resulted in a decrease in net revenue of approximately \$72,200. These adjustments primarily relate to commercial payors as Medicare and Medicaid are adjusted through cost reporting and not included here.

For the fiscal year ended June 30, 2010, all cost reports through fiscal 2009 were finalized and a net payment of \$92,267 was recorded in final settlement for all years through fiscal 2009. During fiscal 2011, \$65,143 was received as tentative settlement for the fiscal 2010 Medicare cost report.

Below is revenue by payor and the accounts receivable aging information as of September 30, 2011, June 30, 2011 and June 30, 2010 and for the fiscal years ended June 30, 2011 and 2010 and the three months ended September 30, 2011 and 2010 for PHC's treatment services segment.

	NET REVENUE BY PAYOR							
	TWELVE MONTHS ENDED JUNE 30,				THREE MONTHS ENDED SEPTEMBER 30,			
	2011		2010		2011		2010	
	(in thousands)							
	\$	%	\$	%	\$	%	\$	%
Private Pay	\$ 4,881	8	\$ 3,495	7	\$ 1,341	7	\$ 1,073	8
Commercial	37,288	65	32,915	66	11,436	59	9,237	65
Medicare*	6,188	11	3,237	7	2,962	15	1,594	11
Medicaid	9,139	16	10,000	20	3,598	19	2,330	16
Total	\$ 57,496	100	\$ 49,647	100	\$ 19,337	100	\$ 14,234	100

* Includes Medicare settlement revenue as noted above.

Accounts Receivable Aging (Net of allowance for bad debts)**As of September 30, 2011 (in thousands)**

PAYOR	CURRENT	OVER 30	OVER 60	OVER 90	OVER 120	OVER 150	OVER 270	OVER 360	TOTAL
Private Pay	\$ 147	\$ 285	\$ 234	\$ 187	\$ 171	\$ 295	\$ 49	\$ 22	\$ 1,390
Commercial	3,883	992	466	286	205	317	46	10	6,205
Medicare	1,054	214	125	139	71	166	7		1,776
Medicaid	2,280	371	89	102	122	197	9	5	3,175
Total	\$ 7,364	\$ 1,862	\$ 914	\$ 714	\$ 569	\$ 975	\$ 111	\$ 37	\$ 12,546

As of June 30, 2011 (in thousands)

PAYOR	CURRENT	OVER 30	OVER 60	OVER 90	OVER 120	OVER 150	OVER 270	OVER 360	TOTAL
Private Pay	\$ 136	\$ 248	\$ 248	\$ 190	\$ 153	\$ 361	\$ 2	\$ 22	\$ 1,360
Commercial	3,540	1,043	440	312	159	261		9	5,764
Medicare	582	116	64	153	115	83			1,113
Medicaid	1,747	204	112	153	55	58	1	4	2,334
Total	\$ 6,005	\$ 1,611	\$ 864						