

Acadia Healthcare Company, Inc.

Form 424B3

September 27, 2011

Table of Contents

Filed pursuant to Rule 424(b)(3)  
Registration No. 333-175523

**LETTER TO PHC STOCKHOLDERS**

**PROXY STATEMENT**

**PROSPECTUS**

To the Stockholders of PHC, Inc.:

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

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

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

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

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

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

Sincerely,

/s/ Bruce A. Shear  
Bruce A. Shear  
President and Chief Executive Officer

Peabody, Massachusetts  
September 27, 2011

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

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

This proxy statement/prospectus is dated September 27, 2011, and is first being mailed to  
PHC stockholders on or about September 28, 2011

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**Table of Contents**

**NOTICE OF MEETING**

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

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON OCTOBER 26, 2011**

**Dear PHC Stockholder:**

You are cordially invited to attend a special meeting of Stockholders of PHC, Inc. ( "PHC" ), which will be held on October 26, 2011, at 9:00 a.m., at the corporate offices of PHC, Inc., 200 Lake Street, Suite 102, Peabody, Massachusetts 01960, for the purpose of acting upon the following proposals:

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

**The PHC board of directors recommends that you vote FOR the resolution to approve the merger agreement.** The PHC board of directors has fixed the close of business on September 19, 2011 as the record date for determination of stockholders entitled to notice of, and to vote at, the special meeting and at any adjournments or postponements thereof.

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

By order of the Board of Directors of PHC

Paula C. Wurts, Clerk

Peabody, Massachusetts

September 27, 2011

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**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>SUMMARY</u></b>	<b>1</b>
<b><u>Parties to the Merger</u></b>	<b>1</b>
<b><u>Risks Associated with Acadia, PHC and the Merger</u></b>	<b>2</b>
<b><u>Special Meeting</u></b>	<b>2</b>
<b><u>Recommendation of the PHC Board of Directors</u></b>	<b>2</b>
<b><u>Opinion of Stout Risius Ross, Inc.</u></b>	<b>2</b>
<b><u>Acadia's Financing for the Merger</u></b>	<b>3</b>
<b><u>Record Date</u></b>	<b>3</b>
<b><u>Vote Required and Voting Power</u></b>	<b>4</b>
<b><u>Conversion of PHC Shares</u></b>	<b>4</b>
<b><u>Voting Agreement</u></b>	<b>4</b>
<b><u>Interests of PHC's Directors and Executive Officers</u></b>	<b>4</b>
<b><u>Structure and Effects of the Merger</u></b>	<b>5</b>
<b><u>Treatment of PHC Stock Options and Warrants to Purchase PHC Stock</u></b>	<b>5</b>
<b><u>Completion and Effectiveness of the Merger</u></b>	<b>5</b>
<b><u>Restrictions on Solicitation of Alternative Transactions by PHC</u></b>	<b>5</b>
<b><u>Conditions to the Completion of the Merger</u></b>	<b>6</b>
<b><u>Termination of the Merger Agreement and Payment of Certain Termination Fees</u></b>	<b>6</b>
<b><u>Fees and Expenses; Expense Reimbursement</u></b>	<b>6</b>
<b><u>Stockholders Agreement</u></b>	<b>6</b>
<b><u>Material United States Federal Tax Consequences of the Merger</u></b>	<b>7</b>
<b><u>Accounting Treatment of the Merger</u></b>	<b>7</b>
<b><u>Dissenters' Rights</u></b>	<b>7</b>
<b><u>Surrender of PHC Stock Certificates</u></b>	<b>7</b>
<b><u>Regulatory Approvals</u></b>	<b>7</b>
<b><u>Litigation Regarding the Merger</u></b>	<b>8</b>
<b><u>Comparison of Acadia and PHC Stockholder Rights</u></b>	<b>8</b>
<b><u>Who Can Answer Other Questions</u></b>	<b>8</b>
<b><u>Summary Historical Condensed Consolidated Financial Data and Pro Forma Condensed Combined Financial Data</u></b>	<b>9</b>
<b><u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u></b>	<b>14</b>
<b><u>RISK FACTORS</u></b>	<b>18</b>
<b><u>Risks Related to the Merger</u></b>	<b>18</b>
<b><u>Risks Affecting Acadia, PHC and the Combined Company</u></b>	<b>20</b>
<b><u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u></b>	<b>31</b>
<b><u>SELECTED HISTORICAL FINANCIAL INFORMATION</u></b>	<b>34</b>
<b><u>Acadia Historical Financial Data</u></b>	<b>34</b>
<b><u>YFCS Historical Financial Data</u></b>	<b>35</b>
<b><u>PHC Historical Financial Data</u></b>	<b>36</b>
<b><u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u></b>	<b>37</b>
<b><u>NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u></b>	<b>42</b>
<b><u>COMPARATIVE PER SHARE INFORMATION</u></b>	<b>48</b>

**Table of Contents**

<b><u>MARKET PRICE AND DIVIDEND INFORMATION</u></b>	<b>Page</b>
<b><u>PHC</u></b>	<b>49</b>
<b><u>Acadia</u></b>	<b>49</b>
<b><u>THE SPECIAL MEETING OF PHC STOCKHOLDERS</u></b>	<b>50</b>
<b><u>Date, Time and Place</u></b>	<b>50</b>
<b><u>Matters to be Considered at the Special Meeting of PHC Stockholders</u></b>	<b>50</b>
<b><u>Record Date</u></b>	<b>50</b>
<b><u>Votes Required</u></b>	<b>50</b>
<b><u>Quorum and Abstentions</u></b>	<b>51</b>
<b><u>Recommendation of Board of Directors</u></b>	<b>51</b>
<b><u>Solicitation of Proxies</u></b>	<b>51</b>
<b><u>Voting of Proxies</u></b>	<b>51</b>
<b><u>THE MERGER</u></b>	<b>53</b>
<b><u>General Description of the Merger</u></b>	<b>53</b>
<b><u>Background of the Merger</u></b>	<b>53</b>
<b><u>Acadia's Reasons for the Merger</u></b>	<b>57</b>
<b><u>PHC's Reasons for the Merger</u></b>	<b>58</b>
<b><u>The Recommendation of the PHC Board of Directors</u></b>	<b>61</b>
<b><u>Opinion of Stout Risius Ross, Inc.</u></b>	<b>61</b>
<b><u>Certain Financial Forecasts</u></b>	<b>71</b>
<b><u>Acadia's Financing for the Merger</u></b>	<b>76</b>
<b><u>Accounting Treatment</u></b>	<b>76</b>
<b><u>Material United States Federal Income Tax Consequences of the Merger</u></b>	<b>77</b>
<b><u>Appraisal Rights</u></b>	<b>79</b>
<b><u>Federal Securities Laws Consequences</u></b>	<b>81</b>
<b><u>Interests of PHC's Directors and Executive Officers</u></b>	<b>82</b>
<b><u>Regulatory Approvals</u></b>	<b>83</b>
<b><u>Litigation Relating to the Merger</u></b>	<b>84</b>
<b><u>THE MERGER AGREEMENT</u></b>	<b>85</b>
<b><u>Structure of the Merger</u></b>	<b>85</b>
<b><u>Effective Time of the Merger</u></b>	<b>85</b>
<b><u>Managers and Officers</u></b>	<b>85</b>
<b><u>Conversion of PHC Shares</u></b>	<b>85</b>
<b><u>Assumption of Stock Options</u></b>	<b>86</b>
<b><u>Assumption of Warrants</u></b>	<b>86</b>
<b><u>Acadia Common Stock Split</u></b>	<b>86</b>
<b><u>Acadia Dividend</u></b>	<b>86</b>
<b><u>Termination of Acadia Professional Services Agreement</u></b>	<b>87</b>
<b><u>Fractional Shares</u></b>	<b>87</b>
<b><u>Surrender of PHC Certificates</u></b>	<b>87</b>
<b><u>United States Tax Consequences</u></b>	<b>87</b>
<b><u>Dissenters' Rights</u></b>	<b>87</b>
<b><u>Representations and Warranties</u></b>	<b>88</b>
<b><u>Conduct of Business Prior to the Completion of the Merger</u></b>	<b>88</b>

**Table of Contents**

	<b>Page</b>
<b><u>Additional Agreements</u></b>	<b>90</b>
<b><u>PHC Stockholder Meeting</u></b>	<b>91</b>
<b><u>Access to Information; Confidentiality</u></b>	<b>91</b>
<b><u>Solicitation by PHC</u></b>	<b>91</b>
<b><u>Directors and Officers Indemnification and Insurance</u></b>	<b>93</b>
<b><u>Employee Matters</u></b>	<b>93</b>
<b><u>Further Action</u></b>	<b>94</b>
<b><u>Update Disclosure; Breaches</u></b>	<b>94</b>
<b><u>Stock Exchange Listing</u></b>	<b>94</b>
<b><u>Section 16 Matters</u></b>	<b>94</b>
<b><u>Takeover Statutes</u></b>	<b>95</b>
<b><u>Deregistration</u></b>	<b>95</b>
<b><u>Tax Free Reorganization Treatment</u></b>	<b>95</b>
<b><u>Public Announcements</u></b>	<b>95</b>
<b><u>Transfer Taxes</u></b>	<b>95</b>
<b><u>Other Actions</u></b>	<b>95</b>
<b><u>Financing</u></b>	<b>95</b>
<b><u>PHC Stock Purchase Plans</u></b>	<b>96</b>
<b><u>Peabody Office</u></b>	<b>96</b>
<b><u>Company Name</u></b>	<b>96</b>
<b><u>Conditions to the Merger</u></b>	<b>96</b>
<b><u>Termination of the Merger Agreement</u></b>	<b>98</b>
<b><u>Expense Reimbursement</u></b>	<b>100</b>
<b><u>Termination Fee</u></b>	<b>100</b>
<b><u>Fees and Expenses</u></b>	<b>100</b>
<b><u>Amendment, Extension and Waiver</u></b>	<b>101</b>
<b><u>Material Adverse Effect</u></b>	<b>101</b>
<b><u>THE VOTING AGREEMENT</u></b>	<b>102</b>
<b><u>ACADIA MANAGEMENT AFTER THE MERGER</u></b>	<b>104</b>
<b><u>Management and Board of Directors</u></b>	<b>104</b>
<b><u>Controlled Company</u></b>	<b>106</b>
<b><u>Acadia Board of Directors Composition</u></b>	<b>106</b>
<b><u>Committees of the Acadia Board of Directors</u></b>	<b>107</b>
<b><u>Compensation Discussion and Analysis</u></b>	<b>108</b>
<b><u>Executive Compensation Tables</u></b>	<b>116</b>
<b><u>Director Compensation</u></b>	<b>119</b>
<b><u>ACADIA BUSINESS DESCRIPTION</u></b>	<b>120</b>
<b><u>ACADIA MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>132</b>
<b><u>ACADIA PRINCIPAL STOCKHOLDERS</u></b>	<b>147</b>
<b><u>ACADIA INTERESTED TRANSACTIONS</u></b>	<b>148</b>
<b><u>PHC BUSINESS DESCRIPTION</u></b>	<b>152</b>
<b><u>PHC MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b>166</b>
<b><u>PHC PRINCIPAL STOCKHOLDERS</u></b>	<b>174</b>





**Table of Contents**

<b><u>PHC INTERESTED TRANSACTIONS</u></b>	<b>Page</b> <b>176</b>
<b><u>DESCRIPTION OF ACADIA CAPITAL STOCK</u></b>	<b>177</b>
<b><u>BENEFICIAL OWNERSHIP OF ACADIA COMMON STOCK AFTER THE MERGER</u></b>	<b>182</b>
<b><u>STOCKHOLDERS AGREEMENT</u></b>	<b>183</b>
<b><u>COMPARISON OF STOCKHOLDERS RIGHTS</u></b>	<b>187</b>
<b><u>LEGAL MATTERS</u></b>	<b>200</b>
<b><u>EXPERTS</u></b>	<b>200</b>
<b><u>NON-BINDING VOTE REGARDING CHANGE OF CONTROL PAYMENTS</u></b>	<b>201</b>
<b><u>THE ADJOURNMENT PROPOSAL</u></b>	<b>202</b>
<b><u>STOCKHOLDER PROPOSALS</u></b>	<b>202</b>
<b><u>INDEMNIFICATION FOR SECURITIES ACT LIABILITIES</u></b>	<b>202</b>
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	<b>203</b>
<b><u>INDEX TO FINANCIAL STATEMENTS</u></b>	<b>F-1</b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b>F-2</b>
<b><u>ANNEX A AGREEMENT AND PLAN OF MERGER</u></b>	<b>A-1</b>
<b><u>ANNEX B MASSACHUSETTS APPRAISAL RIGHT STATUTE</u></b>	<b>B-1</b>
<b><u>ANNEX C OPINION OF STOUT RISIUS ROSS, INC.</u></b>	<b>C-1</b>
<b><u>ANNEX D AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ACADIA</u></b>	<b>D-1</b>
<b><u>ANNEX E AMENDED AND RESTATED BY-LAWS OF ACADIA</u></b>	<b>E-1</b>

**Table of Contents**

**SUMMARY**

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

**Parties to the Merger (See pages 120 and 152)**

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

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

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

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

in accordance with the merger agreement, plus (iii) the aggregate number of shares of Acadia common stock issuable pursuant to PHC stock options and warrants issued and outstanding immediately prior to the effective time of the merger that have an exercise price equal to or less than the average per share closing prices of PHC Class A Common Stock as reported on AMEX for the ten full trading days ending on May 20, 2011. Acadia has applied for listing of its common stock to be issued in the merger on NASDAQ. Joey A. Jacobs, the Chairman and Chief Executive Officer of Acadia, will become the Chairman and Chief Executive

## **Table of Contents**

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

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

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

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

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

### **Special Meeting of the PHC Stockholders (See page 50)**

The purpose of the special meeting is to hold a vote on the merger agreement and related matters. The special meeting will be held on October 26, 2011, at 9:00 a.m., local time, at PHC's headquarters located at 200 Lake Street, Suite 102, Peabody, MA 01960.

### **Recommendation of the PHC Board of Directors (See page 51)**

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

agreement.

**Opinion of Stout Risius Ross, Inc. (See page 61)**

In connection with the merger, Stout Risius Ross, Inc. ( "SRR" ) delivered a written opinion to the PHC board of directors as to the fairness, from a financial point of view, as of the date of their opinion, to the holders of PHC's Class A Common Stock and Class B Common Stock (collectively, the "PHC common stock"), of the merger

## **Table of Contents**

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

### **Acadia's Financing for the Merger (See page 76)**

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

In connection with the merger agreement, Acadia received an amended and restated debt commitment letter, dated July 12, 2011 (the "Debt Commitment Letter"), from Jefferies Finance LLC ("Jefferies Finance") to provide a senior unsecured bridge loan facility of up to \$150 million in the event that \$150 million of senior unsecured notes (the "Senior Notes") are not issued by Acadia to finance the merger (the "Bridge Facility"). Net proceeds from the issuance of \$150 million of Senior Notes or, if the Senior Notes are not issued, drawings under the \$150 million Bridge Facility will be used, in addition to existing cash balances, to pay the aggregate \$5.0 million in cash payable to holders of PHC Class B Common Stock in connection with the merger, pay a dividend to Acadia's existing stockholders, refinance certain existing indebtedness of PHC and pay fees and expenses incurred in connection with the merger. Acadia expects to issue \$150.0 million in aggregate principal amount of the Senior Notes and/or borrow \$150.0 million in aggregate principal amount under the Bridge Facility. A portion of the borrowings will be used to make a payment to Waud Capital in connection with the termination of the Professional Services Agreement between Acadia and Waud Capital (as more fully described in "Acadia Interested Transactions—Professional Services Agreement, the Professional Services Agreement") and to pay a dividend to the stockholders of Acadia immediately prior to the merger. The aggregate amount of such payments will be between \$90 million and \$80 million depending on the amount of net cash available after repayment of PHC's indebtedness, the Class B merger consideration and fees and expenses related to the merger. We refer to such amount as the "net proceeds." For a description of this calculation, see "The Merger Agreement—Acadia Dividend." To the extent the amount available for such payments is less than \$90 million, up to \$10 million may be paid to Acadia's stockholders in the form of promissory notes (each a "Deficit Note") issued by Acadia. Pursuant to the terms of the merger agreement, it is a condition to the obligation of both PHC and Acadia to complete the merger that the net proceeds not be less than \$80 million. The first \$15.6 million of the net proceeds will be used to make a payment to Waud Capital in connection with the termination of the Professional Services Agreement, with the remainder (including any Deficit Notes) issued to Acadia stockholders immediately prior to the merger as a dividend.

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

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

**Record Date (See page 50)**

The PHC board of directors has fixed the close of business on September 19, 2011, as the record date for determining the holders of PHC's Class A Common Stock and Class B Common Stock entitled to notice of and to



## **Table of Contents**

vote at the special meeting. As of the record date, PHC had 18,771,679 shares of Class A Common Stock and 773,717 shares of Class B Common Stock outstanding.

### **Vote Required and Voting Power (See page 50)**

PHC stockholders are being asked to vote on a proposal to approve the merger agreement. The merger agreement provides that it is a condition to completion of the merger that the proposal to approve the merger agreement be approved by the stockholders of PHC. Approval of this proposal requires an affirmative vote of (i) at least two-thirds of the outstanding Class A Common Stock and Class B Common Stock entitled to vote, voting as a single class, (ii) at least two-thirds of the outstanding Class A Common Stock entitled to vote, voting as a single class and (iii) at least two-thirds of the outstanding Class B Common Stock entitled to vote, voting as a single class.

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

### **Conversion of PHC Shares (See page 85)**

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

### **Voting Agreement (See page 101)**

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

### **Interests of PHC's Directors and Executive Officers (See page 82)**

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

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

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

Mr. Shear, Robert H. Boswell, PHC's current Senior Vice President, and Paula C. Wurts, PHC's current Chief Financial Officer, are participants in the PHC change-in-control supplemental benefit plan for certain executive

## **Table of Contents**

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

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

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

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

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

## **Structure and Effects of the Merger (See page 85)**

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

## **Treatment of PHC Stock Options and Warrants to Purchase PHC Stock (See pages 85 and 86)**

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

## **Completion and Effectiveness of the Merger (See page 85)**

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

Acadia and PHC are working toward satisfying the conditions to the merger and expect to complete the merger in the fourth quarter of 2011.

**Restrictions on Solicitation of Alternative Transactions by PHC (See page 91)**

The merger agreement contains restrictions on the ability of PHC to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in the equity or assets of PHC.

Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances, if PHC receives an unsolicited proposal from a third party to acquire a significant interest in PHC that PHC may engage in discussions or

## **Table of Contents**

negotiations with a third party if the PHC board of directors determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable laws, and the PHC board of directors determines in good faith, based on the information then available and after consultation with its independent financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal.

### **Conditions to the Completion of the Merger (See page 96)**

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

### **Termination of the Merger Agreement and Payment of Certain Termination Fees (See page 98)**

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

### **Fees and Expenses; Expense Reimbursement (See pages 99 and 100)**

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

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

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

**Stockholders Agreement (See page 182)**

Acadia, certain members of Acadia's management and Waud Capital Partners and certain of its affiliates will enter into a stockholders agreement in connection with the consummation of the merger. The stockholders agreement will contain certain voting agreements and transfer restrictions with respect to equity of Acadia held by the stockholders party to the stockholders agreement and impose certain negative and affirmative covenants on

## **Table of Contents**

Acadia and its subsidiaries. The stockholders agreement will also grant certain board nomination, information and consent rights to Waud Capital Partners. See [Stockholders Agreement](#) for a description of the agreement.

### **Material United States Federal Tax Consequences of the Merger (See page 77)**

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

### **Accounting Treatment of the Merger (See page 76)**

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

### **Dissenters Rights (See page 87)**

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

### **Surrender of PHC Stock Certificates (See page 87)**

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

### **Regulatory Approvals (See page 83)**

We do not believe that notification will be required under the Hart-Scott-Rodino Antitrust Act of 1976, as amended (the HSR Act ), and the rules promulgated thereunder. However, given uncertainties regarding the future market price of the publicly traded stock of PHC and the uncertain closing date, we cannot currently predict with certainty whether notification will be required under the HSR Act. If such notification is required, the merger cannot be completed until

each of Acadia and PHC files a notification and report form with the FTC and the Antitrust Division of the Department of Justice under the HSR Act and the applicable waiting period has expired or been terminated.

Acadia and/or PHC currently intend to obtain approvals from, file new license and/or permit applications with, or provide notice to applicable governmental authorities in connection with the merger. The approval of such governmental authorities, if any, is not a condition to Acadia or PHC's obligation to complete the merger except where the failure to obtain any such approval would reasonably be expected to have a Pioneer Material Adverse



**Table of Contents**

Effect or an Acadia Material Adverse Effect (each as defined in the merger agreement) or a material adverse effect on the parties' ability to consummate such transactions.

**Litigation Regarding the Merger (See page 84)**

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

**Comparison of Acadia and PHC Stockholder Rights (See page 186)**

Upon completion of the merger, PHC stockholders will become stockholders of Acadia. The internal affairs of Acadia will be governed by Acadia's amended and restated certificate of incorporation and amended and restated bylaws attached hereto as Annexes D and E. The internal affairs of PHC are governed by PHC's restated articles of organization and bylaws. Due to differences between the governing documents of Acadia and PHC, the merger will result in PHC stockholders having different rights once they become Acadia stockholders.

**Who Can Answer Other Questions**

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

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

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

The following table sets forth summary historical condensed consolidated financial data for Acadia Healthcare Company, Inc. 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 merger. Acadia has derived the historical consolidated financial data as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from Acadia Healthcare Company, LLC's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of and for the six months ended June 30, 2010 and 2011 from Acadia Healthcare Company, Inc.'s unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from Acadia Healthcare Company, LLC's audited consolidated financial statements not included in this proxy statement/prospectus. The results for the six months ended June 30, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The summary consolidated financial data below should be read in conjunction with Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Combined Financial Statements and Acadia Healthcare Company, LLC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus. On May 13, 2011, Acadia Healthcare Company, LLC elected to convert to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

	Year Ended December 31,			Six Months Ended	
	2008	2009	2010	2010	June 30, 2011
	(\$ in thousands)				
Income Statement Data:					
Net patient service revenue	\$ 33,353	\$ 51,821	\$ 64,342	\$ 32,472	\$ 82,961
Salaries, wages and benefits*	22,342	30,752	36,333	18,374	70,538
Professional fees	952	1,977	3,612	1,240	3,130
Provision for doubtful accounts	1,804	2,424	2,239	1,186	1,002
Other operating expenses**	8,328	12,116	13,286	6,523	23,406
Depreciation and amortization	740	967	976	480	2,201
Interest expense, net	729	774	738	358	2,215
Income (loss) from continuing operations, before income taxes	(1,542)	2,811	7,158	4,311	(19,531)
Income tax provision (benefit)	20	53	477	287	2,517
Income (loss) from continuing operations	(1,562)	2,758	6,681	4,024	(22,048)
(Loss) income from discontinued operations, net of income taxes	(156)	119	(471)	96	(58)
Net income (loss)	\$ (1,718)	\$ 2,877	\$ 6,210	\$ 4,120	\$ (22,106)

		December 31,		June 30,	
	2008	2009	2010	2010	2011
	(\$ in thousands)				
<b>Balance Sheet Data (as of end of period):</b>					
Cash and equivalents	\$ 45	\$ 4,489	\$ 8,614	\$ 6,961	\$ 3,456
Total assets	32,274	41,254	45,412	42,938	266,643
Total debt	11,062	10,259	9,984	10,103	140,313
Total members' equity	15,817	21,193	25,107	22,781	73,863

\* Salaries, wages and benefits for the six months ended June 30, 2011 includes \$19.8 million of equity-based compensation expense recorded related to equity units issued in conjunction with the YFCS acquisition.

\*\* Expenses of \$8.4 million related to the YFCS acquisition and PHC merger are reflected in other operating expenses for the six months ended June 30, 2011.

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

	Year Ended December 31,			Three Months Ended	
	2008	2009	2010	2010	2011
	(\$ in thousands)				
<b>Income Statement Data:</b>					
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

	<b>December 31,</b>			<b>March 31,</b>	
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2011</b>
	<b>(\$ in thousands)</b>				

**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

10

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**Table of Contents*****PHC Historical Financial Data***

The following table sets forth summary historical condensed consolidated financial data for PHC and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to the acquisition of MeadowWood (substantially all of the assets of HHC Delaware) completed on July 1, 2011 or the consummation of the merger. The consolidated financial statements of HHC Delaware and notes related thereto are included elsewhere in this proxy statement/prospectus. PHC has 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 proxy statement/prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia's financial information. PHC has derived the historical consolidated financial data as of June 30, 2009 and for the year ended June 30, 2009 from PHC's audited financial statements not included in this proxy statement/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 and Unaudited Pro Forma Condensed Combined Financial Statements and PHC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Fiscal Year Ended June 30,		
	2009	2010	2011
	(\$ in thousands)		
Income Statement Data:			
Revenues	\$ 46,411	\$ 53,077	\$ 62,008
Patient care expenses	23,835	26,307	30,236
Contract expenses	3,016	2,965	3,618
Provision for doubtful accounts	1,638	2,131	3,406
Administrative expenses	18,721	19,111	22,206
Legal settlement			446
Operating income (loss)	(799)	2,563	2,096
Other income including interest expense, net	(177)	(37)	(108)
Income (loss) before income taxes	(976)	2,526	1,988
Provision for (benefit from) income taxes	65	1,106	1,408
Net income (loss) from continuing operations	(1,041)	1,420	580
Net income (loss) from discontinued operations	(1,413)		
Net income (loss)	\$ (2,454)	\$ 1,420	\$ 580

	2009	June 30, 2010	2011
	(\$ in thousands)		
<b>Balance Sheet Data (as of end of period):</b>			
Cash and equivalents	\$ 3,199	\$ 4,540	\$ 3,668
Total assets	22,692	25,650	28,282

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Total debt	2,241	2,557	2,239
Total stockholders' equity	16,044	17,256	17,915

## **Table of Contents**

### ***Summary Unaudited Pro Forma Condensed Combined Financial Data***

The following summary unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2011 and year ended December 31, 2010 reflect (i) Acadia's acquisition of YFCS on April 1, 2011, (ii) PHC's acquisition of MeadowWood on July 1, 2011 and (iii) consummation of the merger and related transactions, as if the transactions had occurred on June 30, 2011 for the unaudited pro forma combined balance sheet and January 1, 2010 for the unaudited pro forma condensed statements of operations. The YFCS acquisition is reflected in Acadia's consolidated balance sheet as of June 30, 2011 and the following unaudited pro forma condensed combined balance sheet data as of June 30, 2011 reflects the MeadowWood acquisition and the consummation of the merger and related transactions as if each had occurred on June 30, 2011.

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

Unaudited Pro Forma Condensed Combined Financial Information beginning on page 37 of this proxy statement/prospectus, including assumptions relating to the fair value of consideration transferred, assets acquired and liabilities assumed in the acquisitions of YFCS, MeadowWood and PHC. MeadowWood was acquired in an asset acquisition. The assets acquired consisted of substantially all of the assets of HHC Delaware. The pro forma adjustments reflect the elimination of any assets of HHC Delaware not acquired by PHC. The fiscal years of Acadia, YFCS and HHC Delaware end December 31 while the fiscal year of PHC ends on June 30. The combined company will use Acadia's fiscal year ending December 31. The unaudited pro forma condensed combined balance sheet data combines Acadia's unaudited consolidated balance sheet as of June 30, 2011 with the consolidated balance sheet of PHC and the unaudited condensed consolidated balance sheet of HHC Delaware as of June 30, 2011. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines Acadia's audited consolidated statement of operations for the year ended December 31, 2010 with the audited consolidated statement of operations of YFCS for the year ended December 31, 2010, the audited consolidated statement of operations of HHC Delaware for the year ended December 31, 2010 and the unaudited condensed consolidated statement of operations of PHC for the twelve months ended December 31, 2010 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010). The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2011 combines Acadia's unaudited condensed consolidated statement of operations for the six months ended June 30, 2011 with the unaudited condensed consolidated statement of operations of YFCS from January 1, 2011 through the date of the YFCS acquisition, 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 six months ended June 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). The adjustments necessary to fairly present the unaudited pro forma condensed combined financial data have been made based on available information and in the opinion of management are reasonable. Assumptions underlying the pro forma adjustments are described in the section of this proxy statement/prospectus entitled Unaudited Pro Forma Condensed Combined Financial Information beginning on page 37 of this proxy statement/prospectus. and other information included in this proxy statement/prospectus. The following should be read in conjunction with the Selected Historical Financial Information, Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations, PHC Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus and other information included in this proxy statement/prospectus.

Preliminary estimates of the fair value of assets acquired and liabilities assumed in the YFCS, MeadowWood and PHC acquisitions have been incorporated into the unaudited condensed combined financial information. The



finalization of the fair value of assets acquired and liabilities assumed will most likely result in changes in the values assigned to property and equipment and other assets acquired and liabilities assumed. The unaudited pro forma condensed combined financial data is for illustrative purposes only and does not purport to represent what Acadia s

**Table of Contents**

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.

	<b>December 31, 2010 (\$ in thousands) (Unaudited)</b>	<b>June 30, 2011 (Unaudited)</b>
<b>Unaudited Pro Forma Condensed Combined Statement of Operations</b>		
<b>Data:</b>		
Revenue	\$ 320,298	\$ 168,493
Salaries, wages and benefits	189,000	121,587
Professional fees	18,245	9,180
Supplies	15,305	8,152
Rent	10,046	5,219
Other operating expenses	32,723	17,683
Provision for doubtful accounts	6,141	3,292
Depreciation and amortization	5,977	2,378
Interest expense, net	22,467	11,270
Impairment of goodwill	23,528	
Sponsor management fees		90
Legal settlement		446
Total expenses	323,432	179,297
Income (loss) from continuing operations before income taxes	(3,134)	(10,804)
Provision for income taxes	5,019	6,473
Income (loss) from continuing operations	\$ (8,153)	\$ (17,277)

**Unaudited Pro Forma Condensed Combined Balance Sheet Data (as of  
June 30, 2011):**

Cash and equivalents	\$ 7,474
Total assets	358,442
Total debt	290,313
Total stockholders' equity	7,424

The foregoing unaudited pro forma condensed combined financial data does not give effect to any anticipated cost savings or synergies. For a discussion of anticipated cost savings and synergies, see page 133 in "Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations - Anticipated Synergies, Cost Savings and Revenue Improvements."

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER**

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

**Q: Why are Acadia and PHC proposing the merger? (See pages 57 and 58)**

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

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

the opportunity to diversify service types and payor mix;

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

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

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

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

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

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

**Q: What percentage of Acadia will the former PHC stockholders own collectively immediately following the merger? (See page 53)**

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

**Q: What will PHC stockholders receive in exchange for PHC common stock in the merger? (See page 85)**

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

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

**Q: Will PHC stockholders be able to trade the Acadia common stock that they receive in the merger? (See page 94)**

A: Yes. Each of Acadia and PHC have agreed to cooperate and use reasonable best efforts to take all actions necessary to authorize for listing on NASDAQ the shares of Acadia common stock to be issued in the merger or if such listing is not possible, to be listed on NYSE Amex Stock Market or another securities exchange. In

**Table of Contents**

addition, it is a condition to completion of the merger that the shares of Acadia common stock to be issued in the merger are authorized for listing on a national securities exchange or eligible for trading on the over the counter bulletin board. Acadia has applied to be listed on NASDAQ under the symbol ACHC. Please see the risk factors beginning on page 18 for a discussion of risks associated with these listings.

**Q: Who will be the directors of Acadia following the merger? (See page 103)**

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

**Q: What constitutes a quorum for the special meeting? (See page 51)**

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

**Q: What stockholder approval is needed to complete the merger? (See page 50)**

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

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

**Q: What vote of PHC's stockholders is required to approve the non-binding, advisory proposal regarding certain merger-related executive compensation arrangements? (See pages 50 and 200)**

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

**Table of Contents**

**Q: What do I need to do now? (See page 51)**

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

**Q: If my shares of PHC common stock are held in street name by my bank or broker, will my bank or broker vote my shares for me? (See page 51)**

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

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

**Q: What will happen if I abstain from voting or fail to vote? (See page 51)**

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

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

**Q: If I am a PHC stockholder, what do I do if I want to change my vote after I have submitted my proxy? (See page 52)**

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

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

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

by attending the special meeting and voting in person.

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

**Q: When do you expect the merger to be completed? (See page 85)**

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

**Q: Will the merger trigger the recognition of gain or loss for United States federal income tax purposes for PHC stockholders? (See page 77)**

A: The closing of the merger is conditioned upon the receipt by PHC and Acadia of legal opinions that the merger will constitute a reorganization for United States federal income tax purposes. Assuming the merger constitutes a reorganization, subject to the limitations and qualifications described in The Merger Material United States Federal Income Tax Consequences of the Merger, PHC stockholders whose shares of PHC common



**Table of Contents**

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

**Q: Should PHC stockholders send in their stock certificates now? (See page 87)**

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

**Q: Whom should I call with questions? (See page 51)**

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

**Table of Contents**

**RISK FACTORS**

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

**Risks Related to the Merger**

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

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

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

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

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

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

Upon the closing of the merger, notwithstanding the terms and conditions of the corresponding stock option plan or otherwise set forth in Mr. Shear's stock option agreement, with respect to the assumed PHC options granted to Mr. Shear, (i) all such assumed options shall be subject to the same vesting conditions to which they were subject prior to the assumption and (ii) the vested portion of such assumed options will not terminate as a result of Mr. Shear ceasing or failing to become a director or employee and, subject to satisfaction of the vesting conditions, will be fully exercisable at any time prior to the expiration of the option term;

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

employment agreements will become effective upon the closing of the merger; and

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

In addition, you should be aware that Mr. Shear has a significant relationship with PHC due to his position as a current director of PHC and will have a significant relationship with Acadia following the merger as a future director of Acadia, which is why his assumed options will be treated differently than those of the other PHC

## **Table of Contents**

directors. This relationship may have influenced his decision to vote his PHC Class B Common Stock in favor of the merger agreement. Mr. Shear abstained from the vote of the PHC directors on the merger.

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

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

Following the merger the combined company will have a substantial amount of indebtedness. As of June 30, 2011, on a pro forma basis giving effect to the merger, the combined company would have had approximately \$290 million of total indebtedness and approximately \$23 million of available borrowing capacity under its revolving credit facility. Between \$80.0 million and \$90.0 million of Acadia's borrowings under the Senior Notes and/or Bridge Facility shall be used to pay a dividend to Acadia's existing shareholders and to make a payment to Waud Capital Partners in connection with the termination of the Professional Services Agreement. For a description of the expected financing for the merger, see "The Merger," Acadia's Financing for the Merger, and Unaudited Pro Forma Condensed Consolidated Financial Statements.

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

- increase our vulnerability to adverse economic and industry conditions;

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

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

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

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

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

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

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

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

***We will incur substantial expenses related to the merger and issue a significant cash dividend to Acadia's stockholders prior to the merger in connection with the merger.***

Acadia and PHC estimate that they will incur aggregate costs of approximately \$40.6 million associated with the merger, as well as severance costs relating to employees of PHC of approximately \$3.7 million. In addition, the combined company expects to incur certain costs in connection with the integration of the two companies. Such costs cannot now be reasonably estimated, because they depend on future decisions to be made by management of the combined company, but they could be material. Between \$80.0 million and \$90.0 million of Acadia's borrowings under the Senior Notes and/or Bridge Facility shall be used to pay a dividend to Acadia's existing shareholders and to make a payment to Waud Capital Partners in connection with the termination of the Professional Services Agreement.

## **Table of Contents**

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

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

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

Achieving the expected benefits of the merger will depend in part upon the retention of the chief executive officer, chief financial officer, medical director, physicians and other key personnel at the facilities owned and operated by Acadia and PHC and the successful integration of the operations, medical and management personnel, suppliers and technology of Acadia and PHC in a timely and efficient manner. Retention and integration efforts may be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions, strategic plans and other decisions. We do not know whether we will be successful in these retention and integration efforts and cannot give assurances that we will realize the expected benefits of the merger.

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

***Although the PHC board of directors received a fairness opinion with respect to some aspects of the merger consideration, the opinion is limited and does not address the fairness of all aspects of the merger.***

SRR has delivered to the PHC board of directors an opinion dated May 19, 2011 to the effect that, as of that date and subject to the assumptions made, matters considered and limitations as set forth therein, (i) the merger consideration to be received by the holders of outstanding shares of PHC's Class A Common Stock and Class B Common Stock (in the aggregate) was fair, from a financial point of view, to such holders, and (ii) the merger consideration to be received by the holders of the outstanding shares of PHC's Class A Common Stock (in the aggregate) was fair, from a financial point of view, to such holders. SRR was not requested to opine as to, and its opinion does not in any manner address: (A) PHC's underlying business decision to proceed with or effect the merger, (B) the amount of the merger consideration to be paid to holders of PHC's Class B Common Stock, the amount of any distribution paid to Acadia stockholders, the allocation of the merger consideration among the PHC stockholders or the amount per share of the merger consideration, the amount of the merger consideration paid to the holders of PHC's Class A Common Stock relative to the merger consideration paid to the holders of PHC's Class B Common Stock or relative to the merger consideration paid to all holders of PHC common stock, the amount of any payments made to PHC directors, officers or employees relative to the amount of the merger consideration paid to the holders of PHC's common stock or any other term or condition or any agreement or document related to, or the form or any other portion or aspect of, the merger, except as expressly stated in its opinion letter, or (C) the solvency, creditworthiness or fair value of PHC, Acadia or any other participant in the merger under any applicable laws relating to bankruptcy, insolvency or similar matters.

## **Risks Affecting Acadia, PHC and the Combined Company**

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

A significant portion of our revenues is from the government, principally Medicare and Medicaid. For the year ended December 31, 2010, Acadia derived approximately 68% of its revenues (on a pro forma basis giving effect to the YFCS acquisition) from the Medicare and Medicaid programs. PHC derived approximately 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

## **Table of Contents**

acquisition). Changes in government health care programs may reduce the reimbursement we receive and could adversely affect our business and results of operations.

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

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. If the joint select committee is unable to reach an agreement, across-the-board cuts to mandatory and discretionary federal spending could be automatically implemented, 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 payers, including managed care providers, significantly affects the revenues and operating results of our facilities.

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

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

During periods of high unemployment, governmental entities often experience budget deficits as a result of increased costs and lower than expected tax collections. These budget deficits at the federal, state and local levels have decreased, and may continue to decrease, spending for health and human service programs, including Medicare and Medicaid, which are significant payer sources for our facilities. In periods of high unemployment, we also face the risk of potential declines in the population covered under managed care agreements, patient decisions to postpone or decide against receiving behavioral health services, potential increases in the uninsured and underinsured populations we serve and further difficulties in collecting patient co-payment and deductible receivables.

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



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

**Table of Contents**

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

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

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

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

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

There are currently numerous legislative and regulatory initiatives at the federal and state levels addressing patient privacy and security concerns. In particular, federal regulations issued under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, require our facilities to comply with standards to protect the privacy, security and integrity of health care information. These regulations have imposed extensive administrative requirements, technical and physical information security requirements, restrictions on the use and disclosure of individually identifiable patient health and related financial information and have provided patients with additional rights with respect to their health information. Compliance with these regulations requires 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

## **Table of Contents**

penalty based on certain factors. Because there is no significant history of enforcement efforts by the federal government at this time, it is not possible to ascertain the likelihood of enforcement efforts in connection with these regulations or the potential for fines and penalties that may result from the violation of the regulations.

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

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

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

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

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

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

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

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

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the "PPACA"). The Healthcare and Education Reconciliation Act of 2010 (the "Reconciliation Act"), which contains a number of amendments to the PPACA, was signed into law on March 30, 2010. Two primary goals of the PPACA, combined with the Reconciliation Act (collectively referred to as the "Health Reform Legislation"), are to provide for increased access to coverage for healthcare and to reduce healthcare-related expenses.

The expansion of health insurance coverage under the Health Reform Legislation may increase the number of patients using our facilities who have either private or public program coverage. In addition, a disproportionately large

percentage of new Medicaid coverage is likely to be in states that currently have relatively low income 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

## **Table of Contents**

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

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

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

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

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

The healthcare industry is highly competitive, and competition among healthcare providers (including hospitals) for patients, psychiatrists and other healthcare professionals has intensified in recent years. There are other healthcare facilities that provide behavioral and other mental health services comparable to at least some of those offered by our facilities in each of the geographical areas in which we operate. Some of our competitors are owned by tax-supported governmental agencies or by nonprofit corporations and may have certain financial advantages not available to us, including endowments, charitable contributions, tax-exempt financing and exemptions from sales, property and income taxes.

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

decline in patient volume and our business may be harmed.

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

Insurance companies and managed care organizations are entering into sole source contracts with healthcare providers, which could limit our ability to obtain patients. Private insurers, managed care organizations and, to a

**Table of Contents**

lesser extent, Medicaid and Medicare, are beginning to carve-out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. Continued growth in the use of carve-out arrangements could materially adversely affect our business to the extent we are not selected to participate in such smaller specialized networks or if the reimbursement rate is not adequate to cover the cost of providing the service.

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

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

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

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

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

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

The nationwide shortage of nurses and other medical support personnel has been a significant operating issue facing us and other healthcare providers. This shortage may require us to enhance wages and benefits to recruit and retain nurses and other medical support personnel or require us to hire more expensive temporary or contract personnel. In addition, certain of our facilities are required to maintain specified nurse-staffing levels. To the extent we cannot meet those levels, we may be required to limit the services provided by these facilities, which would have a corresponding adverse effect on our net operating revenues.



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

## **Table of Contents**

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.

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

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

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

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

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

Acquisitions of other behavioral healthcare facilities are a key element of our growth strategy. We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors have greater resources than we do. Our principal competitors for

## **Table of Contents**

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.

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

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

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

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

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

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

**Table of Contents**

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

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

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

***Controls designed to reduce inpatient services may reduce our revenues.***

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

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

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

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



**Table of Contents**

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

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

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

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

After consummation of the merger, Waud Capital Partners will control approximately 63.0% of the voting power of our common stock and be able to elect a majority of our board of directors. As a result, we will be considered a controlled company for the purposes of the NASDAQ listing requirements. As a controlled company, we will be permitted to, and we intend to, opt out of the NASDAQ listing requirements that would otherwise require a majority of the members of our board of directors to be independent and require that we either establish a compensation committee and a nominating and governance committee, each comprised entirely of independent directors, or otherwise ensure that the compensation of our executive officers and nominees for directors are determined or recommended to our board 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.

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

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

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



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

**Table of Contents**

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

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

Generally accepted accounting principles are complex, continually evolving and may be subject to varied interpretation by us, our independent registered public accounting firm and the SEC. Such varied interpretations could result from differing views related to specific facts and circumstances. Differences in interpretation of generally accepted accounting principles could have a material adverse effect on our financial position or results of operations.

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

We operated 34 treatment facilities as of June 30, 2011 (on a pro forma basis giving effect to the merger, including PHC's acquisition of MeadowWood), 14 of which are located in Arkansas, Indiana, Michigan, Mississippi or Nevada. Our revenues in those states represented approximately 53% of our consolidated revenue for the year ended December 31, 2010 (on a pro forma basis giving effect to the YFCS acquisition and the merger, including PHC's acquisition of MeadowWood). This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results.

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

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

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



**Table of Contents**

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

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

a classified board of directors;

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

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

advance notice requirements for stockholder proposals and nominations; and

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

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

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

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

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

the foreseeable future.

#### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

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

**Table of Contents**

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

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

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

the impact of recent health care reform;

the impact of our highly competitive industry on patient volumes;

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

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

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

compliance with laws and government regulations;

the impact of claims brought against our facilities;

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

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

our status as a controlled company ; and

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

This proxy statement/prospectus contains forward-looking statements based on current projections about operations, industry, financial condition and liquidity. Words such as will, should, anticipate, predict, potential, estimate, continue, may, project, intend, plan, believe and words and terms of

**Table of Contents**

similar substance used in connection with any discussion of future operating or financial performance, the merger or the business of the combined company identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

All forward-looking statements reflect present expectations of future events by Acadia's and PHC's management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to the businesses of Acadia, PHC and the combined company, the uncertainty concerning the completion of the merger and the matters discussed above under

Risk Factors, among others, could cause actual results to differ materially from those described in the forward-looking statements. These factors include the relative valuations of Acadia and PHC, the market's difficulty in valuing the combined business, the possible failure to realize the anticipated benefits of the merger and the conflicts of interest of directors recommending the merger. Investors are cautioned not to place undue reliance on the forward-looking statements. Neither Acadia nor PHC is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.



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

The selected financial data presented below as of and for the fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the six months ended June 30, 2010 and 2011 do not give effect to the YFCS operating results prior to April 1, 2011 or the consummation of the merger. Acadia has derived the selected consolidated financial data presented below as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from Acadia Healthcare Company, LLC's audited consolidated financial statements included elsewhere in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below as of December 31, 2006, 2007 and 2008 and for each of the two years in the period ended December 31, 2007 from Acadia Healthcare Company, LLC's audited consolidated financial statements not included in this proxy statement/prospectus. Acadia has derived the selected consolidated financial data presented below as of and for the six months ended June 30, 2010 and 2011 from Acadia Healthcare Company, Inc.'s unaudited interim condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. The results for the six months ended June 30, 2010 and 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The selected consolidated financial data below should be read in conjunction with the Acadia Management's Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Condensed Combined Financial Statements and Acadia Healthcare Company, LLC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus. In addition to the acquisitions described in the notes to the consolidated financial statements included elsewhere in this proxy statement/prospectus, Acadia completed the acquisitions of the Vermillion and Montana facilities in 2006 and the Abilene facility in 2007. On May 13, 2011, Acadia Healthcare Company, LLC elected to convert to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

	Year Ended December 31,					Six Months Ended June 30,	
	2006	2007	2008	2009	2010	2010	2011
	(\$ in thousands, except per unit data)						
<b>Income Statement Data:</b>							
Net patient service revenue	\$ 8,542	\$ 25,512	\$ 33,353	\$ 51,821	\$ 64,342	\$ 32,472	\$ 82,961
Salaries, wages and benefits*	7,269	19,212	22,342	30,752	36,333	18,374	70,538
Professional fees	1,103	1,349	952	1,977	3,612	1,240	3,130
Provision for doubtful accounts	304	991	1,804	2,424	2,239	1,186	1,002
Other operating expenses**	4,865	8,112	8,328	12,116	13,286	6,523	23,406
Depreciation and amortization	202	522	740	967	976	480	2,201
Interest expense, net	171	992	729	774	738	358	2,215
Income (loss) from continuing operations, before income taxes	(5,372)	(5,666)	(1,542)	2,811	7,158	4,311	(19,531)

Income tax provision (benefit)			20	53	477	287	2,517
Income (loss) from continuing operations	(5,372)	(5,666)	(1,562)	2,758	6,681	4,024	(22,048)
(Loss) gain from discontinued operations, net of income taxes	(838)	(3,208)	(156)	119	(471)	96	(58)
(Loss) income on disposal of discontinued operations, net of income taxes		(2,019)					
Net income (loss)	\$ (6,210)	\$ (10,893)	\$ (1,718)	\$ 2,877	\$ 6,210	\$ 4,120	\$ (22,106)
Income (loss) from continuing operations per unit	\$ (0.54)	\$ (0.57)	\$ (0.16)	\$ 0.28	\$ 0.67	\$ 0.40	\$ (2.20)
Cash dividends per unit					\$ 0.23	\$ 0.08	\$ 0.04

	2006	2007	December 31, 2008	2009	2010	June 30, 2010	2011
<b>Balance Sheet Data (as of end of period):</b>							
Cash and equivalents	\$ 28	1,681	\$ 45	\$ 4,489	\$ 8,614	\$ 6,961	\$ 3,456
Total assets	17,878	23,414	32,274	41,254	45,412	42,938	266,643
Total debt	3,889	11,608	11,062	10,259	9,984	10,103	140,313
Total members equity	7,568	7,135	15,817	21,193	25,107	22,781	73,863

\* Salaries wages and benefits for the six months ended June 30, 2011 includes \$19.8 million of equity-based compensation expense recorded related to equity units issued in conjunction with the YFCS Acquisition.

\*\* Expenses of \$8.4 million related to the YFCS acquisition and PHC merger are reflected in other operating expenses for the six months ended June 30, 2011.

**Table of Contents****YFCS Historical Financial Data**

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

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

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

	2006	2007	December 31,			March 31,	
			2008	2009	2010	2010	2011
	(\$ in thousands)						
<b>Balance Sheet</b>							
<b>Data (as of end of period):</b>							
Cash and equivalents	\$ 8,492	\$ 6,875	\$ 20,874	\$ 15,294	\$ 5,307	\$ 8,570	\$ 4,009
Total assets	279,091	268,622	271,446	254,620	217,530	249,748	216,609
Total debt	151,102	139,687	138,234	112,127	86,073	98,831	84,304
Total stockholders equity	94,244	96,647	102,696	113,921	102,126	117,311	104,182

**Table of Contents****PHC Historical Financial Data**

The selected financial data presented below for the fiscal years ended June 30, 2007, 2008, 2009, 2010 and 2011 do not give effect to the recently completed acquisition of MeadowWood (substantially all of the assets of HHC Delaware) or consummation of the merger. The consolidated financial statements of HHC Delaware and notes related thereto are included elsewhere in this proxy statement/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 proxy statement/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 proxy statement/prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia's financial information. The selected financial data below should be read in conjunction with PHC Management's Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Condensed Combined Financial Statements and PHC's consolidated financial statements and the notes thereto included elsewhere in this proxy statement/prospectus.

	Year Ended June 30,				
	2007	2008	2009	2010	2011
	(\$ in thousands, except per share data)				
<b>Income Statement Data:</b>					
Revenues	\$ 40,563	\$ 45,397	\$ 46,411	\$ 53,077	\$ 62,008
Patient care expenses	19,738	22,133	23,835	26,307	30,236
Contract expenses	3,103	3,390	3,016	2,965	3,618
Provision for doubtful accounts	1,933	1,311	1,638	2,131	3,406
Administrative expenses	12,722	15,465	18,721	19,111	22,206
Legal settlement					446
Operating income (loss)	3,067	3,098	(799)	2,563	2,096
Other income including interest expense, net	(8)	(148)	(177)	(37)	(108)
Income (loss) before income taxes	3,059	2,950	(976)	2,526	1,988
Provision for (benefit from) income taxes	1,144	1,366	65	1,106	1,408
Net income (loss) from continuing operations	1,915	1,584	(1,041)	1,420	580
Net income (loss) from discontinued operations	(233)	(1,259)	(1,413)		
Net income (loss)	\$ 1,682	\$ 325	\$ (2,454)	\$ 1,420	\$ 580
Net income (loss) from continuing operations per share of common stock					
Basic	\$ 0.10	\$ 0.08	\$ (0.05)	\$ 0.07	\$ 0.03
Diluted	\$ 0.10	\$ 0.08	\$ (0.05)	\$ 0.07	\$ 0.03
Cash dividends per share of common stock	\$	\$	\$	\$	\$

	2007	2008	June 30, 2009	2010	2011
	(\$ in thousands)				
<b>Balance Sheet Data (as of end of period):</b>					
Cash and equivalents	\$ 3,308	\$ 3,142	\$ 3,199	\$ 4,540	\$ 3,668
Total assets	26,856	26,507	22,692	25,650	28,282
Total debt	2,566	2,422	2,241	2,557	2,239
Total stockholders' equity	18,250	18,659	16,044	17,256	17,915

**Table of Contents**

**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) Acadia's merger with PHC and the related transactions described elsewhere in this proxy statement/prospectus, as if the transactions had occurred on June 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 June 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 June 30, 2011.

MeadowWood was acquired by PHC in an asset acquisition. The assets acquired consisted of substantially all of the assets of HHC Delaware. The pro forma adjustments reflect the elimination of any assets of HHC Delaware not acquired by PHC. The fiscal years of Acadia, YFCS and HHC Delaware end December 31 while the fiscal year of PHC ends on June 30. The combined company will use Acadia's fiscal year ending December 31. The unaudited pro forma condensed combined balance sheet combines Acadia's unaudited consolidated balance sheet as of June 30, 2011 with the consolidated balance sheet of PHC and the unaudited condensed consolidated balance sheet of HHC Delaware as of June 30, 2011. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines Acadia's audited consolidated statement of operations for the year ended December 31, 2010 with the audited consolidated statement of operations of YFCS for the year ended December 31, 2010, the audited consolidated statement of operations of HHC Delaware for the year ended December 31, 2010 and the unaudited condensed consolidated statement of operations of PHC for the twelve months ended December 31, 2010 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010). The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2011 combines Acadia's unaudited condensed consolidated statement of operations for the six months ended June 30, 2011 with the unaudited condensed consolidated statement of operations of YFCS from January 1, 2011 through the date of the YFCS acquisition, 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 six months ended June 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).

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 cannot be made prior to the completion of the merger 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 Acadia's financial position or results of operations actually would have been had the events noted above in fact occurred on the assumed dates or to project our financial position or results of operations for any future date or future period.

The unaudited pro forma condensed combined financial data does not reflect the effects of any future restructuring activities or operating efficiencies pertaining to the combined operations (for a discussion of anticipated cost savings and synergies, see page 133 of Acadia Management's Discussion and Analysis of



**Table of Contents**

Financial Condition and Results of Operations    Anticipated Synergies, Cost Savings and Revenue Improvements    ).

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

[illegible]

Cash and cash equivalents	\$ 3,456	\$ 3,669	\$ 32	\$ (32) 522	(5) (8)	\$ 4,191	\$ (173) (13)	\$ 7,474
Accounts receivable, net	22,560	11,079	1,482			12,561		35,121
Other current assets	10,246	4,615	1,055	(643)	(5)	5,027		15,273
Total current assets	36,262	19,363	2,569	(153)		21,779	(173)	57,868
Property and equipment, net	55,313	4,713	8,108	1,566	(7)	14,387	107 (12)	69,807
Goodwill	146,811	969	18,677	(9,136)	(7)	10,510	37,550 (12)	194,871
Intangible assets, net	18,836			700	(7)	700	1,100 (12)	20,636
Other assets	9,421	3,237		1,399	(8d)	4,593	3,800 (13a)	15,260
							(648) (12)	
				(43)	(10)		(1,906) (10)	
Total assets	\$ 266,643	\$ 28,282	\$ 29,354	\$ (5,667)		\$ 51,969	\$ 39,830	\$ 358,442

Current portion of long-term debt	\$ 6,750	\$ 2,163	\$ 52	\$ (1,898)	(9)	\$ 265	\$ (265)	(14)	\$ 6,750
				(52)	(5)				
Accounts payable	6,705	2,890	157			3,047			9,752
Accrued salaries and benefits	12,906	2,027	635	(635)	(5)	2,027			14,933
Other accrued liabilities	6,873	2,387	457	(401)	(8b)	2,138			9,011
				(305)	(5)				
Total current liabilities	33,234	9,467	1,301	(3,291)		7,477	(265)		40,446
Long-term debt	133,563	57	53	26,178	(9)	26,235	123,765	(14)	283,563

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				(53)	(5)				
Other liabilities	25,983	843	27,744	(27,744)	(5)	843	183	(12)	27,009
Total liabilities	192,780	10,367	29,098	(4,910)		34,555	123,683		351,018
Equity:									
Member s equity			256	(256)	(6)				
Common stock	100	208				208	(208)	(6)	226
							77	(11)	
							49	(12)	
Additional paid-in capital	105,557	28,221				28,221	(28,221)	(6)	79,534
							(77)	(11)	
							48,495	(12a)	
							(74,441)	(13)	
Treasury stock		(1,809)				(1,809)	1,809	(6)	
Accumulated deficit	(31,794)	(8,705)		(388)	(8c)	(9,206)	9,206	(6)	(72,336)
				(70)	(8a)		(40,432)	(13a)	
				(43)	(10)		(110)	(12)	
Total equity	73,863	17,915	256	(757)		17,414	(83,853)		7,424
Total liabilities and equity	\$ 266,643	\$ 28,282	\$ 29,354	\$ (5,667)		\$ 51,969	\$ 39,830		\$ 358,442

See accompanying notes to unaudited pro forma financial information.

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
For the Six Months Ended June 30, 2011**

	Acadia Pro Forma		PHC Pro Forma		Pro Forma
Acadia	YFCS	Pro Forma	HHCMeadowWood	Pro Forma	Merger&nb